

INTERNATIONAL NEW VENTURES COMPETITIVENESS: A RESOURCE-BASED VIEW APPROACH

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ABSTRACT

Drawing on the Dynamic Capabilities Perspective and the Resource Based View (RBV) of the firm, this paper seeks to further our understanding of international new ventures operating in a traditional commodity sector. We believe that this study can contribute to our knowledge on understanding how international new ventures (INVs) in traditionally low-tech sectors develop competitive advantage. The study reveals an entrepreneurial perspective to the Dynamic Capabilities theory of the firm and presents a conceptual research framework to further our understanding on INVs.

INTRODUCTION

International entrepreneurship (IE) is described as “a process of creatively discovering and exploiting opportunities that lie outside a firm’s domestic markets in the pursuit of competitive advantage” (Zahra & George, 2002). International new ventures (INVs) constitute a form of international entrepreneurship. From inception, they ‘seek to derive significant competitive advantage from the use of resources and the sale of outputs in multiple countries’ (McDougall et al., 1994). Many studies hold that for INVs to internationalise successfully much depends on the internal capabilities of the firm (McDougall et al., 1994; Autio et al., 2000; Zahra et al., 2000). Faced with wealthy, experienced multinationals (MNEs), INVs need to develop their own unique and dynamic competencies – manifested through unique knowledge-intensive assets (technological offerings) and the ability to utilise technology effectively (Teece et al., 1997; Hamel & Prahalad, 1990; Eisenhardt & Martin, 2000). Furthermore, INVs with superior technologies and an internationally experienced and proactive entrepreneurial team are more likely to acquire international competitive advantage early than those without (McDougall et al., 2003; Rialp et al., 2005; Aspelund et al., 2007; Weerawardena et al., 2007).

International entrepreneurship (IE) literature has tended to focus on firms operating in high-technology and knowledge-intensive sectors of the economy, with little attention devoted to how INVs in mature, low-technology industries develop competitive advantage on international markets (see Fillis, 2000; Knight et al., 2001; Wickramasekera & Bamberry, 2001; Belso-Martinez, 2006; Evers & O’Gorman, forthcoming). This study uses the OECD industry

classifications to distinguish between high and low technology sector¹. Low-tech sectors mainly comprise “mature” industries such as food processing, publishing and furniture industries. These industries are more challenged by the globalization processes, such as rapid advancements in technology and ICT, and as their products can be easily imitable to a large extent they can ultimately fail under cost and competition pressures.

However, international performance is also a function of an entrepreneur’s managerial competence (Chandler & Hanks, 1994). High-performing INVs can also show timely responsiveness, flexibility, and managerial capabilities such as the ability to innovate and develop knowledge and a network of resources for competitive advantage (Teece, 2000; Nootboom, 2002; Weerawardena et al., 2007). Zahra et al. (2000) also found that it was not the technology or the R&D, per se that facilitated successful internationalisation processes, but rather the network linkages embedded in the entrepreneurial team.

We know little about the resources, knowledge and capabilities that can underpin the competitiveness of INVs where technologically embedded offerings are not a core component of competitive advantage, and where industry dynamics can differ greatly from each other. With only a handful of INV studies on low-tech sectors, this study draws on the dynamic capabilities perspective (Teece et al., 1997) and RBV (Barney, 1991) to investigate how INVs operating in a low technology sector of the global economy, namely seafood, develop and sustain competitive advantage on international markets.

Despite much sophisticated theoretical conceptualizations of the Dynamic Capabilities perspective of the firm (Teece et al., 1997; Eisenhardt & Martin; 2000; Weerawardena et al., 2007) empirical studies have been limited in explaining how Dynamic Capabilities are actually developed and manifested in INVs. Although existing empirical studies suggest that firms develop Dynamic Capabilities through building, adapting and reconfiguring existing capabilities (Montealegre, 2002; Zucchella, 2005), case studies have been called for to effectively capture dynamic capability development in the present context of INVs. Drawing on three in-depth cases of highly export-dependant Irish ventures operating in a traditionally low-technology sector, namely the global seafood industry, this study seeks to explore two research questions:

1. How does new seafood export ventures firms develop and sustain competitive advantage on international markets?
2. What are the strategic attributes of new seafood export ventures firms that explain their international competitiveness?

¹ According to OECD a key determinant of industry classification is the level of R&D intensity within the sector. A common indicator that is used internationally to measure the ratio of the R&D expenditure to the turnover of a company or a business sector. The OECD distinguished between industries in terms of R&D intensities, with those (such as ICT or pharmaceuticals) spending more than 4% of turnover being classified as high-technology, those spending between 1% and 4% of turnover (such as vehicles or chemicals) being classified as medium-tech, and those spending less than 1% (such as textiles or food) as 'low tech'. Hence 'low tech sectors comprise for the most part “mature” industries such as the manufacture of household appliances, the food industry, the paper, publishing and print industry, the wood and furniture industry'. (OECD, **OECD Science and Technology Indicators, No 2: R&D, Innovation and Competitiveness**, (OECD:Paris), pp. 58-61.

Before proceeding with the literature review, the context of the study follows. The methodology and the case summaries are presented. Findings and discussion follows, leading to a conceptual research framework for further research. Finally, conclusions and implications of the study are identified.

Context

The Irish economy is highly dependant on seafood exports with over 55% of total produce exported in 2007 (BIM, 2008). The seafood industry is viewed by the National social and economic policy as an important way of developing economic activity in remote and economically disadvantaged regions. The seafood industry itself is a global one and exhibits a high degree of environmental turbulence and volatility. Typical of a low technology sector, the global seafood industry is mainly commodity driven, characterised by increasingly price-sensitive customers, and is hampered by supply issues pertaining to legal quotas and occasional ecological threats.

Firms are also exposed to challenges such as national and international health and safety food regulations, and competition based on quality and service delivery. Irish seafood exporters are faced with increasing global competition from larger seafood producers in Asia and South America, leading to cut-throat price competition. Given the importance of the seafood sector for the Irish economy, acquiring and sustaining competitive advantage is of critical importance to not only their own survival on foreign markets but for the Irish economy, which is heavily reliant on the seafood sector for driving indigenous exports.

