GLOBAL ORIENTATION, COMPETITIVE ADVANTAGES AND EXPORT STRATEGIES OF DIFFERENT TYPES OF SMEs: EMPIRICAL EVIDENCE FROM FINLAND

Jorma Larimo, Professor
Department of Marketing
University of Vaasa
P.O.Box 700
65101 Vaasa
email: jorma.larimo@uwasa.fi

Johanna Pulkkinen, Project Researcher
Department of Marketing
University of Vaasa
P.O.Box 700
65101 Vaasa
email: johanna.pulkkinen@uwasa.fi

Abstract

The main goal of this paper is to investigate the concepts of global orientation, competitive advantages and export strategies, and their links with international intensity and age of SMEs. Consequently, of special interest is whether the global orientation, competitive advantages and export strategies of old and newly established firms, traditional exporting firms, and so called born global (BG) firms are the same or different? In the framework part of the study nineteen hypotheses are developed to test the key issues of the paper. The empirical part of the paper is based on survey data of ca. 470 Finnish SMEs.

The results on global orientation indicated that both old and new highly globally oriented firms possess clearly stronger global orientation in total and along different variables of the orientation. In addition, the results confirmed that the competitiveness of newly established globally oriented firms, mainly in the manufacturing sector, is clearly better than that of both old and new locally oriented firms. The competitiveness of BGs was strongest and clearly better than that of local traditional firms only concerning technological advantage. Concerning export strategies, the way of operation was characterized in newly established global firms, especially in the manufacturing sector, more by niche focus, marketing- and product-based differentiation, product and product-service quality, and personal selling than in both old and new locally oriented firms. Between traditional vs. BG companies and among firms in the service sector the results were much more mixed. Finally, the results also suggest that both old and new highly globally oriented firms were alike regarding many of the measured variables. The same observation was made between locally oriented old and new firms and in many variables these firms also scored lower than the highly globally oriented companies.

Key words: global orientation, competitive advantage, export strategy, SMEs

GLOBAL ORIENTATION, COMPETITIVE ADVANTAGES AND EXPORT STRATEGIES OF DIFFERENT TYPES OF SMEs: EMPIRICAL EVIDENCE FROM FINLAND

Abstract

The main goal of this paper is to investigate the concepts of global orientation, competitive advantages and export strategies, and their links with international intensity and age of SMEs. Consequently, of special interest is whether the global orientation, competitive advantages and export strategies of old and newly established firms, traditional exporting firms, and so called born global (BG) firms are the same or different? In the framework part of the study nineteen hypotheses are developed to test the key issues of the paper. The empirical part of the paper is based on survey data of ca. 470 Finnish SMEs.

The results on global orientation indicated that both old and new highly globally oriented firms possess clearly stronger global orientation in total and along different variables of the orientation. In addition, the results confirmed that the competitiveness of newly established globally oriented firms, mainly in the manufacturing sector, is clearly better than that of both old and new locally oriented firms. The competitiveness of BGs was strongest and clearly better than that of local traditional firms only concerning technological advantage. Concerning export strategies, the way of operation was characterized in newly established global firms, especially in the manufacturing sector, more by niche focus, marketing- and product-based differentiation, product and product-service quality, and personal selling than in both old and new locally oriented firms. Between traditional vs. BG companies and among firms in the service sector the results were much more mixed. Finally, the results also suggest that both old and new highly globally oriented firms were alike regarding many of the measured variables. The same observation was made between locally oriented old and new firms and in many variables these firms also scored lower than the highly globally oriented companies.

Key words: global orientation, competitive advantage, export strategy, SMEs

1. Introduction

In most OECD countries the role of small and medium-sized enterprises (SMEs) is very important. A common trend in the operation of SMEs during the last 30 years has been the increased role of foreign sales. Therefore the competitiveness and strategies used in exports have been of growing interest. An additional trend has been that several studies have indicated that the time lag from the establishment of the company to the start of foreign operations has diminished and that there is an increasing amount of so called born global companies, i.e. companies which from or near its founding seek to derive a substantial proportion of their revenue from the sale of products in international markets.

The main goal of this paper is to investigate the concepts of global orientation, competitive advantages and export strategies, and their links with international intensity and age of SMEs. Consequently, of special interest is whether the global orientation, competitive advantages and export strategies of old and newly established firms, traditional exporting firms, and so called born global firms are the same or different? When referring to born global firms in this study, the term BG will be used.

Two main reference studies are used. The first one is the pioneering study made by Knight (1997) focusing on analysis in the behaviour and performance between 122 BGs and 168 traditional export companies in the USA. The second one is the study made by Moen (2002) where the framework developed by Knight (1997) was used and applied to 335 Norwegian and 70 French companies. There is some research dealing with the key issues of the study made in Finland, but those studies are either based on smaller samples, start to be already somewhat old or have not analysed the key issues in such detail (see e.g. Haahti, 1995; Larimo & Arola, 1998; Hurmerinta-Peltomäki, 2001).

SMEs have frequently been considered as companies having less than 250 employees (e.g. EU statistics). However, another commonly used limit is 500 employees and also in this study a limit of 500 employees is used. Traditional firms in this study refer to companies that have operated in local markets several years before starting exporting and BGs to firms that have started their exports during a few years after their establishment.

The structure of the paper is as follows. In section two we discuss traditional – old vs. newly established – BG firms, as well as key features and background factors for the emergence of BGs. In section three earlier empirical findings related to one of these factors – global orientation of the managers – are discussed in more detail and seven hypotheses are developed. In the fourth section the features and empirical findings related to the competitive advantages of SMEs are discussed and five hypotheses to be tested in the empirical part of the paper are developed. The fifth section focuses on the features and empirical findings related to export strategy and here seven hypotheses are developed. In the sixth section the methodology of the study and key features related to sample are introduced. In section seven the results of the survey are discussed. Finally, section eight summarizes the key results of the study and presents some conclusions and possibilities for further research.

2. Traditional – old vs. newly established – born global companies

Several studies made in the 1960s-1990s indicated that following establishment, companies usually developed their operations first in their domestic markets and tried to get a stronger position there before they started to export. In the exports the companies usually started from geographically and/or culturally close countries and moved gradually to more distant countries. The expansion process was usually rather slow because there was a need for experiential knowledge before deepening and expansion of the operations either in the old target countries or to new markets (see e.g. Johanson & Wiedersheim-Paul, 1975; Johanson & Vahlne, 1977; Luostarinen 1979). The only situations where companies expanded more rapidly were if market conditions where rather homogenous, there existed local market regulations or because of organizational learning. (see e.g. Johanson & Vahlne,1977; Johanson & Vahlne, 1990; Nordström,1991; Nordström & Vahlne, 1992)

Although there were already in the late 1980s some evidence of companies that did not start their export operations from geographically and/or culturally close countries and expand slowly in their foreign operations (e.g. Rennie, 1993; Bell, 1995), the more intensive discussion of changed export strategies and competitive advantages started in the 1990s. One of the pioneering studies was made by McKinsey company in Australia and based on their study the BG firms were presented to possess several of the following characteristics (Rennie, 1993): 1. Management views the world as its marketplace from the outset of the firm's founding: unlike traditional companies, they do not see foreign markets as simple adjuncts to the domestic market. 2. BGs begin exporting one or several products within two years of their establishment and tend to export at least a quarter of total production. 3. They tend to be small manufacturers, with average annual sales not exceeding USD 100 million. 4. The majority of BGs are formed by active entrepreneurs and tend to emerge as a result of a significant breakthrough in some process or technology. 5. They may apply cutting edge technology to developing a unique product idea or to a new way of doing business. 6. The products that BG firms sell typically involve substantial value adding: the majority of such products may be intended for industrial uses.

The results in several other studies give support to most of those characteristics (see e.g. Jolly et al., 1992; Oviat & McDougall, 1994). In several cases it is mentioned that BGs are coming from fields of high-tech (Jolly et al., 1992; Knight & Cavusgil, 1996; Jones, 1999) but e.g. in the research made in Denmark (Madsen & Servais, 1997; Madsen, Rasmussen & Servais, 2000) it was found that BGs were identified in all types of industries, not only in typical high-tech industries. Regarding other characteristics, e.g. Knight & Cavusgil (1996), Servais & Rasmussen (1997) and Madsen et al. (2000) have used a period of three years from the establishment to starting of exports as the criteria of BG firm.

