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Service advantage built on service capabilities: An empirical inquiry of international new ventures

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ABSTRACT

The literature on high-tech international new ventures (INVs) has failed to consider the precursors of service advantage within the strategy interplay for approaching new markets overseas. Services account for an increasingly crucial component, especially in high-tech manufacturing sector. Attaining competitive advantage in international markets is contingent upon the level of service the firm offers to its customers. Building on the resource-based view, this study advances the literature by analyzing an integrative model of service advantage based on INVs' service capabilities. The findings show that service capabilities, leveraged from entrepreneurial orientation and informational resources, are central to attaining superior performance when developing a service advantage. Due to the high-velocity environment in which high-tech INVs compete, new strategies are needed for attaining service advantage. This study's findings have influential implications for research on new-venture decision making and international marketing.

1. Introduction

Services have become predominant in the manufacturing sector—especially in high-velocity industries—and account for a rising relevant component of gross domestic product globally. In these high-velocity industries, such as high-tech, significant structural competitive changes are found due to the rapid diffusion and unprecedented use of information and communications technologies (World Resources Institute, 2008). High-velocity industries emphasize the brisk and discontinuous changes in demand, competition, and technological innovations (Wirtz, Mathieu, & Schilke, 2007). Such industries require fast decisions by firms (Eisenhardt, 1989; Judge & Miller, 1991). To achieve competitive advantage, firms operating in high-velocity environments must respond quickly to market changes or anticipate them by being aggressive and innovative and by implementing a clear strategy (Boudreau, Loch, Robey, & Straud, 1998; Riel, Allard, & Lievens, 2004). Competition in these environments requires faster differentiation, particularly in firms with international offerings (Xiaoyun, Xin, & Zheng, 2014). In theory, firms can respond by complementing the product offering with service components (Porter, 1980). However, little is known about how firms implement these service components to create a favored market position based on the provision of superior customer value due to service.

Within this context, many international new ventures (INVs) have come into being, sharing entrepreneurial orientation (EO) attitudes as risk-taking, pro-activeness, innovativeness, and aggressiveness (Coviello & Cox, 2006). INVs are firms that, from inception, seek to gain substantial competitive advantage from the use of capabilities for the international sale of outputs (Oviatt & McDougall, 1994). EO is a firm's strategic orientation toward its decision-making actions, processes, and practices that lead to new market entry or a new value creation (Lumpkin & Dess, 1996). Research on international entrepreneurship (IE) has shown that EO is an important performance driver in approaching international markets (Cavusgil & Knight, 2015). Entrepreneurial firms create opportunities through their actions. The IE literature addresses the relevance of international opportunities recognized by entrepreneurial firms with foreign operations (Angelsberger, Kraus, Mas-Tur, & Roig-Tierno, 2017). To take advantage of these opportunities, such firms will often need to reconfigure their resource bases, using certain capabilities as the mechanisms for doing so (Covin & Lumpkin, 2011). Operating under resource-constrained conditions, INVs appear to overcome such deficiencies by leveraging unique capabilities that help them to recognize opportunities and adapt to changes in the international markets (Martin, Javalgi, & Cavusgil, 2017).

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In high-velocity environments, product life cycles are frequently shortening; industry boundaries are continuously morphing; and competitive advantages are characteristically unsustainable. EO has proven a useful construct for understanding why and how some firms are able to regularly renew themselves via new growth trajectories, while others are not (Wirtz et al., 2007). However, the complexity of the EO-performance relationship challenges the understanding of how to best capture this connection. Lumpkin and Dess (2001) suggest that the relationship between an EO and performance varies according to the influence of internal and external factors on the firm and also depends on the type of environment.

The impact of external factors on firm performance has been analyzed in the IE literature with contingency models that capture the interaction between EO and an aspect of the external environment (i.e., Martin & Javalgi, 2016; Wiklund & Shepherd, 2005). Conversely, the role of internal factors and their impact on the firm in relation to EO and performance have yet to be fully addressed in the IE literature (Knight, 2015). Concerning the influence of firms' internal factors, resources appear to be relevant to enacting an EO, especially in resource-constrained INVs (Coviello & Cox, 2006). Thus, one might gain greater insight into performance by investigating the integrative mechanisms that ensure complementarity among the internal factors of the INV.

Regarding the environment, the high-tech industry, in which INVs operate, has been enhanced by the widespread use of information technology and wireless communication. As services are prevalent in the high-tech manufacturing sector, and with firms experiencing constant pressure for product innovations and increasingly narrow profit margins, the ability to experiment with and capitalize on their service component has emerged as a promising avenue (Bitner, 1990). For firms to compete in this complex environment, they need distinctive information about customers, competitors, and the broader international market environment. This information becomes valuable and complex resources difficult to imitate (Morgan, Zou, Vorhies, & Katsikeas, 2003). Firms' challenge is to determine the mechanism that will allow them to use these informational resources to facilitate new product market introductions, easily delivered and serviced. Therefore, the firms pursue to achieve a preferred marketplace position that captures the provision of superior customer value. The way to achieve and sustain that position is through service—in other words, the service advantage (Kaleka, 2011).