LITERATURE REVIEW

Synthesis of Key Findings: Strategic Attributes of INVs

Rialp et al.'s (2005) work and more recently the work of Aspelund et al (2007) and Keupp and Gassmann (2009) have provided comprehensive literature reviews on the body of published studies on INVs. Building on these works, this review is more specific in its scope, by identifying those attributes of INVs underpinning their international competitiveness. This study defines strategic attributes as those firm resources and capabilities that enable an INV to develop and sustain competitiveness on international markets at an early stage in its life-cycle. These are typically internal resources, and they provide the firm with a unique and sustainable advantage over competitors (Penrose, 1959).

Table 1 (below) clusters the key strategic attributes most supported in the INV literature. A number of observations can be made in this regard.

**TABLE 1. KEY STRATEGIC ATTRIBUTES
OF INTERNATIONAL NEW VENTURES**

Entrepreneurial attribute	Author	Firm attribute	Author
Global orientation of founder international work experience	Ganitsky, 1989; Jolly et al., 1992; Knight & Cavusgil, 1996; Knight, 1997; McKinsey, 1990; Eriksson, Makjgard & Sharma, 1997; Servais & Rasmussen, 2000; McDougall & Oviatt, 1995, 1994, 2003; Harveston et al., 2000; Larimo, 2001; Pulkkinen & Larimo, 2002; Saarenkeeto et al., 2003; Moen, 2000, 2001; Rialp et al., 2002; Aspelund & Moen, 2001; Fletcher, 2000; Knight 2001. Andersson & Evangelista, 2006	Superior technology and high knowledge intensity	McKinsey & Co., 1993; Bloodgood & Sapienza, 1996; Oviatt & McDougall, 1994; Larimo, 2001; Jolly et al., 1992; Rialp et al., 2002; Bloodgood et al., 1996; McDougall et al., 1994; Larimo, 2001; Rialp et al., 2002; Sapienza, Autio & Almeida, 2000; Zahra et al., 2001; McKinsey, 1993; Bloodgood & Sapienza, 1996; Jolly et al., 1992; Johnson, 2004. Keeble, 1999
Strong international business networks prior to inception	Larimo, 2001; Madsen & Servais, 1997; Oviatt & McDougall, 1994; Loane and Bell, 2006; Andersson & Evangelista, 2006	Global niche market strategy	Larimo, 2001; Jolly et al., 1992; Madsen, Rasmussen & Servais, 2000; Zuchella, 2002; Moen, 2002; Aspelund & Moen, 2001. Madsen and Servais, 1997; Bloodgood et al., 1996; Oviatt and McDougall, 1994; Knight and Cavusgil, 1996; Knight, Bell and McNaughton, 2001; Servais and Rasmussen, 2000. Rennie (1993); Keeble et al, 1999;
Experiential industry knowledge	Larimo, 2001; Wickramasekera & Bamberly 2001; Rasmussen et al., 2001.	Customer orientation	Jolly et al., 1992; Larimo, 2001; Aspelund & Moen, 2001.

First, by drawing on the key attributes that are well-supported across studies, we can create a profile of INVs. Noting the high concentration of studies on INVs in high technology sector (see Jolly et al., 1992; Knight & Cavusgil, 1996; Jones, 1999), one can assume that these attributes are not necessarily specific to low tech sectors of the economy. Secondly, a firm's unique knowledge-intensive assets (in the form of technological offerings) and their ability to utilise

technology effectively (McDougall et al 2003) create the basis for competitive advantage and accelerate early and successful internationalisation of new firms (Autio & Sapienza, 2000). Thirdly, studies also support the view that entrepreneur-specific capabilities are important for international performance (Knight & Cavusgil, 1996; McDougall & Oviatt, 1996; Zucchella et al., 2005), can influence the strategic management and direction of the firm (Kuivalainen & Bell, 2004; Weerawardena et al., 2007).

Attributes of the INV Entrepreneur

From this review, the attributes (Table 1) can be examined at two levels: 1) The Entrepreneur, and 2) the Firm. Drawing on Hutchinson et al.'s (2006), categorization of managerial characteristics, the attributes associated with INV entrepreneurs can be categorized in to objective capabilities and subjective capabilities.

Objective capabilities are identified as the founder's possession of prior experiential international work experience, prior industry knowledge, and networks. Such prior experiential knowledge and knowledge of network ties represent a unique resource for the firm in the form of human capital i.e. the INV founder-manager. In their comparison of domestic new ventures and INVs, McDougall et al. (2003) found that INV founder's prior international experience was cited as a key factor that distinguished INVs other new ventures. McDougall et al. (2003) also identify the founder's prior international work experience as critical experience for the firm to leverage however they also suggest that suggest that the founder's prior generalist experience in the form of technical, marketing and start-up were valuable types of knowledge for the firm. However, 'economic rents for the firm' will not be generated from objective knowledge and capabilities if managerial effort and motivation are lacking or misdirected (Castanias & Helfat, 2001), hence we turn to subjective capabilities of the INV founder.

Subjective capabilities: In the context of entrepreneurial behaviour, Bateman and Crant (1993) refer to the construct of a proactive personality, which is defined as the extent to which individuals 'scan for opportunities, show initiative, take actions, and persevere until they reach closure by bringing about change' (Bateman & Crant, 1993). This can also be referred as subjective capabilities and were commonly displayed by the INV entrepreneurs' personal traits and capabilities. INV entrepreneurs were found to enact entrepreneurial oriented behaviours by engendering global vision, proactiveness, risk-taking and customer-orientation from inception (Rialp et al., 2005). Other subjective attributes were global mindset of the founder. Global mindset refers to the INV founder's proactiveness and vision towards leading and managing their new ventures on international markets (Haveston et al., 2000).

Similarly, in their theoretical paper, Weerawardena et al. (2007) posit that INV founder-managers possess certain dynamic attributes that drive the capability building process of the firm to develop knowledge intensive products for competitive advantage (p. 299). They propose that founder-managers possess 'networking capabilities' for knowledge and resource acquisition and international 'market focused learning capabilities' to better position their firm in niche markets. Market-focused learning capability is defined 'as the capacity of the firm, relative to its competitors, to acquire, disseminate, learn and integrate market information to create value activities' (Weerawardena et al., 2007).