3. Global orientation

In understanding why some of the companies become global actors in such a short time period while others remain their operations mainly in local markets, the global orientation of the management could be of particular importance. The orientation is likely to affect the strategic objectives as well as execution of export strategies, and be an important factor behind the firm's success. In earlier studies, the orientation of firm and its managers has indeed found to be important trigger of internationalisation as well as explanation for performance. This has been especially the case when it is tried to explain the BG firms (e.g. Knight, 1997; Moen, 2002; Rennie, 1993). Since the results of previous studies (e.g. OECD, 1997; Moen, 2002; Larimo & Pulkkinen, 2002) show clearly greater existence of BGs among those established after 1990 than before 1990-period, the findings related to global orientation of BGs could be expected applicable also to majority of newly established globally oriented small firms. Thus, for the empirical part it is expected:

H1: Global orientation is strongest in highly internationally oriented new/BG companies and weakest in locally oriented old/traditional companies.

In this study the construct of global orientation developed by Knight (1997) is used as the main reference to investigate the importance of management orientation in internationalisation. The model has also been tested with Norwegian and French samples (Moen, 2002).

Commitment to international markets. The degree of commitment of resources, such as personnel and information gathering, to achieve international goals has found to be significant factor in explaining differences in international activity (Cavusgil & Naor, 1987). The commitment reflects the aggressiveness and persistence with which management enters international markets and employs specific strategies and decisions there (Knight, 1997). In the studies by Knight (1997) and later by Moen (2002), management's devotion toward international activities has been measured by investments of financial and human resources to achieve international goals. The results of both studies indicated no significant differences between BG firms and traditional global firms, but international commitment was found high in both types of firms. Additionally, managers of low exporting firms, i.e. of "old and new locals", seem to show less commitment towards international markets than both new and old highly exporting firms (Moen, 2002). Thus, international commitment may be a significant factor in explaining why some companies become global, and even in a short time period. Thus, for the empirical part in this study it is expected:

H2: Commitment to international markets is strongest in highly internationally oriented new/BG companies and weakest in locally oriented old/traditional companies.

International venturesomeness. This concept is used to describe the managers' entrepreneurial orientation in international markets. Results suggest that entrepreneurship is a key orientation in SMEs striving for globalization (Knight, 2000). Entrepreneurial managers tend to engage more in proactive and visionary behaviors in order to achieve strategic objective in international markets (Knight, 1997).

As in the original model by Knight (1997), the managers´ degree of international venturesomeness is in this study measured through two sub-constructs, i.e. international vision and proactiveness. Several earlier studies have found prove to the importance of international vision in explaining international development and intensity of especially BG firms (e.g. Rennie, 1993; Oviatt & McDougall, 1995; Knight, 1997; Moen, 2002; Harveston, Kedia & Davis, 2000). International vision has found to be distinctive feature of especially high-performing BGs (Knight, 1997), and this vision exists in these managers right from inception (Oviatt & McDougall, 1995). The findings suggest that rapidly internationalised firms would more to view the world as their marketplace and thus focus on developing resources to succeed abroad (Knight, 1997). According to results by Moen (2002), newly established global firms are significantly different from that of both new and old local firms regarding international vision but not from the traditional global firms. According to research by Harveston et al. (2000), managers of BGs differ from the traditionally globalising firms in they have more global mindsets. At the managerial level, the attitudes and mindset of the whole management team was found to play an important role in determining the extent to which a firm engaged in international activities. Consequently, the internationalisation of BGs should not be seen just as an extension of domestic operation like gradual globalising firms but instead the internationalisation may rather be the reason for the firms' existence.

As defined by Miller and Friesen (1977: 278), the proactiveness refers to a certain type of firm temperament in that while a proactive firm is the “first to act” and “shapes the environment by introducing new products, technologies, administrative techniques, etc.” a reactive firm tends rather to “react and follow the leader”. Furthermore, a significant correlation between performance and proactiveness has been evidenced among small firms (e.g. Miller & Toulouse, 1986). In the context of internationalisation, the proactive behaviour – such as exploring opportunities abroad and boldness in their pursuit - has found to be a distinctive descriptor and significant performance antecedent of rapidly internationalised firms (Knight, 1997; Moen, 2002). According to results by Moen (2002) the newly established global firms are significantly different from that of both new and old local firms. Additionally, the old firms with high exports were found to be very similar to new global firms. In small firms, the proactive behaviour could – in addition to complexity and dynamism of the environment (Miller & Friesen, 1977) – be related to different internal factors. As an example, earlier international experience and contacts of the managers are likely to be related to and encourage proactive efforts in internationalisation (e.g. Crick & Jones, 2000). Also advantage in differentiated product or technology may have an important link with proactive behaviour and pursuing internationalisation (e.g. Miller and Toulouse, 1986; Knight, 2000). The managers of especially highly global firms with entrepreneurial orientation have indeed found to be more inclined to pursue leadership in quality and marketing as well as product specialization (Knight, 2000). Thus, for the empirical part it is expected:

H3: International vision is strongest in highly internationally oriented new/BG companies and weakest in locally oriented old/traditional companies.

H4: International proactiveness is strongest in highly internationally oriented new/BG companies and weakest in locally oriented old/traditional companies.

International responsiveness and customer orientation. These concepts refer to managers having strong international market orientation reflected by strong affinity to foreign customer needs and attempt to respond to these by creating value. These types of managers emphasize developing and maintaining strong customer relationships through responsiveness as well as being sensitive to competitor moves. (Knight, 1997) According to Knight (1997) international responsiveness is a distinctive antecedent of performance in the BG firm but not in the traditional firm. Moreover, the managers of BGs tended to have a distinct ability to instill and develop customer responsiveness in employees throughout the firm. In the Norwegian sample (Moen, 2002), new global firms were significantly different from old local firms in terms of international responsiveness but not from old global firms. Regarding customer orientation, results suggest it to be important for global success in the first place. According to results in the Norwegian and French samples (Moen, 2002), customer orientation is highest in both old and new high exporters and lowest in local companies. In the US-based sample (Knight, 1997) the results where slightly similar. However, in that sample the highest performing BGs emphasized more customer orientation than older traditional firms, thereby indicating tentative support. Thus, for this empirical part it is expected:

H5: International responsiveness is strongest in highly internationally oriented new/BG companies and weakest in locally oriented old/traditional companies.

H6: International customer orientation is strongest in highly internationally oriented new/BG companies and weakest in locally oriented old/traditional companies.

Use of advanced communication technologies. This refers to use of tools such as e-mail, the Internet and fax in the company's daily operations. In general, the development in communications technologies has shorten distances and made it possible to do business flexibly almost regardless of the geographical location. Fast and inexpensive connections via fax, e-mail, the Internet, mobile phones, video systems and other communications technologies are making early internationalisation more viable and cost-effective option for even smaller firms. At the same time the MNEs are losing their unique position and advantage in accessing expensive and scarce information flows (Knight, 1997). Indeed, young internationally oriented small firms could, in addition to many other aspects discussed here, be expected to rely their international operations and success increasingly to use of e-mail and the Internet in communicating with various partners, such as distributors and customers. This assumption is encouraged also by the results in the Norwegian and French samples (Moen, 2002), where new global firms used information technology significantly more than global or local older firms. In the US-based firms (Knight, 1997) the support was fairly strong at 10 percent. Moreover, tentative support was found when comparing the highest performing BGs and traditional firms. Thus, for the empirical part it is expected:

H7: Use of advanced communication technologies is strongest in highly internationally oriented new/BG companies and weakest in locally oriented old/traditional companies.

Both Knight (1997) and Moen (2002) tested also international marketing competence as a sub-construct of global orientation. However, in this study the concept is not included here but the marketing related competence is instead investigated as a distinct competitive advantage. This and other sources of SME competitiveness are discussed in the next chapter.

4. Competitive advantages

There is a vast literature about competitiveness and competitive advantages. Therefore there also exists variation concerning what is meant with these concepts. In the export marketing literature the discussion about competitive advantages has mainly focused on three different types of advantages: product or technology, price and/or marketing advantages (Knight, 1997; Moen, 2002). Therefore also in this study the focus will be on the competitive advantages around those three issues.

Concerning competitive advantages one could expect that intensively international market oriented firms have more competitive advantages than mainly local/domestic market oriented firms. The main argument is that the most competitive firms are expected to be more likely to try to use their competitive advantages to build a position in the export markets, and that their competitiveness makes them able to successfully export their products. Thus their total competitiveness is expected to be greater than that of mainly local/domestic market oriented firms. The highest competitiveness is expected in significantly export market oriented BGs because these companies have been able to rapidly start significant export operations. Knight (1997) and Moen (2002) did not analyse the total competitive advantages of the reviewed firms, only degree of advantages in the three above referred issues. However, for the empirical part of the study we expect that:

H8: The total competitive advantage of highly internationally oriented new/BG companies is strongest and that of locally oriented old/traditional companies weakest.

