Journal of World Business 47 (2012) 277–287

Contents lists available at ScienceDirect

Journal of World Business

journal homepage: www.elsevier.com/locate/jwb

International new ventures as "small multinationals": The importance of marketing capabilities

Maria Ripollés *, Andreu Blesa [1]

Department of Business Administration and Marketing, Universitat Jaume I, Av. Vicente Sos Baynat, s/n, 12071 Castellón, Spain

ARTICLE INFO

Keywords:
International new ventures
Marketing capabilities
Entry mode
Performance

ABSTRACT

This paper explores how marketing capabilities contribute to the international expansion of international new ventures, and influence their choice of entry mode. The study examines how marketing capabilities help international new ventures to use entry modes involving higher resource commitment in international markets. The proposed model was tested on country-level data from Spain. The results show that marketing capabilities contribute to a firm's decision to choose entry modes involving higher resource commitment in foreign markets. The paper also includes insights on antecedents of international new ventures' choice of entry modes in foreign markets.

1. Introduction

Today, barriers to international trade and investment are significantly eroded. Internationalization has been eased by improvements in technology, infrastructure and deregulation. Nevertheless, rapid international market entry alone is not a sufficient strategy for international new ventures (INVs). It must be supported by entry mode strategies (Jones & Coviello, 2005; McDougall & Oviatt, 1996). It is particularly striking to note the paucity of studies analyzing the factors that may influence the governance structure INVs usually expand internationally (Autio, 2005; Jones & Young, 2009; Zahra, 2005). The lack of these studies is especially surprising since entry modes involve greater commitment of resources in foreign markets (Aspelund, Madsen, & Moen, 2007) than in host country markets. INVs are subject to the liabilities of newness and youth (Burgel & Murray, 2000; Jones & Young, 2009) that highlight marketing functions. This study sheds light on the current literature on this topic and lays the basis for future research.

Previous studies have highlighted market entry decisions as one of the major topics for international marketing focusing on managerial "how-to" (Kotabe, 2001). INV theory (Oviatt & McDougall, 1994), however, has been excluded from comprehensive literature reviews (e.g. Brouthers & Hennart, 2007). Hence much of the research on SMEs, international marketing and the process of internationalization has been ignored. In this regard, entry mode is fundamental to gain a fuller understanding of international entrepreneurship. Indeed, entry mode is a formal part of the internationalization process, and is indicative of the competitive stance of SMEs in foreign and global markets. An amazing number of studies have failed to accommodate any discussion on the role of entry mode or mode of operation as a component of international venturing (Jones & Young, 2009).

The few available studies do little more than observe entry modes as reported by respondents and add little knowledge to strategic choices (Jones & Young, 2009). This research lays the basis for future research by establishing marketing capabilities as an antecedent of higher commitment entry modes in INVs. By contemplating marketing capabilities as a key factor in the choice of entry modes, especially those involving higher commitment of resources, this study helps to further understanding INVs' international behavior.

It would seem logical to assume that INVs choose relatively lower commitment entry modes such as indirect exporting or licensing whenever possible in order to overcome resource constraints and foreign risk (Aspelund et al., 2007; Burgel & Murray, 2000; Coviello & Munro, 1997; Jolly, Alahuhta, & Jeanet, 1992). The use of entry modes involving higher commitment in foreign markets does not seem to be a realistic approach to international markets in the early stages (McAuley, 1999) because INVs lack resources and experience. Nevertheless, some authors have recently shown that not only do INVs use entry modes involving higher commitment in foreign markets right from the start (Aspelund et al., 2007) but that it also seems to be a competitive strategy (Zahra, Ireland, & Hitt, 2000).

A possible factor influencing the choice of entry modes involving higher commitment of resources (Brouthers, 2002; Brouthers & Nakos, 2004) is INVs' knowledge of foreign markets. The greater the knowledge, the more likely it is that INVs will use

* Corresponding author. Tel.: +34 964 38 71 08; fax: +34 964 72 86 29.
E-mail addresses: mripolle@emp.uji.es (M. Ripollés), blesa@emp.uji.es (A. Blesa).
[1] Tel.: +34 964 38 71 18; fax: +34 964 72 86 29.

1090-9516/$ – see front matter
doi:10.1016/j.jwb.2011.04.015

methods involving a higher resource commitment such as joint ventures, partial or total acquisition or greenfield investments (Johanson & Vahlne, 1977, 1990). Therefore, the development of marketing capabilities can play a fundamental role in understanding how INVs increase their commitment of resources in foreign markets (De Clercq, Sapienza, & Crijns, 2005; Oviatt & McDougall, 2005; Prashantham, 2005; Weerawardena, Mort, Liesch, & Knight, 2007).

This study contributes to international entrepreneurship research in several ways. First, given its impact on performance, numerous empirical studies have addressed the entry mode decision (Brouthers & Hennart, 2007; Canabal & White, 2008; Sarkar & Cavusgil, 1996). It is the third most researched field in international management (Werner, 2002). However, little effort has been made in the field of international entrepreneurship. Our study contributes to make up for this lack of empirical studies explaining the antecedents of entry mode decision in international new ventures. Second, we examine a wider range of modal choices rather than simple bivariates, like equity/non-equity modes, thereby enriching the analysis. Third, for research on international entrepreneurship and international new ventures to develop further, we need to know more about the factors affecting the entry mode choice of these companies. Most of the reported research has turned its attention on the external conditions that affect entry mode choice (Morschett, Schramm-Klein, & Swoboda, 2009). However our research is focused on marketing capabilities. Finally, because international entrepreneurship research is lacking notions from international business theories (Young, Dimitratos, & Dana, 2003), such theories are needed to broaden the scope of the research field. This study contributes to international entrepreneurship research by integrating concepts from a resource-based view of firms with international entrepreneurship research.