Attributes of INV firm

At firm level, three key attributes (see Table 1) emerge as the basis for competitive advantage for INVs. Firstly, studies agree that INVs position themselves on product differentiation through creation of unique intangible knowledge-intensive offerings, facilitated by technological innovations. Second, these firms target and deliver to global niche customer segments, and in doing so develop and maintain close working relationships with their international customers (McDougall et al., 1994; Madsen & Servais, 1997).

From the findings (See Table 1), it can be argued that the development of competitive advantage is developed within the internal boundaries of the firm; in particular profitability and growth should be understood in terms of the firm's possession and development of unique and idiosyncratic resources (Penrose, 1959). Such resources may include the firm's 'human resources, capabilities, competencies, orientations, stock of knowledge and technology, knowledge management procedures, and human capital' (Etemad, 2004). Knowledge, and the capability to create and utilise it, is a prime source of sustainable competitive advantage for firms. Many researchers have drawn on the RBV, the Knowledge Based View (Autio & Burgel, 1999; Sapienza & Autio, 2000; Autio et al., 2000; Kuivalainen & Bell, 2004) and more recently, the Dynamic Capabilities perspective to explain competitive advantage in INVs (Zucchella, 2005; Weerawardena et al., 2007).

Dynamic Capabilities and Resource based view of the firm

The RBV suggests that firms in the same industry perform differently because they differ in their resources and capabilities. As much of the RBV literature focuses on static firm-specific resources, the KBV extends the RBV to examine those resources that are non-stationary and more dynamic (Kuivalainen & Bell, 2004). The KBV overlaps with the Dynamic Capabilities view (Teece et al., 1997). The KBV and Dynamic Capabilities perspective have been used interchangeably in the literature, since both approaches focus on knowledge inventories, capabilities and resources as sources of competitive advantage and firm growth. However, the Dynamic Capabilities view, whilst implicitly suggesting the need to distinguish capabilities from resources, stresses the importance of the dynamic processes of capability building in gaining competitive advantage (Weerawardena et al., 2007). In contrast to the RBV, the Dynamic Capabilities theory posits that the firm needs to develop new capabilities to identify opportunities and to respond quickly to them. The Dynamic Capabilities view considers firms as active generators of competitive resources by which managers 'integrate, build, and reconfigure internal and external competencies to address rapidly changing environments' (Teece, et al, 1997).

The role of the entrepreneur in Dynamic Capabilities perspective of firm

The Dynamic Capabilities view assigns a prominent role to the entrepreneurial decision-makers in the formulation and implementation of competitive strategy (Weerawardena et al., 2007). Dynamic Capabilities are also developed consciously and systematically by the wilful choices and actions of the firm's strategic leaders (Grant, 1991; Teece et al., 1997; Weerdeena et al., 2007). Following the logic of the RBV (Barney, 1991), Castanias and Helfat (2001) suggest that managerial resources, defined as the skills and abilities of managers, can be difficult to replicate

quickly. Managerial skill sets, combined with other firm assets and capabilities, jointly have the potential to generate rents and can be ‘key’ contributors to the entire bundle of firm’s resources that enable some firms to generate rents more than others (Castanias & Helfat, 2001).

New firms can internationalise successfully due the entrepreneurs’ specific capabilities (Oviatt & McDougall, 1994; Knight & Cavusgil, 1996). Entrepreneurial orientated firms display capabilities like innovation, and proactively seeking opportunities to recognise opportunities (Lumpkin & Dess, 1996). What one conceives of entrepreneurship is a process, not just a status, and as such it requires dynamic attributes (Zucchella et al., 2005). It requires the entrepreneur to develop the organisation through capabilities reconfiguration (Montealegre, 2002) - the capacity of the founder-manager to mobilise resources and develop and reconfigure Dynamic Capabilities in changing business environments for firm performance (Zucchella et al., 2005; Weerawardena et al., 2007). Weerawardena et al., (2007) positioned the owner-manager central to the development of dynamic capability for knowledge-intensive firms.

Building on the above arguments, this paper argues that the dynamic capability perspective and the RBV can explain how INVs in a low technology sector develop competitive advantage and also underpin those strategic attributes that enable them to do so. Incorporating the Dynamic Capabilities view enables us to capture the development of capabilities that facilitates the INVs to acquire competitive advantage. While the Dynamic Capabilities enables us to capture the role of knowledge in creating competitive advantage, this research examines the entrepreneur prior knowledge and capabilities (objective and subjective) in building firm capabilities in terms of accessing, developing, combining and integrating resources inside and outside the firm for competitive advantage.

RESEARCH METHODOLOGY

Case Study Approach

As the present study aims at answering ‘how’ questions relating to a contemporary set of events, including dynamic processes, qualitative research using case study methodology was selected with Critical Incident Technique (CIT) as the main tool for data analysis. Many authors (Chetty, 1996; Ghauri, 2004; Fletcher, 2009) have promoted the use of the case method in research on international business research. Its strength lies in facilitating the study of the internationalisation process from several perspectives and therefore facilitating a more thorough analysis of each firm than is possible in survey research. If the research problem necessitates rich, deep information, then a small set of case studies is appropriate; and, providing that generalizability is not assumed, meaningful findings can still result.

Critical Incident Technique

For case data analysis, many authors (Sinkovics et al., 2008; Ghauri & Firth, 2009) have advocated the use of formalised procedures for the analysis and interpretation of qualitative interview case data. To this end, critical incident technique was used together with replication logic to enrich the understanding of the concept and extend the narrative quality of the data. CIT refers to “a set of procedures for collecting direct observations of human behaviour in such a

way as to facilitate their potential usefulness in solving practical problems.” CIT focuses on capturing process through a series of discrete events and has been effective for exploring the dynamics of processes, the delivery of and acting on that information and the outcome of the event. The interview technique has been the main procedure for gathering qualitative data for CIT. Using critical incidents provide a better understanding of how Dynamic Capabilities develop and manifested captured in the case firms. Further, CIT lends itself to small sample sizes (Neupart et al., 2006) which also suits the number of cases used in the study as discussed below.