It is not so clear whether the globally oriented firms are in better situation related to competitive advantages in all areas or mainly in the areas of marketing, price or technology or in some other areas. E.g. Rennie (1993) found in his study that the highly involved exporters often offered leading edge technology. Similar founding was also made in the study by Knight (1997). Moen (1999) found that small exporting firms had a stronger competitive advantage in terms of products and technology than larger exporting firms. Since most newly established firms are usually small it may be expected that they have a strong competitive edge especially related to technology. In another study by Moen (2002) he found that the main difference between global and local exporters was the higher scores on the technology advantage in the former than in the latter group. New firms and BGs expanding their operations quickly after their establishment to several foreign countries also meet the increasing demand of both financial and management resources. Therefore it may be expected that they do not necessarily have similar types of advantages related to marketing and especially related to price than they seem to have related to technology. This view is supported by Moen (2002) whose results did not indicate any significant difference regarding marketing and price advantages between global and local firms in the Norwegian sample. This was also the case in the French sub-sample related to price advantage, but in the case of marketing advantage old and global and local BGs had surprisingly the highest advantage. Thus, for the empirical part it is expected:

H9: The technological advantage of highly internationally oriented new/BG companies is strongest and that of locally oriented old/traditional companies weakest.

H10: The price advantage of highly internationally oriented new/BG companies is strongest and that of locally oriented old/traditional companies weakest.

H11: The marketing advantage of highly internationally oriented new/BG companies is strongest and that of locally oriented old/traditional companies weakest.

H12: The technological advantage of highly internationally oriented new/BG companies is stronger than the price and marketing advantages.

5. Export strategies

Marketing strategy implies a dynamic system of decisions regarding product development, pricing, promotion, and distribution that are formulated and implemented over time. It is characterized by a consistent pattern of activities that firms perform with a view to prevailing over competitors and maximizing corporate performance (e.g. Galbraight & Schendel, 1983; Hofer & Schendel, 1978). Knight (1997) adopted in his study the view presented by Cavusgil and Zou (1994), according to which the strategy means the way through which the company responds to the interplay of forces in its external environment to fulfil the objectives of the export venture.

H13: The export strategy of highly internationalised new/BG companies is most and that of locally oriented old/traditional companies least characterized by niche focus, both marketing- and product-based differentiation, product and product-service quality, personal selling, and more diversified market-customer strategy.

Niche focus strategy. According to Kotler (1991, 1996), SMEs often specialise in serving market niches that possess the following characteristics or need: relatively small groups of consumers/buyers having similar characteristics or need; sufficient size and purchasing power to be potentially profitable; ignored or largely overlooked by larger competitors; significant growth potential; provides opportunities for the entering firm to serve the market via its special competence(s).

Results in several studies seem to indicate that BG companies use global niche focus strategy more often than traditional companies (Rennie, 1993; McDougall, Shane & Oviatt, 1994). They strive to serve a narrow market segment more effectively than competitors that compete more broadly. Because of their smaller size, niche marketing is usually the only strategy alternative available to BGs. By focusing sharply on a given niche's needs, the firm uses resources more efficiently and consumers receive superior value (Hannan & Freeman, 1977; Kotler, 1991 & 1996). Moreover, such a strategy allows the small player to avoid head-to-head competition with larger, broad-based competitors that tend to target mass markets (Mascarenhas, 1986; Porter, 1985). Ultimately, global niche focus strategy should allow the BG firm to achieve higher performance by serving a niche well, by reducing costs, or both (Dess & Davis, 1984; Porter, 1980). The results by Knight (1997) gave tentative support, as well as also those by Moen (2000) in the Norwegian sample, to the importance of this strategy among these firms. Thus, for the empirical part it is expected:

H14: The importance of niche focus strategy is greatest in highly internationally oriented new/BG companies and lowest in locally oriented old/traditional companies.

Product and service quality. Product and product-service quality reflects a perceived fundamental characteristic of products and accompanying service, which meet or exceed customer expectations regarding features and performance (Kotler & Amstrong, 1996). In an increasingly global economy, consumers can access a greater volume and variety of product choices. As buyers compare across different brands, they may be exposed to newly imported goods possessing superior features and, consequently, their expectations of product quality are apt to grow. Similarly, firms in globalising environments may be more inclined to benchmark their quality standards against those of more broadly-based foreign competitors. The new awareness resulting from such intra-regional comparisons puts pressure on companies to improve. Generally, buyers favour products offering the most quality (Kotler & Amstrong, 1996). However, a quality focus may be at odds with product standardization goals or cost-cutting measures designed to bring pricing in line with rival brands (Szymanski, Bharadwaj & Varadarajan, 1993). On the other hand, increased attention to quality can be a means to differentiate goods from those of competitors (Porter, 1980). Quality has been linked to improved competitiveness (Buzzell & Gale, 1987; Porter, 1990) and improved performance in international markets (Deming, 1982; Szymanski et al., 1993). To the extent that superior quality reduces rework and service costs, and consumers are willing to pay higher prices for it, profit margins can rise and is likely, therefore, to be antecedent to superior performance (Buzzell & Gale, 1987; Deming, 1983; Szymanski et al., 1993). In the context of rapid internationalisation, the results by Knight (2002) suggest that the product and product-service quality is a significant performance antecedent to both traditional and BG companies. However, as compared between the highest performing BGs and traditional exporters, the former scored significantly higher than the latter group (Knight 1997). Thus, for the empirical part it is expected:

H15: The importance of product and product-service quality is greatest in highly internationally oriented new/BG companies and lowest in locally oriented old/traditional companies.

Marketing- and product-based differentiation. Marketing/product differentiation is defined as the offering of products perceived by consumers as unique (Porter, 1980). It involves the creation of customers' loyalty by uniquely meeting a particular need and is typically based on a well-known brand name, innovative product features, excellent customer service, or a strong dealer network (Miles & Snow, 1978; Porter, 1980). It is one of the three generic strategies distinguished by Porter (1980). The other two are focus strategy and cost leadership. Cost leadership emphasizes economies of scale via massive production and marketing operations, as well as cost reductions from experience and aggressive control of spending on overhead, R&D, and service (Porter, 1980). Miller (1988) notes two main types of differentiation strategies: those based on product innovation and those based on intensive marketing and image management. The latter usually necessitates substantial advertising or market power, resources not typically disposal of young firms. Hence, most BGs and new firms under globalisation may tend to differentiate via product innovation, often by leveraging new technologies. The results by Knight (1997) supported the relevance of both marketing- and product-based differentiation, and clearly higher focus on both types differentiation in especially high-performing BG firms than traditional exporters. In the study by Moen (2002), only marketing-based differentiation was included. The result in the Norwegian sample indicated higher differentiation by global newly established companies, but the difference was just out of statistical significance. In the French sample the marketing-based differentiation was mostly characterized by globally oriented old companies and secondly by newly established global companies (in both subgroups clearly higher than in respective local subgroups). Noteworthy is, however, that the French sample was quite small. Thus, for the empirical part it is expected:

H16: The importance of marketing-based differentiation is greatest in highly internationally oriented new/BG companies and lowest in locally oriented old/traditional companies.

H17: The importance of product-based differentiation is greatest in highly internationally oriented new/BG companies and lowest in locally oriented old/traditional companies.

Personal selling. Promotion emphasizing personal selling is an approach in which among major variables in the promotion mix - advertising, sales promotions, personal selling, and public relations - personal selling is emphasized most. While firms selling in consumer markets tend to stress advertising and sales promotions, most industrial goods marketers emphasize personal selling (Kotler, 1987). Case studies and results by Knight (1997) suggest that BGs usually emphasize personal selling. Also the results by Moen (2002) supported clearly greater efforts on personal selling in newly established global firms than in older local firms in the Norwegian sample. There are at least three possible explanations for this. First, BGs tend to sell specialized products to dispersed global market niches that may be hard to target with advertising. Secondly, they usually lack the resources needed to engage in large-scale advertising. Third, many BGs sell only to industrial markets where, traditionally, personal selling and direct contact with customers is the usual route to generate sales. Thus for the empirical part it is expected:

H18: The importance of personal selling is greatest in highly internationally oriented new/BG companies and lowest in locally oriented old/traditional companies.

Market and customer strategy. According to the traditional view or so-called Uppsala/Nordic school companies develop their export operations gradually and extend or limit their international operations based on the experiential learning. Furthermore, they usually start from the geographically and/or culturally close countries and if they expand their operations, they expand the operations to the geographically and/or culturally next closest countries (Johanson & Vahlne, 1997; Luostarinen, 1979). Results in several studies (e.g. Crick & Jones, 2000; Shrader, Oviatt & McDougall, 2000; Moen, 2002) have indicated that one of the typical features of BGs is that they expand rapidly to several target countries because of their niche focus of operation. Furthermore, BGs expand more rapidly to the so-called lead countries because it is important to be quickly in those markets, which are the leading markets in their field of industry (Jolly et al., 1992). Because of the niche focus and greater number of target countries it may be expected that also the number of customers of internationally oriented new/BG firms is higher than that of mainly locally/domestic market oriented traditional types of companies. Thus, for this empirical part it is expected:

H19: The market and customer strategy of highly internationally oriented new/BG companies is most and that of locally oriented old/traditional companies least lead country oriented and least diversified.