In this paper we develop a theoretical model that explores the effect of marketing capabilities on higher commitment entry modes and INVs' international success. We construct our theoretical model on contributions coming from the resource-based view of firms (RBV). This choice has been motivated by the fact that RBV emphasizes the role of the firm's capabilities when explaining entry mode choice. We then test this model in an empirical study of a multi-industry sample of Spanish INVs operating in foreign markets. Finally, we discuss the results of the study, together with its limitations, implications and possible future research lines.

2. The influence of marketing capabilities on entry mode choice in international new ventures

International market entry modes refer to the methods of business organization employed by companies to enter international markets for the purpose of undertaking value-creating activities. They signify formal organizational arrangements of business practices that cross borders, transfer aspects of business into the host country, and indicate the form of return in terms of revenue and investment (Jones & Young, 2009). With the choice of entry mode, a firm also tries to develop the specific resources and capabilities needed to compete in its new environment.

Authors have offered different typologies of market entry modes; we follow that of Anderson and Gatignon (1986) and Erramilli and Rao (1990) in which modes represent a spectrum of involvement ranging from licensing and indirect exporting through to wholly owned firms. This categorization assumes that the different methods represent a continuum of control, commitment and risk, which implies differences in their effectiveness in actually transferring resources and capabilities (Anderson & Gatignon, 1986; Jones & Young, 2009).

In entry mode literature, different models have been developed to analyze the main factors that could explain entry mode choice. For example, there is the eclectic approach (Dunning, 1979, 1980); the approach based on networks (Johanson & Matsson, 1987); gradualist approaches (Johanson & Vahlne, 1977, 1990) or, more recently, company capability-based models with a theoretical RBV theory basis (Chang & Rosenzweig, 2001; Madhok, 1997; Peng & Wang, 2000). Originally formalized in 1991 as a rather static list of ingredients for competitive advantage, RBV has evolved into a dynamic recipe explaining how to use the ingredients. According to this paradigm, a firm must have valuable, rare, inimitable, non-substitutable resources and capabilities to gain a competitive advantage. In addition to possessing these ingredients, firms seeking a competitive advantage must also demonstrate the ability to alter them so as to realize their full potential.

The study model is based on the contributions of RBV, particularly the contributions facilitating dialog with transaction cost theory (for a critical review of the main contributions to RBV theory on this point, see Newbert, 2007). We adopt this theory because INVs lack resources and their choice of foreign market entry modes cannot therefore be principally resource-based. It is more reasonable to suppose that this choice may be based on the capacity of INVs to leverage a collection of fundamental capabilities and on each method's effectiveness in transferring INV capabilities (Gleason & Wiggenhorn, 2007). By doing this, we are also following recent calls in international entrepreneurship (IE) for further integration of concepts from the RBV of firms (Jantunen, Puumalainen, Saarenketo, & Kyläheiko, 2005; Knight & Cavusgil, 2004; Weerawardena et al., 2007).

Foreign market knowledge is an important factor influencing INVs' entry mode choice (Eriksson, Johanson, Majkgard, & Sharma, 1997; Johanson & Vahlne, 1977, 1990). Following De Clercq et al. (2005), two main arguments may be given for this positive relation. First, when INVs become more comfortable with the particular situations encountered in foreign markets, the uncertainty related to further increasing the intensity of international activities may diminish. Second, the more market knowledge an INV has gained, the more willing it will be to utilize and exploit this knowledge through subsequent international activity.

Marketing capabilities play a major role in INVs' choice of entry modes. Marketing capabilities can be considered as the skills and competences a firm possesses that help it to understand changes taking place in its markets, together with those that enable it to operate more effectively in that market place (Day, 1994). They are capabilities "where 'marketing' is interpreted as a verb, rather than an adjective" (Gibbert, Golfetto, & Zerbini, 2006, p. 149). These capabilities include market sensing capabilities, such as market research; market bonding capabilities, such as customer relationship management (CRM), and spanning capabilities. Spanning capabilities include information sharing and dissemination throughout the organization, coordination mechanisms to integrate market knowledge into internal processes, and activities to generate new market knowledge. The definition of Day's marketing capability is the result of an integration process designed to apply collective knowledge, business strategy and organizational structure to the market-related needs of the business (Vorhies, 1998).

According to RBV, INVs will prefer to use higher commitment entry modes when their competitive advantage is associated with capabilities that are difficult to transfer (Madhok, 1997). In this case, the foreign partner cannot replicate this capability without losing some of the value. Under such circumstances, the INV may undertake internal transfer to preserve the value of their capabilities. Marketing capabilities are based on how INVs manage market knowledge to develop substantive business capabilities. They have a high tacit component (Teece, Pisano, & Shuen, 1997),