Case Selection

The choice of three cases was made based on conceptual grounds, rather than representative grounds (Miles & Huberman, 1994). The aim was to identify meaningful venture knowledge, capabilities and other attributes that can explain help each case firm’s international competitiveness. Random selection was neither necessary nor desirable, and hence theoretical sampling was used. Theoretical sampling occurs when cases chosen are likely to replicate or extend the emergent theory. Following this logic, Miles and Huberman’s (1994) four parameters (setting, actors, events, and processes), were used as the case sampling frame (See Table 2). This sampling technique ensured that cases fit into conceptual categories and were seen to enhance their explanatory power of case data.

TABLE 2. SAMPLING PARAMETERS FOR CASE COMPANIES

Sampling Parameters	Choices
Settings	Irish seafood INVs
Actors	Founders /Managing Directors and Industry agency officials
Events	Initial and subsequent international foreign market entry and market development
Processes	New venture and entrepreneurial processes; resource and capability acquisition and building processes; knowledge acquisition and management

(Adapted from Miles and Huberman, 1994)

The case companies satisfied the operational definition of International new ventures (Knight & Cavusgil, 1996,). Two of the case firms derived 99% of their revenues from exports within the first year of trading. All founded by the current owner-managing entrepreneurs, the case firms were similar in basic firm characteristics in terms of size (between 1 and 80 employees), turnover (between 5-10 million euros) and international market presence (all operated in in least 10 foreign markets).

Data Collection and Analysis

In preparing for the case analysis, industry reports, secondary documentation, and the web sites of Irish seafood firms and of support/research associations were reviewed. For each case company five to seven on-site interviews were conducted with the managing directors/owners. Qualitative insights were obtained through interview quotations and case description. However,

as to capture empirically the capability building processes of the founders, CIT was used. When respondents identified specific events relating to the research questions they were asked to recount of the 'critical incident' and to help to understand its nature and consequences. A sample of critical incidents selected to exemplify data to describe how capabilities were captured through the experiences of the case founders and also interviews. For the incidents where BIM executives were worked with case firms, two executives were interviewed involved in the incident for two of the case firms. This allowed for triangulation of the data for about percent of the incidents specific to research objective seventy percent. This also helped minimize retrospective bias of the main interviewee.

CASE SUMMARIES

Case A

Strategically located near its natural resources on the south coast of Ireland, Case A was founded by current Managing Director (MD)/owner, who co-founded the company in 1987 with five others, who have since left. The firm is one of the four largest shellfish producers in Ireland, with mussels accounting for 80% of its production. The company began as an export start-up due as the market was international and not domestic. The company operates in a niche seafood segment and supplies to three customer groups: retailers, catering distributors and food processors located throughout Europe, the USA, Asia and Japan. The company has a workforce of 40, with an annual turnover has grown to €4 million in 2007, all of which is exported since inception.

Case B

Situated on the West coast of Ireland, Company A is a one-man operation, employs four low-skilled persons and has an annual turnover of 2 million Euros (2007), 99% of which is exported. The company specialises in producing and exporting live seafood to customers in Europe, Asia and the Middle East. A marine biologist by profession, the founding owner and MD established the company in 1998 in direct response to the no home demand for his product and the global niche demand in the higher priced end of the luxury seafood market. The key buyers of his product are restaurants, hotel chains and distributors which the company deals directly with bypassing any intermediaries in the sales process.

Case C

Founded in 1987 by two local fishermen, Case C is a privately owned small seafood processing company, situated in a small fishing town on the south-west coastal tip of Ireland. The company was set up initially to export as at the time a home market had existed for their crab product. The firm's core business activity is in the processing of crab products and it is the largest crab processor in the region and one of the largest in the country. It sells to both business and consumer markets at home and abroad, with 50% of sales accounting for exports in 2007. The firm has grown rapidly since its inception in 1988, with a turnover of €80,000 in 1987 increasing to approximately €6 million in 2006, giving an average growth of almost twenty five percent per

annum. In 2004, the firm was awarded the Irish seafood exporter of the year award by the Irish Exporter's Association.

FINDINGS AND DISCUSSION

This research seeks to gain exploratory insights into how low-technology INVs acquire and develop competitive advantage and the strategic attributes underpinning successful and rapid internationalisation. In accordance with the literature review, the case findings are organised and discussed under the following headings: (1) the founder-manager's prior knowledge base and capabilities; and (2) the unique resources and capabilities of the firm. This section leads to a conceptual framework (Figure 1) proposed as a basis for future research for exploring Dynamic Capabilities in INVs in both high- and low-tech sectors.

The Founder-Manager's Prior Knowledge and Capabilities

Objective Capabilities: Generalist Experience

None of the case entrepreneurs possessed prior international experience when forming their export ventures. The motivation for starting the new venture was primarily market conditions coupled with large foreign demand. Prior to forming the INV, two of the three founders possessed a broad range of technical, start-up and marketing experience from managing previous local ventures. In relation to technical knowledge, an understanding of the development and production of the product was critical for the founders at start-up. Prior to starting-up, Case B founder was the commercial director of an R&D venture in the breeding and production of shellfish products. He says: "*I have worked in it from the breeding point of view to the farming point of view to the marketing point of view ... and am one of the few people in the country that has the experience of breeding shellfish, I take it from sperm and egg to the table literally ... That has been a help to me as well.*"

Case A and C, both had several years' technical experience from working in the sector with seafood products. Prior to start up, Case A founder was already an experienced businessman, owning a retail clothing business. He had been involved in setting up salmon hatcheries a few years previously. This was a sideline venture to his main clothing business at the time, but he still had a passion for seafood, he said "*I have also wanted to farm the sea since a young lad.*"

Notwithstanding the importance of international work experience for INVs, none of the founder-managers worked abroad prior to start-up; however, they possessed certain types of experiential knowledge at start-up that was useful to their internationalization process. Two out of the three case firm founders at start up were typically generalists (Oviatt & McDougall, 1994; McDougall et al., 2003), with a broad range of technical, marketing and start-up experience. In the case of firm C, which withdrew from internationalisation after its first year of start-up, the findings suggest that the absence of such generalist experiential knowledge in terms of marketing and start-up experience contributed to its initial failure. The founder says "*we were simple fishermen; we were naive: new to the game.*"

When the firm re-internationalized several years later, the founders, having acquired generalist

experience of operating a domestic venture, proved to be extremely successful. The contrasting stages of internationalization in this one case reinforce the argument that case founders are required to be ‘generalists’ rather than ‘specialists’ for successful internationalization.