Both Knight (1997) and Moen (2002) included to their studies as one aspect of export strategy also distributor effectiveness. However, in both studies the Cronbach alphas of that factor were clearly lower than those of other factors. Furthermore, the variable was statistically insignificant in both studies. The earlier studies based on Finnish SMEs have indicated that direct exports to the customer and use of sales and marketing subsidiaries have a significant role as well as export cooperation arrangements (see e.g. Larimo & Arola, 1998). This was the case also in the sample firms of this study. Therefore the distributor effectiveness factor was left out from the analysis.

6. Methodology, measure operationalisation and sample description

6.1. Data collection

Data were collected targeting industrial and service (software, engineering and advertising) firms that fulfilled the following criteria: the firm employed at least 5 but maximum 500 people and was informed to have performed export operations. To identify the target companies the Yritys Suomi 2000 –database as well as earlier surveys made by one of the authors and articles in Kauppalehti, Taloussanomat and Finpro-reports were used. On the basis of these sources, the total target group consisted of 2856 companies. The questionnaire for the survey was developed in autumn 2001 in cooperation project with faculty members from three Finnish universities and five foreign universities. The questionnaire included questions related to global orientation, competitive advantages and export strategies as well as some other issues (such as role of international inward operations, international experience of the company management and performance).

After two rounds of revision the questionnaire was sent to a.m. group of companies. In cases where the company had less than 50 employees, the questionnaire was directed to the managing director whereas in larger companies it was directed to the export/international business manager. In addition approximately 100 companies were contacted by phone in order to discuss with the companies about the study and to identify the right person to answer the questionnaire. During the three rounds of the survey, 48 companies informed that they had gone into bankruptcy or the address was wrong and new address could not be identified. Moreover, in 154 cases the companies were not performing any exports, had more than 500 employees or were not operating in any of the selected industries. Excluding these companies the final target group was 2654 companies.

In total 486 answers were received, from which 469 were usable resulting to a response rate of 17,7 %. One explanation for rather low response rate may be length of the used questionnaire (five pages, 48 questions each including several sub-questions). However, based on the number of employees, annual turnover and field of industry, there seemed not to be any greater differences between responding and non-responding companies. Regarding the participating companies, 84,7% are manufacturers whereas 15,3% are from the service sectors. About half of the companies were family-owned companies, about one-fourth were part of a larger group, and remaining one-fourth were independent limited liability companies. The mean year of establishment of these companies was 1974, and mode value 1992. The first year of export was on average 1985, whereas the mode value was 1995. In the year 2001 the participating companies had on average 64 employees, with the mode value of eight employees. The mean annual turnover was in 2001 ca. EUR 8,67 million and mode ca. EUR 1,68 million. The average share of exports in 2000-2001 was 39,2%, and the mode value 5%, from total sales. On average the companies operated in 2000-2001 in 9,4 foreign markets, whereas the mode value was three foreign target countries.

6.2. Operationalisation of the measures

To investigate the differences between old vs. newly established and local vs. global firms, the first classification used in this study was based on the company age and share of exports from the total sales in 2000-2001. In line with the classification used by Moen (2002), the firms were divided into four subgroups based on the establishment – before and in 1990 or after 1990 – and share of exports – less than 25% or 25% or more. The second classification was employed to divide the firms into BGs vs. traditional, and based on the starting year of export operations and share of exports. Thus, four subgroups were formed based on the fact whether the exports of the company had started within three years from the establishment (independent of the year of establishment), and whether the exports formed less or more than 50% of total sales. Instead of 25% a stricter limit of 50% was decided to be used to identify the truly (born) global companies from the sample. In the study by Knight (1997) the classification between traditional and BG firms was based on establishment before or after 1977 and share of exports less or more than 25%. Regarding the field of industry, Knight (1997) and Moen (2002) had only manufacturing companies in their samples. This study included both manufacturing and service companies. Therefore additional analyses were made based on the main field of industry of the companies. To receive better comparability to earlier results the classifications based on the year of establishment of the companies were used in those classifications where the field of industry was included.

The section of the questionnaire, which focused on global orientation, competitive advantages and export strategies, was translated and adapted from the questionnaires by Knight (1997) and Moen (2002). Several of the questions were constructed based on Khandwalla (1977), Porter (1980), Cavusgil & Nevin (1981), Dess and Davies (1984), Miller & Friesen (1984), Buzzell & Gale (1987), Cavusgil & Naor (1987), Day and Wensley (1988), Miller (1988), Namiki (1988), Covin & Slevin (1989), Narver & Slater (1990), McKee et al. (1992), Roth & Morrison (1992), Cavusgil & Zou (1994), Pelham & Wilson (1995), Kotler & Armstrong (1996), as well as on own scales developed by the authors. In the earlier studies a 7-point scale was used but in this study a 5-point scale was adopted to follow the same scale structure as in other questions in the survey. The more detailed components of the global orientation, competitiveness and export strategy variables are presented in Table 1. As discussed earlier, international marketing competence and distribution strategy components were left out. However, marketing related competences were investigated as a part of competitive advantage. Also a particular market-customer strategy variable was added. The variable was composed of degree of development/leading market role of the main target market, number of target countries and number of foreign customers in 2000/2001.

Table 1 gives also the Cronbach alphas of various variables used in the study. The results indicate that all of the factors have alpha scores higher than 0.60, and in several cases over 0.70. Overall, the measures used in the study seem to be adequate. They have also proven their usability both in the studies by Knight (1997) and Moen (2002). The analysis of possible statistical differences related to global orientation, competitive advantages and export strategies within the groups were performed using a one-way analysis of variance, comparing the four different groups of firms in the classifications used. Then, the results from the Bonferroni test was used to further investigate the differences between the groups of firms. High scores on global orientation indicate, that company could strongly be characterized by these variables. High scores on competitive advantage indicated that the company has this kind of advantage compared to competitors and a high score on export strategy means that the firms actively followed this kind of strategy.

Table 1. Description of the indexes and Cronbach's alphas

Global orientation	**Cronbach's alpha**
- International commitment *(adequacy of financial investments, sufficiency of human resources)*	0.6580
- International vision *(world as marketplace; communicates mission to succeed in export markets; focused on developing resources)*	0.7454
- International proactiveness *(culture for exploring opportunities; boldness in decision making; conservativeness in international environment)*	0.7146
- International customer orientation *(understanding needs; success by satisfying needs; after-sales service)*	0.6976
- International responsiveness *(communicates customers' experiences; responds quickly; discusses strengths and weaknesses; understands to create value)*	0.7315
- Use of advanced communication technologies *(e-mail to communicate with distributors; internet to collect data; e-mail is important for export activities/effectiveness)*	0.7198
Competitive advantages	
- Technology advantage *(product quality and performance, uniqueness, technology)*	0.7167
- Price advantage *(delivery capacity, price, purchasing, production)*	0.6602
- Marketing advantage *(knowledge of customers and competitors; product development or adaptation; effective advertising and distribution; ability to use marketing tools for differentiation)*	0.7466
Export strategy	
- Niche focus strategy *(product linked to specialized need; in any one country market is small; specialized good)*	0.6551
- Marketing-based differentiation *(emphasize innovative marketing techniques; distinctively positioning; unique with respect to marketing)*	0.7387
- Product-based differentiation (*innovative approach to needs; unique with respect to design and technology)*	0.7795
- Product and product-service quality *(customer rating of quality; product performance meets customer expectations; service and support meets customer expectations)*	0.6414
- Personal selling *(among others personal selling important for promotion; personal selling primary promotion method)*	0.7049
- Market – customer strategy *(number of target countries, number of customers, level of development / market size in the main market)*	0.6107

7. Results of the study

7.1 Results related to global orientation

Hypotheses one to seven were related to global orientation of the companies and their management. For the empirical part it was expected that highly internationally oriented new/BG firms would have the highest degree of global orientation and the locally oriented old/traditional companies would have the weakest. The results of the analysis are shown in the Table 2. As mentioned earlier, high score indicates that the group of firms strongly possess the particular character of orientation.