Although the marketing and IE literatures have devoted scant attention to the service advantage, customer satisfaction is emphasized through better service quality, albeit largely for service firms (Bitner, 1990; Bolton & Myers, 2003). The literature has not considered the physical fulfillment and logistics that complement the marketing component (Mentzer, Flint, & Hult, 2001) and should also offer insights into the nature of the service advantage. According to the logistics literature, service capabilities grant to launch new products into the market, to effortlessly deliver and service them (Yang, Marlow, & Chin-Shan, 2009). However, the marketing and IE literatures do not address this concept.

Additionally, the literature on high-tech industry emphasizes the role of information and service; however, little is known about their relationship with the service advantage and the performance of INVs. Furthermore, the literature offers no insights into the empirical relation of information and service with EO (Rauch, Wiklund, Frese, & Lumpkin, 2004).

This study attempts to address these gaps in the INVs' literature by examining the contribution of different firm factors to achieving a service advantage. Drawing from the resource-based view (RBV) of the firm, this study identifies a bundle of resources and capabilities as potential influencers of INVs' service advantage and performance.

In sum, this study makes three contributions to knowledge in this important area of informational resources and service capabilities. First, the study builds on the RBV (Barney, 1991) to offer a novel extension on how informational resources—a critical, yet understudied, type of resources—interact with other firm-level features to determine service advantage in high-velocity environments. Second, this study contributes to the INV literature by providing new insights into the role of service capabilities, showing that these capabilities mediate the relationship between informational resources and service advantage. Third, this study brings together entrepreneurship and early internationalization theory with marketing theory. Previous work on EO focused on its effects on internationalization and performance (Kuivalainen, Sundqvist, & Servais, 2007). This study, however, extends the literature by empirically analyzing an integrative model of EO, service capabilities, and informational resources, and by examining how the latter are interlinked and contribute to service advantages. Thus, this study links the IE literature with the international marketing literature on service advantage and service capabilities to inquiry high-tech INVs. To the best of this study's knowledge, no previous research has attempted to examine the effects of EO on these marketing-anchored variables or to explore the relationship among service capabilities, informational resources, service advantage, and export venture performance. The novel model of this study recognizes INV managers concern that their investments will gain suitable service advantage rewards. However, based on the literature review in this study, INVs scholars are not certain of the context that will allow a firm to build considerable service advantage to increase export performance. This research is timely, offering the empirical grounding from which to advise INV managers on their decisions to build service advantage in high-tech industries.

The remainder of the paper is organized as follows. Section 2 explains the study's theoretical background and states the hypotheses. Section 3 describes the methods chosen to provide evidence on the conceptual framework. Section 4, clarifies the analysis and reports the results of the hypotheses. Section 5 presents discussion, conclusions and the significance and contributions of the study. Finally, Section 6 explains the research limitations and suggests further research.

2. Theory and hypotheses

Intensifying competition and increasingly knowledgeable global consumers are only two of the factors that make differentiation in the international offering important. Although product quality improvements are the obvious first step in differentiation for firms, complementary service elements offer substantial opportunities to produce customer value and improve performance (Porter, 1980).

Most INVs launch their foreign activities through exports (Knight & Cavusgil, 2004), especially in the high-tech industry (Burgel & Murray, 2000). Accordingly, the primary unit of analysis in this study is the export venture of the INV firm. Fig. 1 presents a conceptual model of the study. The achievement of service advantage in the international market is depicted as contributing to the INV's export venture performance. In line with the RBV (Lockett, Thompson, & Morgenstern, 2009), this study's interest centers on the idiosyncratic firm factors that enable the INV to offer service attached to the new products during sales and distribution in the international market. The deployment of service capabilities enables INVs to achieve service advantage and export venture performance. Informational resources are deployed on two routes toward service advantage, one via service capabilities, and the other as a direct link. While the direct link involves the acquisition of informational resources, such valuable knowledge about customers, competitors, channel members and the broader market environment (Morgan et al., 2003), service capabilities allow for the development of easily delivered and serviced new products (Day, 2011; Yang et al., 2009).

Furthermore, Fig. 1 depicts the influence of EO on informational resources, service capabilities and export venture performance. EO, clearly a prominent characteristic of INVs, has been examined in numerous studies since 2004 (e.g., Jones & Coviello, 2005; Mathews & Zander, 2007). Although most of the literature operationalizes EO in an