This research concludes that the possession of generalist experience by the founder at start-up is a strategic benefit (a critical success factor) to the internationalization of the new venture (McDougall, et al, 2003) the ‘generalist’ experience of the founder is an important objective capability to build the international competitiveness of the new venture.

Subjective Capabilities: Internationally Proactive Networkers & Market-focused Learners

Two subjective capabilities emerge across the case evidence: proactive networking capabilities and market-focused learning capabilities. Table 3 presents interview quotations from case founders, displaying their highly focused on learning about foreign markets. A seafood industry executive who worked with the case firms says: “The product, you need the drive to develop, work and travel a lot, and they need to be out there. It’s a small family network of firms, it’s very high contact business ... it’s just seafood; it’s the passion with seafood.”

A sample of incidents (Table 3) illustrates their capacity of the case founders to be highly proactive networkers across borders. The incidents demonstrate how the founders built, leveraged and mobilised their international networks to acquire the foreign market knowledge, know-how, technological capabilities, finance and resources that they did not possess.

TABLE 3. SUBJECTIVE CAPABILITY: MARKET-FOCUSED LEARNERS

Case A	Case B	Case C
‘I want to be one step ahead of the market, anticipating customer needs.’	‘If I see a market I want to get into, I will get my head around it and I’ll find the information.’	‘Now they are hungry to learn hungry to get out there.’
You see somebody and you say “I can work with that person”, and you chase them.’	‘Every day you are faced with a challenge. If there is an end user out there I will make as many calls as I have to...’	‘If you don’t have vision, if you don’t know where you’re going ... you’ll never get there.’
‘For instance I am trying to develop four markets; I am working with Japan, as a development one.’	‘Anything that works, you make it work yourself ...’	‘At the moment turnover is 30% our export sales ... I can tell you now our focus now is through probably getting our turnover to least half foreign sales in two or three years.’

**TABLE 4. SUBJECTIVE CAPABILITY:
SAMPLE OF EVENTS ILLUSTRATING THE CASE FOUNDERS'
MOBILIZATION OF NETWORK TIES FOR KNOWLEDGE AND RESOURCES**

Case A

Year	Event	Description of event	Outcome
1992-1995	Product development and customer involvement in product development	Via a business contact of Founder, latter developed partnership with French company in final stages of new product development.	Knowledge resources via product collaboration; foreign market knowledge
2000	Global fact finding mission:	Faced with imminent closure due to toxins in raw material, he personally visited his international contacts in New Zealand, Canada, Chile, and Denmark in search of new product ideas to get him out of imminent firm closure.	foreign market knowledge;
2000	International Retail Product Partnership-informal business tie	In 2000, founder approached French industry tie of his to collaborate in retail product agreement to supply him retail product for French market under the French client's brand name.	New market segment
2002	Acquisition of knowledge capability in NPD via business tie	In 2002, while visiting a supplier in Canada, founder was referred to new product development contact from Scotland, Bob. He worked with founder for year to develop a new product range. Bob now works as agent for Case A in UK.	NPD knowledge capabilities
2003-2004	Acquire knowledge capability via Norwegian collaboration	Founder pursued business partnership for technological transfer with Norwegian salmon manufacturer met at a trade show in 2001.	Technological capabilities in production

Case B

2000	R&D Collaboration	Case B founder collaborated in two R&D project with Irish university & BIM for lowering mortality of product and improving transportation of live animals for the industry .	R&D leading to successful long distance transport; financed and managed by BIM
2000	Foreign market knowledge in Chinese markets	Garvey pursued opportunities in China when alerted by industry newsletter he proceeded to contact his Irish ties working in catering sector in Beijing for knowledge of the Chinese seafood market China.	Foreign market knowledge

Case C

1999	Canadian crab machine via local exporter	Through a local exporting firm and friend of founder's, Firm sourced machinery in Canada, which would allow Firm enter new product markets.	Technological capabilities
2001-2001	Entry into France via BIM Paris	Case C contacted Seafood agency to facilitate sales acquisition with a large French client and to subsequently assist with operational market knowledge for French client.	Exchange partner; knowledge capabilities
2004	Identification of Spanish clients	The founder contacted the Spanish BIM executive he met at the Brussels trade show in 2004. Within a few weeks the executive in Madrid lined up three big customers.	foreign market knowledge and capabilities

Proactive Networking Capability

The findings suggest that a key factor is the founders' capability to exploit network ties for accessing and developing critical resources. The evidence supports the founders' high use of networks to compensate for a lack of financial and knowledge capabilities as well as leverage resources for knowledge of opportunities (Loane & Bell, 2008). The founders of INVs have utilised these network relationships to obtain information, resources, capabilities and the access to exchange partners for market entry required for rapid internationalization (Dana et al., 1999). The case findings suggest that the external resources and capabilities mobilised by an entrepreneur have an important impact on the ability to enter export markets (Westhead et al., 2001). Thus, to some degree, the findings support the assertion that internationalization depends not only on an organisation's set of network relationships but also on the entrepreneurs' capabilities to exploit such networks (Zucchella et al., 2005).

The unique ability of the founder to mobilise and use networks for advantage constitutes a strategic capability (Teece et al, 1997; Sullivan Mort et al., 2006). This research supports the assertion that leveraging these capabilities and building a strategy through knowledge-based assets can explain the international growth for the firm (Kuivalainen & Bell, 2004). This capability cannot be boxed; nor is it static. The ability to exploit networks is a dynamic one: if done well, it constitutes a strategic dynamic capability for these firms (Sullivan Mort and Weerawardena, 2006). Given the limited resource base and highly competitive market, these firms see it as essential to mobilise networks for information, knowledge and resources and, where there is potential, a strategic collaboration as witnessed in the case evidence.