The results in the classifications one to three indicated statistically significant differences between new global and old local group in most of the measured variables. According to results in the first classification (old vs. new), the highly globally oriented new firms had, as expected, the highest scores in all variables except international commitment. The lowest values were in this classification distributed according to expectations, i.e. to old local group, in international vision as well as commitment to international markets and use of advanced communication technologies. In addition, in international proactivess this group scored almost the lowest value. However, in the remaining orientation variables the new local group scored lowest. Thus, the hypotheses three and seven receive significant support, and hypotheses one and four to six partial support in the first classification.

Also in classifications two (traditional vs. born-global) and three (manufacturing companies) the hypotheses received rather much support. When comparing the BGs and more traditional companies, the highly global BGs scored significantly higher than local traditional firms in total orientation, international vision, proactiveness and customer orientation. Thus, the hypotheses one, three, four, and six were all supported in classification two. Moreover, partial support was received for the hypotheses five on international responsiveness, in that the lowest value was found in the local traditional subgroup. Rather surprisingly, the highest value for this variable was however found in the local BG group. Significant differences between the old traditional and global BG groups were also found in the degree of commitment to global markets. However, the highest and lowest values were found in the old global and new local groups respectively. Thus, the hypothesis on international commitment and use of advanced communication technologies did not receive any support at all in the classification two. In the manufacturing companies (i.e. classification three) totally four hypotheses received full support. This indicated that young, globally oriented companies in the manufacturing industries were significantly more characterized by strong international vision, proactiveness and international responsiveness, and that they used more advanced communication technologies to achieve international goals. Also hypotheses related to total global orientation and customer orientation received partial support. However, in these hypotheses the lowest values were in the new local group. Regarding international commitment, the highest value was found in the old global group and lowest in the new local group. Thus, hypotheses three to five and seven receive significant support, and hypotheses one and six partial support in third classification.

In the fourth classification (service companies) the results were very mixed. However, also in this classification new global firms scored highest in total global orientation, international vision and proactiveness. Significant difference between different groups could only be found in the international vision, in that highly globally oriented new companies possessed significantly more international vision than locally oriented, new companies. Surprisingly the lowest value was found in the old local group only in the hypothesis concerning use of advanced communication technologies. In three of the cases, the lowest values were instead found in the new local and in two cases in the new global group. Thus, in the service companies, only hypothesis three related to international vision received partial support. Related to total global orientation, international proactiveness and use of advanced communication technologies, the lack of statistically significant differences between the subgroups restricts the partial support. The limited sample size in this group may have reflected the results, and thus more research would be needed.

Table 2. Results related to global orientation

Classification 1: Old vs. new	Total	Old, local/a	Old, global/b	New, local/c	New, global/d	F-value
Global orientation	**459**	**143**	**188**	**55**	**73**	
• Total global orientation	3.61	3.40 b,d	3.75 a,c	3.34 b,d	3.87 a,c	20.683 ****
• Commitment to international markets	2.97	2.27 b	3.20 a,c	2.63 b	2.99	9.569 ****

• International vision	3.19	2.70 b,d	3.48 a,c	2.78 b,d	3.70 a,c	32.929 ****
• International proactiveness	3.70	3.47 b,d	3.81 a,c	3.45 b,d	4.09 a,c	12.500 ****
• International responsiveness	3.65	3.59 d	3.65	3.49 d	3.89 a,c	3.963 **
• International customer orientation	4.08	3.93 b,d	4.17 a,c	3.86 b,d	4.33 a,c	8.988 ****
• Use of advanced communication technolog.	4.01	3.83 b	4.11 a	3.89	4.17	3.791 **
Classification 2: Traditional vs. Born-global	Total	Tradit. local/a	Tradit. global/b	BG, local/c	BG, global/d	F-value
Global orientation	**469**	**270**	**101**	**21**	**77**	
• Total global orientation	3.59	3.41 b,d	3.86 a	3.58	3.87 a	23.815 ****
• Commitment to international markets	2.94	2.75 b,d	3.28 a,c	2.60 b,d	3.21 a,c	12.583 ****
• International vision	3.16	2.79 b,d	3.67 a	3.19	3.72 a	36.307 ****
• International proactiveness	3.69	3.48 b,d	4.00 a	3.61	4.01 a	14.876 ****
• International responsiveness	3.64	3.56	3.76	3.86	3.73	3.209 *
• International customer orientation	4.07	3.92 b,d	4.22 a	4.23	4.32 a	9.640 ****
• Use of advanced communication technolog.	4.00	3.92 b	4.20 a	3.76	4.09	3.060 *
Classification 3: Manufacturing companies	Total	Old, local/a	Old, global/b	New, local/c	New, global/d	F-value
Global orientation	**403**	**120**	**176**	**42**	**65**	
• Total global orientation	3.61	3.36 b,d	3.75 a,c	3.31 b,d	3.88 a,c	21.692 ****
• Commitment to international markets	3.93	2.87 b	3.20 a,c	2.63 b	2.95	8.068 ****
• International vision	3.20	2.63 b,d	3.51 a,c	2.77 b,d	3.66 a,c	33.098 ****
• International proactiveness	3.71	3.41 b,d	3.84 a,c	3.45 b,d	4.11 a,c	13.971 ****
• International responsiveness	3.65	3.80 d	4.10	3.85 d	4.18 a,c	4.966 **
• International customer orientation	4.06	3.87 b,d	4.18 a,c	3.79 b,d	4.37 a,c	11.547 ****
• Use of advanced communication technolog.	4.00	3.80 b,d	4.10 a	3.85	4.18 a	3.867 **
Classification 4: Service companies	Total	Old, local/a	Old, global/b	New, local/c	New, global/d	F-value
Global orientation	**56**	**23**	**12**	**13**	**8**	
• Total global orientation	3.62	3.62	3.71	3.44	3.82	0.845
• Commitment to international markets	2.91	2.74	3.27	2.65	3.25	1.623
• International vision	3.18	3.11	3.09	2.82 d	4.04 c	3.288 *
• International proactiveness	3.66	3.79	3.40	3.46	3.94	1.069
• International responsiveness	3.65	3.66	3.61	3.71	3.56	0.128
• International customer orientation	4.14	4.21	4.17	4.08	4.04	0.178
• Use of advanced communication technolog.	4.06	3.94	4.33	4.03	4.05	0.404

* p < 0.05; ** p < 0.01; *** p < 0.001;**** p < 0.0001; significant group differences are denoted using a, b, c and d

7.2 Results related to competitive advantages

The hypotheses eight to twelve were related to the competitive advantages of the companies. The newly established/BGs having a high share of foreign sales were expected to own highest level of competitive advantages and old/traditional companies acting mainly in local scale the lowest level of competitive advantages. Moreover, among the highly internationally oriented new/BG firms, the technological advantage was expected to be stronger than two other types of advantages. The results are shown in Table 3. Again, high scores on competitive advantages imply a strong advantage for the firms as compared to the competitors.

Table 3. Results related to competitive advantages

Classification 1: Old vs. new	Total	Old, local/a	Old, global/b	New, local/c	New, global/d	F-value
Competitive advantages	**448**	**136**	**185**	**54**	**73**	
• Total competitive advantage	3.39	3.32 d	3.44 c	3.23 b,d	3.54 a,c	5.773 ***
• Technology advantage	3.50	3.39 d	3.53	3.33 d	3.73 a,c	5.347 ***
• Price advantage	3.36	3.29	3.42	3.22	3.43	2.252
• Marketing advantage	3.28	3.20	3.35 c	3.07 b,d	3.40 c	5.458 ***
Classification 2: Traditional vs. Born-global	Total	Tradit. local/a	Tradit. global/b	BG, local/c	BG, global/d	F-value
Competitive advantages	**459**	**263**	**101**	**19**	**76**	
• Total competitive advantage	3.39	3.31 b,d	3.52 a	3.22	3.52 a	7.459 ****
• Technology advantage	3.48	3.37 b,d	3.61 a	3.47	3.68 a	5.582 ***
• Price advantage	3.36	3.29 b	3.50 a	3.18	3.41	3.154 *
• Marketing advantage	3.28	3.20 b,d	3.46 a,c	2.91 b,d	3.42 a,c	9.759 ****
Classification 3: Manufacturing companies	Total	Old, local/a	Old, global/b	New, local/c	New, global/d	F-value
Competitive advantages	**397**	**116**	**174**	**42**	**65**	
• Total competitive advantage	3.40	3.30 b,d	3.47 a,c	3.15 b,d	3.54 a,c	8.081 ****
• Technology advantage	3.47	3.33 b,d	3.54 a,c	3.21 b,d	3.71 a,c	7.167 ****
• Price advantage	3.38	3.31	3.46	3.18	3.43	2.891 *
• Marketing advantage	3.30	3.20 b,d	3.38 a,c	3.02 b,d	3.43 a,c	7.544 ****
Classification 4: Service companies	Total	Old, local/a	Old, global/b	New, local/c	New, global/d	F-value
Competitive advantages	**51**	**20**	**11**	**12**	**8**	
• Total competitive advantage	3.38	3.45	3.04	3.48	3.50	2.877 *
• Technology advantage	3.68	3.74	3.36	3.73	3.90	1.220
• Price advantage	3.19	3.20	2.80	3.35	3.47	2.823
• Marketing advantage	3.16	3.23	2.88	3.26	3.18	0.874

