



Beyond financial indicators: An assessment of the measurement of performance for international new ventures



Stephan Gerschewski ^{a,*}, Simon Shufeng Xiao ^{b,1}

^a Hannam University, Linton School of Global Business, 70 Hannam-ro, Daedeok-gu, Daejeon 306-791, Republic of Korea

^b Hankuk University of Foreign Studies, College of Business Administration, 107 Imun-ro, Dongdaemun-gu, Seoul 130-791, Republic of Korea

ARTICLE INFO

Article history:

Received 14 October 2013

Received in revised form 12 November 2014

Accepted 12 November 2014

Available online 20 December 2014

Keywords:

Born global firm

Financial performance

International new venture

International performance measurement

Mixed methods

Operational performance

Organisational effectiveness

Traditionally internationalising firm

ABSTRACT

This study examines the measurement of performance for international new ventures (INVs). While there is a growing area of literature on INVs that includes the internationalisation patterns, networks and entry strategies of these firms, there is generally a lack of research on how INVs measure their own performance. Using a sequential mixed methods approach of exploratory interviews and a survey sample of 310 firms from New Zealand and Australia, we find that INVs tend to be significantly more international performance oriented than non-INVs. Our study also indicates that financial performance measures are generally viewed as more important than operational indicators. In addition, we find that manufacturing INVs generally place more importance on financial performance than service INVs. The study offers two key contributions to the literature: (1) an integrated examination of international performance measures as used in practise by INVs, and (2) a comparative perspective between INVs and non-INVs in terms of performance measurement.

© 2014 Elsevier Ltd. All rights reserved.

1. Introduction

Today's environment is shaped by increasing opportunities for small and medium-sized enterprises (SMEs) to conduct business across national borders, resulting in a growing number of SMEs entering international markets (European Commission, 2011; Knight, 2001; Rialp, Rialp, & Knight, 2005; WTO, 2010). According to the European Commission (2010), 25% of the SMEs in the European Union (EU) have started internationalisation via exporting over the last three years. A key manifestation of the proliferation of SMEs is the phenomenon of international new ventures (INVs) or born global firms (BGs) which progressively started to emerge in the early 1990s (Oviatt & McDougall, 1994; Rennie, 1993). Consistent with other studies (e.g., Autio, Sapienza, & Almeida, 2000; Knight & Cavusgil, 2004; Oviatt & McDougall, 1994), INVs can be defined as firms that seek international expansion early and rapidly, almost from their establishment, by applying their specific resources and capabilities across different

countries. There have been various terms to define these firms, such as “international new ventures” (Oviatt & McDougall, 1994), “born globals” (McKinsey & Co., 1993), and “instant exporters” (McAuley, 1999). Coviello, McDougall, and Oviatt (2011) concluded that the terms “international new venture” and “born global” have been used interchangeably in the literature. This will also be the approach in this paper, although an attempt will be made to use the term *international new venture*, for the sake of consistency.

INVs are generally characterised by their innovative posture and early and rapid internationalisation, thus challenging the notion of the traditional stages model that assumes an incremental, relatively slow and risk-averse pathway to internationalisation (Johanson & Vahlne, 1977). Prime examples of INVs include Skype, Icebreaker (a New Zealand merino manufacturer), easyJet and Logitech, and they have been found in various country contexts ranging from large countries, such as the USA (e.g., McDougall & Oviatt, 1996) and Germany (e.g., Schwens & Kabst, 2008) to smaller markets in the Asia-Pacific, including New Zealand and Australia (e.g., Liesch, Steen, Middleton, & Weerawardena, 2007).

With the increasing phenomenon of INVs in international business, scholars have focused on examining the emergence and internationalisation patterns (e.g., Chetty & Campbell-Hunt, 2004; Madsen & Servais, 1997; Zou & Ghauri, 2010), the role of networks (e.g., Andersson & Victor, 2003; Freeman, Edwards, & Schroder,

* Corresponding author. Tel.: +82 42 629 7012; fax: +82 42 629 8485.

E-mail addresses: stephange@hnulinton.org (S. Gerschewski),

bizsxiao@hufs.ac.kr (S.S. Xiao).

¹ Tel.: +82 2 2173 8892; fax: +82 2 959 4645.

2006; Lindstrand, Melen, & Nordman, 2011), entry strategies (e.g., Gabriellsson & Kirpalani, 2004; Schwens & Kabst, 2011), and performance determinants of INVs (e.g., Jantunen, Nummela, Puumalainen, & Saarenketo, 2008; Knight & Kim, 2009; Lew, Sinkovics, & Kuivalainen, 2013). With respect to performance, the extant literature has generally applied a set of given performance measures, such as international sales volume, international market share, international sales growth and profitability (e.g., Crick, 2009; Knight & Cavusgil, 2004). However, previous studies appear at odds regarding the use of appropriate performance measures for INVs. It seems that research has not focused explicitly on comparing the performance measurement of INVs and non-INVs. Thus, the literature on INV performance is generally fragmented and heterogeneous as highlighted by Crick (2009, p. 458) who argued that "... it therefore appears there is no agreement in the literature ... how to measure the performance of firms internationally". In addition, despite the multiple approaches to measuring international performance of firms, the different performance measurements may not be evaluated as equally important by INVs. Since certain performance measures may be viewed as considerably more important than others by INVs, it appears critical for us to review and systematically find such differences. Thus, our paper follows Steers (1975, p. 555) who concluded that research should account for "differential weights on the various evaluation criteria to reflect different valences attached to each goal" due to the fact that "few organizations pursue their numerous operative goals with equal vigor or resources".