This research suggests that the extent to which these network resources are mobilised very much depends on the entrepreneur's ability to exploit and pursue them. This finding supports and builds on the assumption that the founder possesses a "constellation of skills and competencies." This finding is important, as entrepreneurs use their networks as a means to overcome resource and knowledge deficiencies. This study concludes that INV entrepreneurs can possess the

dynamic capability to progressively seek resources and build capabilities using their external ties, as their limited resource base necessitates.

Market-focused Learning Capability

Similarly, as proactive networkers for resources and knowledge, the case owner-managers emerge as highly market-focused learners who actively acquire and respond to market information on new markets and customers. Market focused-learners also follow a market-orientated path, defined as the acquisition, dissemination and responsiveness of market intelligence to serve customer needs for value creation another source of competitiveness. Market-orientated behaviour displayed by the case founders render their ventures more conducive to sustaining competitive advantage for foreign market entry and growth (Evers, 2009). Through their shift in focus from low value to high value end products (via product diversification) the case firms were capable of unlearning and relearning in responding to market opportunities. These findings concur with the view that a market-focused learning capability of the INV founders is important for developing competitive advantage on international markets (Weerawardena et al., 2007).

Unique firm resources and capabilities

A Competitive Market Offering via Unique Resources and Capabilities

The evidence shows that the resources and capabilities enabled the case firms to deliver a value-added product and enabled them to respond to and adapt quickly to changes and developments in their market environments.

First, findings show that the case firms possess unique tangible resources such as location and physical location where raw materials are sourced and produced. Secondly, the intangible assets such as knowledge acquired by the founders' commitment to actively researching and developing new products and developing R&D capabilities in logistics and production enabled product diversification and the ability to deliver to distant markets. The case firms embraced strong customer orientation and relationship-building strategies which led to more competitive and sustainable market offering. The findings on each of these core activities is presented and analysed below.

Unique marine coastal location: For the three case firms, unique coastal location emerges as is a firm-specific advantage, given the necessity to be located near the raw material and in a suitable marine environment from which the product is sourced. When discussing his competitiveness abroad and ability to win clients, Case B founder says: *"My grade is the top ... I have Grade A waters certified by the Union (EU) and that is a very important selling point for me. Anywhere in the world ... so I am green, organic ... that makes it easier for me to say in Kualalumpur wherever it is to say, "I can guarantee you top class Grade A" ... Whatever it is."*

For Case B, the waters in his Bay can add value to his products. He says: *"My waters would act as purifier ... I might buy in stuff from grade B waters and then upgrade them to grade A with my waters."*

Also in terms of supply of raw material, all firms have unlimited supply via possession of, and close proximity to, locational-based resources. The locational resource has also been a key selling point and indicator of the quality and freshness of their product as perceived by foreign clients; it is vital to their brand reputation. According to the Case C founder, the firm needs to be located close to fishing grounds; otherwise, he says: *“What reason would we have to be here, located in an extremely remote rural, coastal area inaccessible to [the] main commercial centres?”*

He emphasises that location and access to raw material is a key selling point on international markets: *“Quality is a big one ... We have a quite a resource here, which is very important... And further emphasises the criticality of this resource, by saying: ‘If we lose our raw material source, we are finished.’”*

The case findings suggest that the case firms possess unique tangible resources (physical location) that allow them to acquire competitiveness abroad (Barney, 1991). This resource is unique and difficult to imitate, and it provides them not only with access to raw materials but also with a clean, green image of producing their products in their natural marine environment. For these INV seafood firms, the fact that the unique physical marine location is strategically managed by the founders is shown throughout the evidence.

R&D in logistics and NDP: The case firms show a commitment to adding value to the core tangible product through their own knowledge and skills and leading and developing the R&D capabilities across three operational areas: (1) R&D in technology for international logistics; (2) R&D in new product development; and (3) advanced production technologies which will be discussed in next section in the context on the firms’ product diversification strategies.

Firstly, Case B delivers fresh, live products and must ensure that the product is intact on arrival. Its founder had been collaborating with Trinity College, Dublin on two R&D projects related to the technology for the transportation of live animals over long distances to places such as Hong Kong, China and Dubai (see Table 4 also). That research has benefited Case B significantly by enabling product to be delivered to China, Dubai, etc., live and intact to the client. He says: *“So technology has played a role ... and I am currently involved in a (second) R&D project with TCD.”* *“China is an extremely difficult market to penetrate in terms of logistics ... I know China very well having researched and worked over there.”*

Case B founder says: *“I was able to land live produce from the bay to Beijing, which hadn’t been done before ‘Having worked on research I am able to ensure that stuff can get out there. Some of it has come from R&D innovation.’”*

Second, despite the traditional low-tech nature of these firms, the firms have recognised the criticality of ensuring they are hands-on in R&D on food quality and new product development. In terms of product development, it is important that Case A and C have had in their own R&D units. The changing and evolving nature of the seafood processing market has meant that these firms have had to be very active in product innovation and improvement. They continue to look for new ways to maintain product quality and freshness over long distances and also developing new variations of their product. Case A founder says: *“Commodity or not, quality and reputation*

are critical to survive in the exporting business.” Case C had acquired substantial technical product and production know-how which allowed them develop a market in Ireland for their product where none previously existed. They invested in an R&D unit for developing new products and improving current ones.

Expertise and specialised product knowledge have allowed them to gain competitive edge in the area of product shelf life. He says: *“Pasteurisation is a trade secret. And I asked people about it and then worked back in R&D department ... trial and error, and picking people’s brains. People are wondering how am I getting thirty days shelf life on crab at the moment, that’s a trade secret ... so going to trade shows has increased the technical and product knowledge.”*

Therefore, case firms all offer a product in which unique knowledge resources are developed and embedded to provide added value. They have added value to their product by proactively engaging in R&D activities to improve the quality of their product (Buckley & Casson, 1976; Kimuara, 1989). This research supports extant research asserting that INVs compete on products differentiated with regard to quality and value created through innovative technology and product design (Rennie, 1993). Such resources and capabilities are manifested in the value-added products and support the idea that quality is a source of competitive advantage in INVs (McKinsey & Co., 1993; Rennie, 1993). Product quality and product uniqueness can be positively related to international competitiveness (Rennie, 1993). In addition to unique physical location, the core resources of the case firm are also intangible with competitive advantage is derived from unique knowledge possessed by the intellectual and human capital of the firm. This underlines the importance of the Dynamic Capabilities view of the firm (Kogut & Zander, 1992; Grant, 1996) for these INVs, despite their traditional low tech nature.