* $p < 0.05$; ** $p < 0.01$; *** $p < 0.001$; **** $p < 0.0001$; significant group differences are denoted using a, b, c, and d

The results indicated that in the first (old vs. new) and third (manufacturing companies) classifications, as expected, the highest values were found in all cases (except for price advantage in classification three) in new global company group. Except for the price advantage, the differences in the mean values of other variables were also mostly statistically significant between new global companies and both old and new local companies. However, against expectations, the lowest values were not found in the old local companies, but in the new local companies in all cases. Although the differences in the mean values did not indicate any statistically significant difference between these subgroups, the old local companies seem to have been somewhat better able to develop their competitiveness during the years than the local new companies. Regarding the global companies, no statistically significant differences were found between old and new global companies. Noteworthy is the slightly higher mean value in old, global manufacturing companies related to price advantage. In conclusion, expect for the price advantage in classification three, all four hypotheses related to competitive advantages received partial support in these two classifications. Moreover, the results also indicate that among the highly internationally oriented firms the strongest competitive advantage is related to technology. Among these companies the difference between technology and marketing/price advantages was also bigger than in the other subgroups.

In classifications two (traditional vs. BG) and four (service companies) the hypothesis received much less support and results were more mixed. In classification two the total competitiveness was equally high in globally oriented traditional and BG firms. The mean values in both marketing and price advantage were slightly higher in the former than in the latter group. Except for technology advantage the lowest mean values were again found in the local BG group. Highest and lowest values were found in the highly BG and local traditional group respectively only concerning technology advantage in classification two. Thus, significant support was found only to hypothesis nine. In classification four the new global group scored highest in all cases except marketing advantage, and all the lowest values were found among the old global group. Thus, the results related to lowest mean values are totally different to the situation in other classification. Furthermore, among service companies the second highest mean values were found mainly among new local exporters. Thus, in the classification four only partial support was found for hypotheses related to total, price and technology advantage. However, one has to be somewhat cautious with these results because of the limited number of service companies in the sample as a whole and in various subgroups. Finally, as in the classifications one and three, also in the classifications two and four the results indicated the technology advantage of highly internationally oriented new/BG companies to be stronger than the marketing and price advantage.

7.3 Results related to export strategies

The third set of hypotheses concerned export strategies used by the sample companies. Again a high score on export strategy variables means that the firms actively follow this strategy. The results (see Table 4) in classifications one (old vs. new) and three (manufacturing companies) indicate again much greater support for the hypothesis than in classifications two and four. Both in classifications one and three the highest values were reached in the new global company subgroups related to total strategy, niche focus, marketing and product based differentiation, and product and product-service quality. Additionally, in classification three personal selling reached in this subgroup the highest value and in classification one almost the highest value. The results also show statistically significant differences in the mean values in new global companies vs. old and new local companies. In one case – product-based differentiation – the results also show a statistically significant difference between new global and old global groups. The lowest values were found in the old local subgroup in both classifications related to niche focus and personal selling. In the other cases the lowest values were found in newly established local subgroup. Thus, the hypotheses thirteen to eighteen receive partial support based on classifications one and three. Moreover, hypothesis fourteen on niche focus receives full support in both classifications, and hypotheses eighteen on personal selling in classification three.

Table 4. Results related to export strategies

Classification 1: Old vs. new	Total	Old, local/a	Old, global/b	New, local/c	New, global/d	F-value
Export strategy	**448**	**135**	**184**	**54**	**73**	
• Total export strategy	3.25	3.02 b,d	3.41 a,c	2.99 b,d	3.52 a,c	25.259 ****
• Niche focus strategy	3.28	3.07 b,d	3.36 a	3.15	3.55 a	5.882 ***
• Product and product-service quality	3.68	3.56 b,d	3.80 a,c	3.38 b,d	3.84 a,c	12.053 ****
• Marketing-based differentiation	2.80	2.67 d	2.87 c	2.53 b,d	3.05 a,c	5.582 ***
• Product-based differentiation	2.82	2.71 d	2.81 d	2.67 d	3.17 a,b,c	4.296 **
• Personal selling	4.13	3.97 b	4.24 a	4.04	4.23	3.59 *
• Market – customer strategy	2.97	2.53 b,d	3.36 a,c	2.43 b,d	3.26 a,c	51.589 ****
Classification 2: Traditional vs. Born-global	Total	Tradit. local/a	Tradit. global/b	BG, local/c	BG, global/d	F-value
Export strategy	**473**	**272**	**102**	**22**	**77**	
• Total export strategy	3.25	3.10 b,d	3.51 a,c	3.17 b	3.47 a	19.174 ****
• Niche focus strategy	3.27	3.13 b	3.54 a	3.00	3.43	6.751 ****
• Product and product-service quality	3.68	3.57 b,d	3.84 a	3.54	3.86 a	8.861 ****
• Marketing-based differentiation	2.80	2.71 b	3.00 a	2.49	2.92	4.365 **
• Product-based differentiation	2.82	2.72	2.90	2.81	2.98	1.825
• Personal selling	4.12	4.06	4.29	3.95	4.19	2.436
• Market – customer strategy	2.97	2.63 b,c,d	3.49 a	3.08 a	3.38 a	43.779 ***
Classification 3: manufacturing companies	Total	Old, local/a	Old, global/b	New, local/c	New, global/d	F-value
Export strategy	**406**	**122**	**177**	**42**	**65**	
• Total export strategy	3.26	2.99 b,d	3.42 a,c	2.97 b,d	3.52 a,c	28.524 ****
• Niche focus strategy	3.27	3.02 b,d	3.36 a	3.10 d	3.57 a,c	7.072 ****
• Product and product-service quality	3.67	3.51 b,d	3.80 a,c	3.28 b,d	3.87 a,c	17.612 ****
• Marketing-based differentiation	2.77	2.60 b,d	2.89 a,c	2.48 b,d	2.98 a,c	5.959 ***
• Product-based differentiation	2.78	2.62 d	2.83	2.52 d	3.13 a,c	5.052 ***
• Personal selling	4.12	3.87 b,d	4.26 a	3.96	4.29 a	6.745 ****
• Market – customer strategy	3.02	2.55 b,d	3.39 a,c	2.44 b,d	3.27 a,c	46.692 ****
Classification 4: service companies	Total	Old, local/a	Old, global/b	New, local/c	New, global/d	F-value
Export strategy	**57**	**23**	**12**	**14**	**8**	
• Total export strategy	3.22	3.21	3.27	3.05	3.51	0.728
• Niche focus strategy	3.38	3.38	3.39	3.33	3.42	0.014
• Product and product-service quality	3.77	3.87	3.73	3.75	3.63	0.302
• Marketing-based differentiation	3.00	3.10	2.76	2.69	3.54	1.942
• Product-based differentiation	3.12	3.25	2.55	3.17	3.54	2.306
• Personal selling	4.25	4.53	4.05	4.29	3.75	2.258
• Market – customer strategy	2.60	2.39	2.85	2.37	3.21	2.823 *

* p < 0.05; ** p < 0.01; *** p < 0.001; **** p < 0.0001; significant group differences are denoted using a, b, c, and d

The results based on classifications two (traditional vs. born-global) and four (service companies) indicated clearly less support to the hypotheses. In classification two the highest value was found in the global BG subgroup only related to product-based differentiation and product and product-service quality. In the other cases the highest values were in the traditional global company subgroup. Furthermore, the lowest values were found in the local traditional group only related to total strategy, product-based differentiation and market-customer strategy. In market-customer strategy the difference in the mean value was statistically significant even to local BG group. In other cases the local BG group scored lowest. Thus, in classification two support was found regarding product-based differentiation but even here the differences were not statistically significant. No support at all was found to the hypotheses related to niche focus, marketing-based differentiation and personal selling.

In classification four, i.e. the service companies, the highest values were found related to all export variables, except product and product service quality and personal selling, in the new global subgroup, as expected. However, the lowest values were not in any of the cases found in the old local group but instead they were in all cases found in the three other groups. New local firms scored lowest in four cases, old global firms in one case, and new global firms in two cases. Especially the lowest scores for new global group in product and product-service quality and personal selling are very surprising. Furthermore, the very low value for product-based differentiation may be one key reason for the low scores in competitive advantages in the old global group (see section 7.2). Noteworthy again is that, perhaps due to the small sample size, no statistically significant differences were found between the subgroups. However, the results indicated partial support to other export strategy hypotheses except to those focusing on product and product-service quality and personal selling.