Our study is further motivated by recent calls in the international entrepreneurship (IE) literature for unifying frameworks and consistency in domain vocabulary (Jones, Coviello, & Tang, 2011; McDougall-Covin, Jones, & Serapio, 2014). This is consistent with Jones et al. (2011, p. 643) who identified performance aspects as one of the potential areas for future research in entrepreneurial internationalisation, and concluded that "given the variety of performance antecedents and outcomes relevant in IE, future research should acknowledge and try to examine a wide range of measures in an integrative manner".

Therefore, in order to fill the aforementioned research gaps in the literature, we conduct an exploratory study by addressing two key questions: (1) How do INVs measure their international performance? (2) How do INVs differ from non-INVs in terms of their international performance measurement?

The purpose of this study is to shed light on the performance measurement of INVs which has generally been overlooked in previous research. We contribute both theoretically and empirically to the literature by not only examining how INVs measure their own international performance, but also by systematically identifying which performance dimensions are being perceived as more important by these firms. This study also contributes to our knowledge of performance measurement for INVs and non-INVs by examining whether and how industry matters in performance measurement. We adopt an integrated perspective by including measures of the three dimensions of financial and operational performance and organisational effectiveness (Hult et al., 2008; Venkatraman & Ramanujam, 1986). This is in response to Hult et al.'s (2008) findings that only 7.3% of 96 reviewed studies in leading management journals from 1995 to 2005 used a combination of all three types of performance, while 59.4% of all studies employed only one single type of performance. Consistent with calls in the literature for appropriate methodological designs (Hurmerinta-Peltonmäki & Nummela, 2006), we adopt a mixed methods approach which includes eight exploratory interviews, followed by a quantitative survey of 310 New Zealand and Australian companies. In contrast to the often-employed purely qualitative (e.g., Mort & Weerawardena, 2006) or quantitative (e.g., Jantunen et al., 2008) approach, our mixed methods design aligns well with the exploratory and

integrative nature of the paper. We position our study primarily in the international entrepreneurship (e.g., Oviatt & McDougall, 1994; Jones et al., 2011), firm performance (e.g., Venkatraman & Ramanujam, 1986), and organisational effectiveness literatures (e.g., Connolly, Conlon, & Deutsche, 1980; Friedlander & Pickle, 1968; Hitt, 1988), and adopt a comparative perspective with non-INVs to improve the interpretability of the findings.

The paper is structured as follows. First, we provide a review of the literature on performance measurement. Next, we describe the research design and method of the study, and outline the results of the empirical analysis. Finally, we discuss the major findings and their implications, and present the limitations of the study as well as directions for future research.

2. Literature review

In line with the study's objective of examining performance measurement of INVs, we first review the literature on general firm performance, followed by INV measures. The rationale for reviewing the literature on general firm as well as INV performance lies in the holistic perspective which allows for a deeper understanding of performance and follows Jones et al.'s (2011) call for integrative studies. In addition, the management literature is generally more established than the INV literature and provides the foundation for our study and assessment of performance measurement for INVs.

2.1. Measurement of firm performance

The focus in this study is on organisational performance, as considered primarily in the strategic management and international business literatures. Organisational performance has been described as a multi-faceted phenomenon that involves various viewpoints (e.g., shareholder versus employees), time periods (e.g., long-term versus short-term), and criteria (e.g., market share versus profit) (Snow & Hrebiniak, 1980). Along these lines, Venkatraman and Ramanujam (1986) developed a conceptualisation that illustrates various approaches to measuring organisational performance. They distinguished between three different types of performance in general. The first type relates to financial performance, which is an outcome-based indicator of performance and is described as the "narrowest conception of business performance" (Venkatraman & Ramanujam, 1986, p. 803). Some examples of measures for financial performance include profitability (e.g., return on investment (ROI), sales growth, and earnings per share (EPS)). These financial performance indicators are assumed to reflect the achievement of economic goals of the firm. A broader conceptualisation of performance includes financial and operational dimensions of performance, incorporating non-financial measures. These include, for example, product-market outcomes, such as market share, introduction of new products, and marketing effectiveness and internal process outcomes (e.g., employee satisfaction) (Hult et al., 2008; Venkatraman & Ramanujam, 1986). These operational factors may eventually lead to financial performance (Venkatraman & Ramanujam, 1986). The broadest conceptualisation of performance relates to organisational effectiveness. Some measures for organisational, or overall, effectiveness are survival of the firm, reputation, perceived overall performance, and achievement of goals (Hult et al., 2008). According to Venkatraman and Ramanujam (1986), this broad conceptualisation of performance has received relatively less attention in the literature, due to the difficulty in measuring effectiveness. Instead, the focus in strategic management and international business research has been primarily placed on financial and operational dimensions of performance. Venkatraman and Ramanujam (1986) also pointed out some caveats as to the use of two conceptualisations (i.e., financial and operational indicators). In this regard, the issue of dimensionality of business performance

Download English Version:

<https://daneshyari.com/en/article/1001276>

Download Persian Version:

<https://daneshyari.com/article/1001276>

[Daneshyari.com](https://daneshyari.com)