Adaptability via Product diversification

All three firms have engaged in product diversification through extending product lines, adding new ones, and developing new customer markets by targeting the downstream client in retail. Product diversification has enabled international market growth and has added value to the firms as a whole and has enabled them to penetrate and expand into new foreign markets. Identification and acquisition of advanced production technologies by founders enabled the firm to diversify the product portfolio to capture lucrative and more value added retail markets for growth. Case A was able to develop to new products and move into new global customer segments by using production technologies in food processing with the result of an increased turnover from 1 million Euros in 1995 to 4 million Euros in 2003. The founder says: *“Our whole business has shifted from fresh ... since then and our growth from 1 million up has been with these added value products.”* One seafood industry support agency executive says: *“(through) Product diversification and constant work, they have moved away from what they started with ... by diversifying.”*

Case C also diversified into offering a more value-added product to retailers abroad. New machinery facilitated the production of the wider variety of product that has enabled them to become more effective abroad. The founder realised that extending the product to offer a greater variety of quality shellfish would make it more attractive on foreign markets. It extended its product lines to be able to enter foreign markets such as France, Spain and Greece.

What has emerged across the case material is that product diversification is a core part of their internationalization strategy. The product diversification strategies impacted market expansion and penetration through extending product lines, adding new ones, and developing new customer markets by targeting the downstream client of the retail chains. Product diversification demonstrates a strategic response to market intelligence acquired for new market development and new customer channels (Teece, 2000; Nooteboom, 2002). Product diversification into more value-added products has led it to extend its foreign customer base and hence grow internationally. Knight et al., (2001) found that advanced production in technologies enabled rapid internationalisation to their larger seafood exporters.

The findings support Sharma and Blomstermo (2003), concluding that INVs improvise, adapt and show a willingness to learn the needs of the individual buyers and the local distribution channels. Adaptability is of strategic importance, as these firms can be hampered by constraints and thus may require adaptable routines to serve diverse and rigid foreign markets (Sharma & Blomstermo, 2003). This research concludes that international small firms have flexibility to adapt to rapidly external market conditions and circumstances (Sharma & Blomstermo, 2003; Rialp et al., 2005). That these firms can adapt and renew themselves in international markets and for survival renders adaptability as a dynamic capability (Teece et al, 1997) and a strategic attribute of the case firms (See Figure 1).

Customer orientation

The findings show that customer orientation and relationship building are part of their core competency and competitive strategy in all three case firms. Customer-orientated strategy, emphasising customer needs, satisfaction and service, is a competitive attribute and adds value to the firm's market offering in the eyes of customers. All the case firms have developed close relationships and, for two of the case firms (Case A and Case C), strategic international buyer-supplier partnerships have been an important part of relationship-building:

Case A founder has developed long-term relationships with his agents, but at the same time, he says: *"I always try to meet the customer ...I take ownership of the market. I can't rely on agents. I want to know the user of my product ... If they don't like it, I ring them and ask what was bad about my product ... I've a very personal relationship with the customer."*

Case C founder sums up what it means to be a customer-oriented business and says that it is a critical success factor for his business. He says: *"Your success or failure in sales depends on the relationship you build with your customers, can you deliver, can you deliver what he wants, can you deliver on time, and can you deliver to the standard?"*

Customer relationship-building and orientation is a well-founded capability in the INV literature (Jolly et al., 1992; Larimo, 2001; Zucchella et al., 2005; Aspelund & Moen, 2007). Customer service is also identified as a source of differentiation for the case firms. This research concludes that the INVs' customer orientation, promoted by the founders' close relationship-building and commitment to client satisfaction, is part of the overall market offering. This research also

concludes that the theoretical foundations of these firms lie in the RBV and KBV, given the intangible nature of the founders' relationship- building capabilities (See Figure 1).