8. Summary and discussion

The main goal of this paper was to investigate the concepts of global orientation, competitive advantages and export strategies, and their links with international intensity and age of SMEs. Consequently, of special interest was whether the global orientation, competitive advantages and export strategies of old and newly established firms, traditional exporting firms, and born global firms are the same or different? The earlier studies made by Knight (1997) focusing on U.S. based SMEs and by Moen (2002) based on Norwegian and French SMEs were used as the main reference material. In total nineteen hypotheses were developed: seven related to global orientation, five related to the competitive advantages of the companies and seven related to the characteristics of export strategies in various types of firms.

The empirical part of the paper was based on survey data collected between November 2001 and March 2002. In total almost 500 Finnish SMEs participated the study. The participation rate of the study was unfortunately rather low - only c. 18 %. However, the response rates in extensive surveys have decreased and a sample of ca. 470 SMEs provided rather good basis for the analysis. The hypotheses developed were tested using the Bonferroni test.

Concerning global orientation, competitiveness and export strategies of the companies, it was expected that highly global recently established firms (share of exports at least 25%) and BG firms (exports three years after foundation, share of exports at least 50%) would be more globally oriented and have better competitiveness (total, marketing, price, and technology) than locally oriented older/traditional firms. Furthermore, it was expected that the operation of recently established globally oriented firms/BGs would be more characterized by niche focus, marketing- and product-based differentiation, product and product-service quality, personal selling, and more lead market oriented and wider customer strategy than the operation of locally oriented older/traditional firms.

The results on global orientation suggest that, apart from the service companies, the global orientation is an important character of especially highly globally oriented new firms/BGs. New, global firms scored highest in five of the seven global orientation variables. In the manufacturing sector only for international commitment the highest values were found in another subgroup, i.e. in old global companies. However, the global orientation seems to be almost as important to many older globally oriented companies. The differences between those and the new global firms were smaller than compared to both old and new local firms. The results suggest that the more local companies, both old and recently established, are less globally oriented as measured by these variables. The local companies scored highest only in three cases, regarding international responsiveness in local BGs and new local service companies, and international customer orientation in old local service companies.

The results also confirmed that the competitiveness of newly established globally oriented firms, mainly in the manufacturing sector, is clearly better than that of old and new locally oriented firms. Instead the mean values between global new/BG firms and old/traditional global firms were much smaller. Related to marketing and price advantage, in some cases the latter even scored higher. The competitiveness of BGs was strongest only regarding technological advantage. In the service sector, new global company group had the highest mean values in other cases except for marketing advantage. Surprisingly, in all cases the lowest mean values were found in old global companies. The sample size in service sector was much smaller and no significant differences could be found.

Concerning export strategies, the way of operation was characterized in newly established global firms, especially in the manufacturing sector, more by niche focus, marketing- and product-based differentiation, product and product-service quality, and personal selling than in old and new locally oriented firms. Between traditional vs. BG companies and among firms in the service sector the results were much more mixed. Traditional global firms had somewhat higher means than highly global BGs, even in five of the seven cases. Meanwhile, the latter group had the highest scores only in two cases. In the service sector, new global firms scored highest in five of the seven cases. And surprisingly, old local firms in two cases (related to product and product-service quality and personal selling). An additional surprise was that new global firms scored lowest in those two cases.

An interesting detail in the findings is also that the old global company group in the service sector scored lowest in price advantage and product-based differentiation. Although this group scored lowest also in other cases of competitive advantage, the difference between this group and other groups was biggest related to price advantage. The findings are rather surprising, considering that the companies in the old global group have however been able to achieve significant international presence. The results also raise questions regarding the future development. The maintaining of the international position could be assumed difficult in the future, if the companies regard themselves being weak in price competitiveness or in differentiating their product from that of competitors.

Finally, the results suggest that both old and new highly globally oriented firms were alike regarding many of the measured variables. The same observation was made between locally oriented old and new firms and in many variables these firms also scored lower than the highly globally oriented companies. These findings support the results by Moen (2002), who also found that newly established and older global firms have similar characteristics of global orientation, competitiveness and export strategies, while the old and new local firms follow rather similar pattern. The findings are also partly in line with the results by Knight (1997), which indicated that many sub-constructs of global orientation and export strategies are key descriptors of BG firms and antecedent for their performance, but relevant also for explaining the foreign success of traditional exporters. From the fourteen hypotheses, Knight (1997) found four sub-constructs to be significant for both BGs and traditional exporters, while two sub-constructs were found as distinctive feature only to BGs. However, when comparing the high-performing BGs and traditional exporters, Knight (1997) found the former group to score significantly higher in most of the variables. Regarding these two main reference studies, Knight (1997) tested in his study mainly the impact of various aspects of global orientation and export strategies on the performance of the traditional vs. BG companies. Moen (2002) analysed in his study the relationships more in the way followed in this study. The results by Moen (2002) indicated that in both Norwegian and French samples, the new global companies had higher international vision and proactiveness than both old and new local firms. As in this study, the competitiveness of newly established global firms was more focused on technological advantage. Especially in the Norwegian sample, the strategy was characterized significantly more by niche focus and slightly more by marketing-based differentiation and personal selling.

Future research

The results raise several questions and possibilities for future research.

1. Links with export performance. Share of exports is a commonly used indicator of export performance - thus the classifications used in this study told something about the performance. However, share of foreign sales from total sales is only one indicator of performance and more measures of export performance would be needed. In the study by Knight (1997) performance was measured by satisfaction to achievements abroad, such as market share, pre-tax profitability and sales growth. Unfortunately no comparison between the performance of whole sample of BG firms and traditional exporters was made (Knight 1997). However, Knight (1997) found in his study that the export market performance of highly performing BGs was clearly better than that of traditional exporters. As in this study, Moen (2002) did not have any analysis of the export market performance. In each subgroup reviewed an analysis of possible differences in global orientation, competitiveness and export strategies between high performing and low performing companies would give additional information on the real links between various factors and a basis for comparisons between Finnish and US-based SMEs.

2. Analysis of additional aspects of export strategy. This study excluded e.g. the distribution - export channel related issues. How much do these issues explain the competitiveness and export strategies used and what are their links with export performance? Also strategies related to production (such as outsourcing) should be more integrated to the analysis.
3. Additional aspects of management orientation and management related issues as well as their links to competitiveness and strategies. Earlier experience of the management has often been investigated as triggering internationalisation and success. In this study this factor was left out. Moreover, investigating how much orientation related issues explain competitiveness and execution of different strategies might reveal interesting results. Earlier studies have shown that e.g. international entrepreneurship of the managers tend to effect on the firm strategies, such as pursue of differentiation or quality and marketing leadership.
4. More detailed analysis of the competition level and strategies related to competitive situation. The results by Knight (1997) indicate that BGs tend significantly more than traditional exporters to target foreign markets where there is little or no competition. This study investigated the importance of niche focus in different types of SMEs, and the results suggest that especially new, global manufacturing companies emphasize niche focus strategy significantly more than locally oriented firms. One of the advantages of niche focus is that the niche market is often ignored or largely overlooked by largely competitors (Kotler, 1991, 1996). However, a more detailed analysis of the competition level of markets, which the companies enter and the factors related to these decisions, is needed.
5. Need for a more detailed analysis of the service companies. While both Knight (1997) and Moen (2002) did not have service companies in their samples, in this study also these companies were included. The results indicated some great differences between manufacturing and service companies in the same subgroups. However, the sample size of service companies, especially those established in the 1990s, was very small and thus a bigger sample size would be needed.

References

Aspelund, A. & O. Moen (2001). A generation perspective on small firms internationalization: from traditional exporters and flexible specialists to born globals. In Axinn, C.N. & P. Matthyssens, (eds). Advances in International Marketing, 11, 197–225. JAI Press.

Bell, J. (1995). The internationalisation of small computer software firms – a further challenge to 'stage' theories. European Journal of Marketing, 29/8, 60–75.

Buzzell, R. & B. Gale (1987). The PIMS Principles: Linking Strategy to Performance. New York: The Free Press.

Galbraight, C. & D. Schendel (1983). An Empirical Analysis of Strategy Types. Strategic Management Journal, 4/2, 153–173.

Cavusgil, T. & J. Nevin (1981). Internal determinants of export marketing behaviour. Journal of Marketing Research, 18/February, 114-119.

Cavusgil, T. & J. Naor (1987). Firm and management characteristics as discriminators of export marketing activity. Journal of Business Research, 15, 221-235.