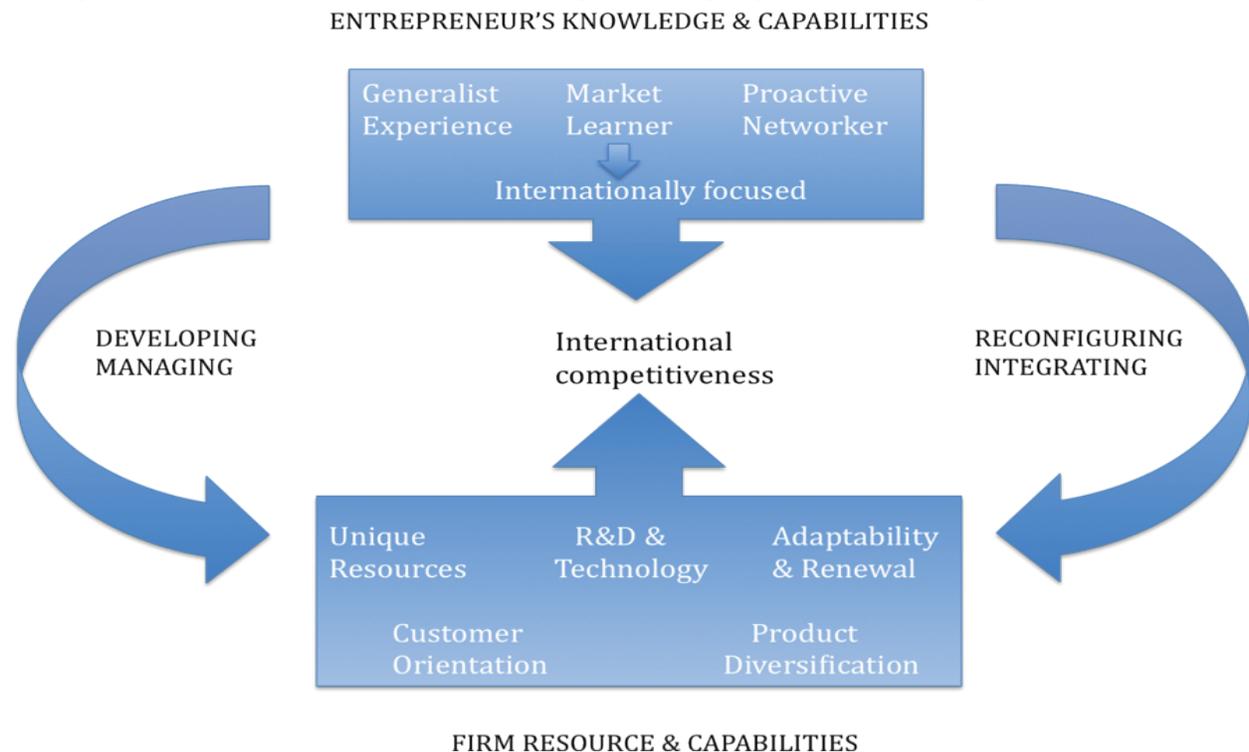


FIGURE 1. Developing Dynamic Capabilities for Competitive Advantage in International New Ventures Conceptual Framework

DISCUSSION AND CONCLUSION

This study set out to explore how INVs develop competitive advantage and their strategic attributes which enabled them to attain this competitiveness on international markets. This research supports both the Dynamic Capabilities and resource-based view (RBV) of firm internationalization, where the entrepreneur is viewed as the central repository of knowledge or resources (Harveston & Davies, 2000; Weerawardenna, et al., 2007). The Dynamic Capabilities theory provides interesting insights into how low technology export ventures develop and sustain competitiveness in foreign markets. This study proposes a conceptual research framework (Figure 1) for further testing on INVs from both high- and low-technology sectors.

For the studied seafood firms, their unique resources (physical location) and their intangible resources and capabilities (R&D, technological capabilities and customer orientated strategies) allow them to acquire competitiveness abroad (Barney, 1991; Grant, 1996). The internationalising firms investigated in this research were found to mobilise unique, interdependent resource stocks (Reid, 1983). The founders emerge as a key source of knowledge and capabilities through strategically managing and developing firm capabilities for sustainable competitive advantage in very turbulent, demanding and competitive foreign markets. As shown in Figure 1, this research suggests that INV entrepreneurs-managers are central in the strategic management of new ventures. They can appropriately adapt, integrate, and re-configure internal

and external organisational skills, resources, and functional competencies to develop competitive advantage and respond to changing environments (Pierce et al., 2001).

The evidence shows that the value-added stems from each of the founders' management of unique tangible and intangible resources of the firm. First, findings show that the case firms possess unique tangible resources such as location and physical environment where raw materials and product are sourced and produced. Secondly, the intangible assets such as knowledge acquired by the founders' commitment to actively researching and developing new products, logistics and production technologies as well as the aggressive adoption of strong customer orientation and relationship-building strategies with exchange partners render a more competitive and sustainable international market offering.

The case firms have also demonstrated their high capability to adapt to foreign markets for competitive advantage. Adaptability is shown by the founders' capabilities to innovate via adoption of product diversification strategies for growth and expansion and also to quickly adapt to rigid customer requirements in foreign markets. The Dynamic Capabilities view of the firm can also help explain the INV's adaptability and flexibility in managing changing and diverse markets, under the leadership and management of their founder-managers.

The case entrepreneurs' objective and subjective capabilities embedded within the firm helped mobilise external networks for market, operational capabilities and finance. This supports the Dynamic Capabilities perspective (Teece et al., 1997) in an entrepreneurship-networking context. This also further strengthens the idea that international entrepreneurship is concerned with dynamic pursuit for resources and using networks for international development irrespective of sector. The greater the founder's capability to mobilize networks, the greater is the access to resources and capabilities.

Limitations and further research

The nature of the research merits qualitative research as the chosen methodology. However, this study is not without its limitations. This study has been limited to a single industry sector, and to respondent companies from just one country and one sector – Ireland and seafood respectively. Using the Dynamic Capabilities perspective, the conceptual framework (Figure 1) in this study can offer a basis for future studies to explore across diverse empirical high and low-tech industry contexts.

MANAGERIAL IMPLICATIONS

A number of implications have emerged for policy makers and managers from this study. Knowledge has always been considered as more relevant to high-tech sectors of the economy, and to science-based activities, especially in respect of ICT and biotechnology (Kreinsen et al., 2003). Recent debate has shifted to how knowledge is an increasingly important resource for low- and medium-technology sectors (LMTs), to gain competitive advantage, as illustrated by the case firms. Similarly, researchers have argued that the most basic mistake in high-tech models is the tendency to identify R&D activities with technology based industries, and hence to see high-level R&D activities as the sole standard bearers of the knowledge economy. Promoting

'low tech INVs is therefore a major challenge for national government policies aimed at driving innovation and enterprise research targeted at rural and peripherally located internationalising enterprises. Policy makers should give greater priority to the role of knowledge creation and development as competitive resources for LMT sectors.

Finally, this study would encourage small firms to draw up a capabilities portfolio of the business; and group their intangible assets into codifiable categories; and assess their current and potential use, especially in terms of their capacity to add value to the business. A capabilities management framework would facilitate the creation and development of new knowledge and capabilities in relevant areas of the business, and would also facilitate the changing and modifying of knowledge. Such an organising framework would also provide a co-ordinated approach to managing these strategic resources. This framework would also require managers to recognise the dynamic and evolutionary nature of knowledge and capabilities as a means of responding effectively to their international markets.

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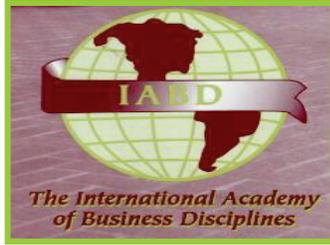
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