Cavusgil, T. & S. Zou (1994). Marketing strategy - performance relationship: an investigation of the empirical link in export market ventures. Journal of Marketing, 58/1, 1–21.

Covin, J. & D. Slevin (1989). Strategic management of small firms in hostile and benign environments. Strategic Management Journal, 10/January, 75-87.

Crick, D. & M. Jones (2000). Small high-technology firms and international high-technology markets. Journal of International Marketing, 8/2, 63-85.

Day, G. & R. Wensley (1988). Assessing advantage: A framework for diagnosing competitive superiority. Journal of Marketing, 52/April, 1–20.

Deming, W.E. (1982). Quality, Productivity, and Competitive Position. Boston: MIT Center for Advanced Engineering Study.

Dess, G. & P. Davis (1984). Porter´s (1980) generic strategies as determinants of strategic group membership and organizational performance. Academy of Management Journal, 27/3, 467–488.

Haahti, A. (1995). INTERSTRATOS. Internationalization of strategic orientations of European small and medium enterprises. University of Tampere. Conference Proceedings and Occasional Papers 1. Tampere

Hannan, M.&J.Freeman (1977).The Population Ecology of Organizations.American Journal of Sociology,82/5,929-964.

Harveston, P. & B. Kedia & P. Davis (2000). Internationalization of born global and gradual globalizing firms: The impact of the manager. Advances in Competitiveness Research, 8/1, 92-99.

Hofer, C.W. & D. Schendel (1978). Strategy Formulation: Analytical Concepts. St. Paul, MN: West Publishing.

Hurmerinta-Peltomäki, L. (2001). Time and Internationalisation. The Shortened Adoption Lag in Small Business Internationalisation. PhD Dissertation, Turku School of Economics and Business Administration, Finland.

Johanson, J. & F. Wiedersheim-Paul (1975). The internationalization of the firm – four Swedish cases. The Journal of Management Studies, 12/October, 305-322.

Johanson, J. & J.-E. Vahlne (1977). The Internationalization of the Firm – A Model of Knowledge Development and Increasing Foreign Market Commitment. Journal of International Business Studies, 8/1, 23–32.

Johanson, J. &J.-E. Vahlne (1990). The mechanism of internationalization. International Marketing Review, 7/4, 11–24.

Jolly, V. & M. Alahuhta & J. Jeannet (1992). Challenging the incumbents: How high technology start-ups compete globally. Journal of Strategic Change, 1, 71–82.

Jones, M. (1999). The internationalization of small U.K. high technology firms. Journal of International Marketing, 7/4, 11–40.

Khandwalla, P. (1977). The Design of Organizations. New York: Harcourt Brace Jovanovich.

Knight, G. & T. Cavusgil (1996). The born global firm: A challenge to traditional internationalization theory. In: Axinn, C. & T. Cavusgil (eds) Advances in International Marketing, 8, 11–26. JAI Press.

Knight, G. (1997). Emerging paradigm for international marketing: the born global firm. PhD. Dissertation, Michigan State University, USA.

Knight, G. (2000). Entrepreneurship and marketing strategy: The SME under globalization. Journal of International Marketing, 8/2, 12–32.

Kotler, P. (1991). From Mass Marketing to Mass Customization. Planning Review (September/October), 11–47.

Kotler, P. & K. Armstrong (1996). Principles of Marketing. 7th edition. Englewood Cliffs, NJ: Prentice-Hall.

Luostarinen, R. (1979). The internationalization of the firm. PhD dissertation, Helsinki School of Economics, Finland.

Larimo, J. & M. Arola (1998). Pk-yritysten vienti ja kansainvälistyminen. Kirjallisuusyhteenveto aihealueen tutkimuksista vuosilta 1976-1998. Proceedings of the University of Vaasa. Selvityksiä ja raportteja 37. Vaasa: University of Vaasa.

Larimo, J. & J. Pulkkinen (2002). Competitive Advantages and Export Strategies: Empirical Evidence from Finnish SMEs. Presented in the 12th Nordic Conference on Small Business Research, May 2002, Finland.

Mascarenhas, B. (1986). International Strategies of Non-dominant Firms. Journal of International Business Studies, 17/Summer, 1–25.

Madsen, T.K. & P. Servais (1997). The internationalization of born globals: An evolutionary process? International Business Review, 6/6, 561–583.

Madsen, T.K., E.S. Rasmussen & P. Servais (1999). Differences and Similarities between Born Globals and Other Types of Exporters. Odense: University of Southern Denmark – Odense University.

Madsen, T.K., E.S. Rasmussen & P. Servais (2000). Differences and Similarities between Born Globals and Other Types of Exporters. Globalization, the Multinational Firm, 10, 247–265.

McDougall, P. & S. Shane & B. Oviatt (1994). Explaining the formation of international new ventures. Journal of Business Venturing, 9/6, 469–487.

McDougall, P. & B. Oviatt (1996). New venture internationalization, strategic change, and performance: A follow-up study. Journal of Business Venturing, 11, 23–40.

McKee, D. & J. Conant & P. Varadarajan & M. Mokwa (1992). Success-producer and failure-preventer marketing skills: A social learning theory interpretation. Journal of the Academy of Marketing Science, 20/1, 17-26.

McKinsey & Company (1993). Emerging Exporters: Australia's High Value-added Manufacturing Exporters. Melbourne: Australian Manufacturing Council.

Miles, R.E. & C.C. Snow (1978). Organizational Strategy, Structure, and Process. New York: McGraw-Hill.

Miller, D. & P. Friesen (1977). Strategy making in context: Ten empirical archetypes. Journal of Management Studies, 14/3, 253-280.

Miller, D. & P. Friesen (1984). Organizations: A Quantum View. Englewood Cliffs, NJ: Prentice-Hall.

Miller, D. & J-M. Toulouse (1986). Strategy, structure, CEO personality and performance in small firms. American Journal of Small Business, 10/3, 47-62.

Miller, D. (1988). Relating Porter's Business Strategies to Environment and Structure: Analysis and Performance Implications. Academy of Management Journal, 31/2, 280–308.

Moen, O. (1999). The relationship between firm size, competitive advantages and export performance revised. International Small Business Journal, 18/1, 53–71.

Moen, O. (2000). SMEs and international marketing: Investigating the difference in export strategy between firms of different size. Journal of Global Marketing, 13/4, 7–14.

Moen, O. (2002). The Born Globals: A new generation of small European exporters. International Marketing Review, 19/2, 156-175.

Namiki, N. (1988). Export strategy for small business. Journal of Small Business Management, 26/April, 32–37.

Narver, J.&S.Slater (1990).The effect of a market orientation on business profitability. Journal of Marketing,54/4,20-35.

Nordström, K. A. (1991). The internationalization process of the firm – searching for new patterns and explanations. PhD dissertation, Stockholm School of Economics, Sweden.

Nordström, K. A. & J.-E. Vahlne (1992). Is the Globe Shrinking? Psychic Distance and the Establishment of Swedish Sales Subsidiaries During the last 100 years. Presented at the International Trade and Finance Association's Annual Conference, April 22–25, Laredo, Texas.

Organization for Economic Co-operation and Development (1997). Globalisation and small and medium enterprises. Paris: OECD.

Oviatt, B. & P. McDougall (1994). Toward a theory of international new ventures. Journal of International Business Studies, 25/1, 45–64.

Oviatt, B. & P. McDougall (1995). Global start-ups: Entrepreneurs on a worldwide stage. Academy of Management Journal, 9/2, 30-43.

Pelham, A. & D. Wilson (1995). Does Market Orientation Matter for Small Firms? Cambridge, MA: Marketing Science Institute.

Porter, M. (1980). Competitive Strategy. New York: Free Press.

Porter, M. (1985). Competitive Advantage: Creating and Sustaining Superior Performance. New York: The Free Press.

Rennie, M. (1993). Global competitiveness: Born global. McKinsey Quarterly 4, 45–52.

Roth, K. & A. Morrison (1992). Business-level competitive strategy: A contingency link to internationalization. Journal of Management, 18/3, 473-487.

Shrader, R., B. Oviatt & P. McDougall (2000). How new ventures exploit trade-offs among international risk factors: Lessons for the accelerated internationalization of the 21st century. Academy of Management Journal, 43/6, 1227-1247.

Szymanski, D., S. Bharadwaj & P.R. Varadajan (1993). Standardization versus Adaptation of International Marketing Strategy: An Empirical Investigation. Journal of Marketing, 57/October, 1–17.

Zou, S.& S. Stan (1998). The determinants of export performance: A review of the empirical literature between 1987 and 1997. International Marketing Review, 15/5, 333–356.