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**Exporting starters: starters with more
ambition and higher achievement**

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Exporting starters: starters with more ambition and higher achievements

Those entrepreneurs that begin exporting as soon as they start their businesses, or shortly afterwards, are usually more highly educated and have more experience of life than starters that do not export. This is evident from the number of hours that the entrepreneurs spend working in the business and the objectives they set for their enterprises. Right from the start the exporting starter is aiming to enter mainly new markets and to achieve the highest possible profit. It is assumed that investment will be required if the entrepreneur wishes to enter the international market. Exporting starters are, indeed, found to have more financial means available at the start. Also in the years after the start they more often make additional investments. On the other hand, the financial achievements of exporting starters are higher than those of non-exporters. The starter that wishes to be active beyond the borders will have to offer something special to be able to gain a place in foreign markets. The exporting starters that approach foreign markets do indeed have knowledge and a 'unique selling proposition'. In doing so they, to a large extent, take advantage of new technologies and inventions. However, for the smaller starting businesses in particular, it is difficult to do everything themselves. Over 40% of the exporting starters work together with other businesses

1 Introduction

Research is increasingly dedicating attention to businesses that are internationally active right from the start or shortly afterwards. Such businesses are often spoken of as 'born globals' or 'international new ventures' (inc. Oviatt & McDougall; 1994, Knight & Cavusgil, 1996; Madsen & Servais, 1997)¹. To date little information, specifically applicable to the Netherlands, is available about the characteristics and achievements of businesses that are active internationally right from the start.

This mini report focuses on exporting starters in the Netherlands and deals with the following questions:

- What are the characteristics and behaviour of entrepreneurs that begin exporting right from the start and to what extent do they distinguish themselves from other starters?
- What are the characteristics of businesses that are export oriented from the very start and to what extent do these differ from the characteristics of other starting enterprises?
- What are the achievements of exporting starters compared to those of other starters?

The EIM Starters Cohorts 1998-2000 (starters in the period 1998-2000) are the source of the information used in this report. Since the date of their establishment the enterprises in this group have been monitored by taking annual measurements. This has made it possible not only to examine the characteristics of entrepreneurs at the time at which they started, but also to review their achievements during a period of a number of years.²

Six percent of the starters in the Starters Cohort 1998-2000 began exporting immediately after the start. This share had increased to 8% after one year.³ For over 40% of these starters (3% of the total number) export activities account for at least 20% of the turnover.

Exporting starters can be found mainly in the wholesale trade and financial and business services, 22 and 40% respectively of exporting starters. Table 1 also shows that, compared with non-exporting enterprises, exporters are less active in the construction industry and other services.

¹ Oviatt, B.M. & P.P. McDougall (1994), Toward a Theory of International New Ventures, *Journal of International Business Studies* 25(1), pp. 45-64; Knight, G.A. & S.T. Cavusgil (1996), The Born Global firm: a challenge to traditional internationalization theory, *Advances in International Marketing*, 8, pp. 11-26; Madsen, T.K. & P. Servais (1997), The internationalization of born globals: An evolutionary process, *International Business Review*, 6, pp. 61-583.

² 1,628 entrepreneurs took part when measurements were made in the starting year of EIM Starters Cohorts 1998-2000. After 5 years the number of participants was 588.

³ During this report the term 'exporting starters' refers to those businesses that exported as soon as the business was operational or within 1 year later unless otherwise specified.

Table 1 Starters according to sectors, as a percentage of the total

	<i>exporting</i>	<i>non-exporting</i>	<i>total</i>
industry	5	3	3
construction	2	15	14
wholesale	22	5	6
retail	8	12	12
catering/automobile and repairs, transport	8	7	7
financial and busi- ness services	40	36	36
other services	15	22	22
total	100	100	100

Source : EIM Starters cohorts 1998-2000, measured at the start.

2 Characteristics and behaviour of entrepreneurs that export from the start

Exporters are more highly educated

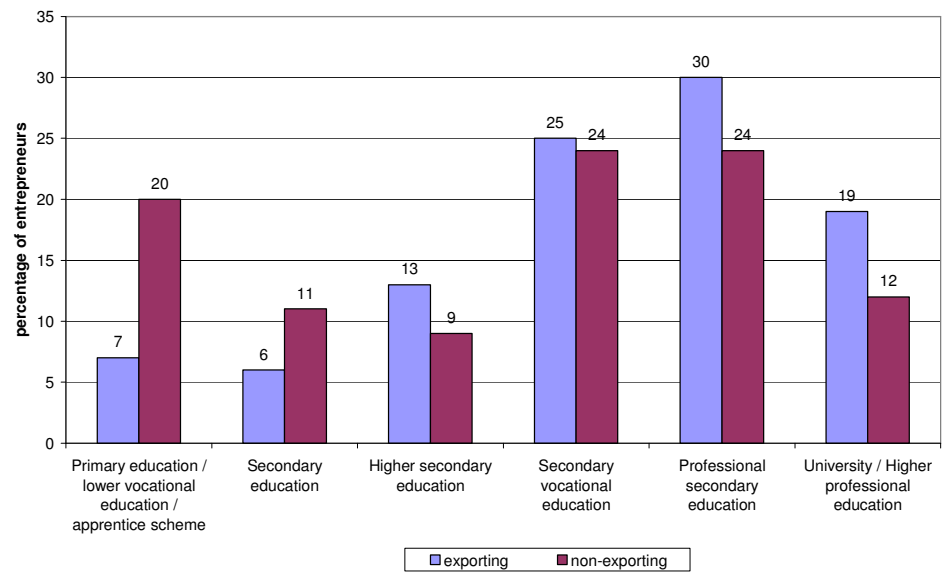
The early internationalisation of a business is often connected to the characteristics of the entrepreneur. There should, for example, be a positive link between experience and a higher education with export by small businesses (Westhead, 1995; Simpson & Kujawa, 1974)¹. This chapter will examine in more detail to what extent entrepreneurs of businesses that export right from the start have different characteristics and behave differently from entrepreneurs that have no export activities when they start.

It appears that exporting starters have a higher educational level. The largest group of exporters has an educational at Higher Vocational Level (30%). Compared to non-exporting entrepreneurs those that do export indicate that they have had a higher level of education (Higher Vocational Education or University). In particular, of those starters more intensively occupied with export (20% or more of the turnover is accounted for by exports) relatively many have had a University education.

Exporting entrepreneurs also have more experience of life: 17% are 50 years of age or older, compared to 10% for the non-exporting entrepreneurs.

¹ Westhead, P. (1995), Exporting and non-exporting small firms in Great Britain, *International Journal of Entrepreneurial Behaviour & Research*, 1(2), pp. 6-36; Simpson, C.L. & D. Kujawa (1974), The export decision process: an empirical inquiry, *Journal of International Business Studies*, 5(1), pp. 107-117.

Figure 1 Educational level of entrepreneur at entry



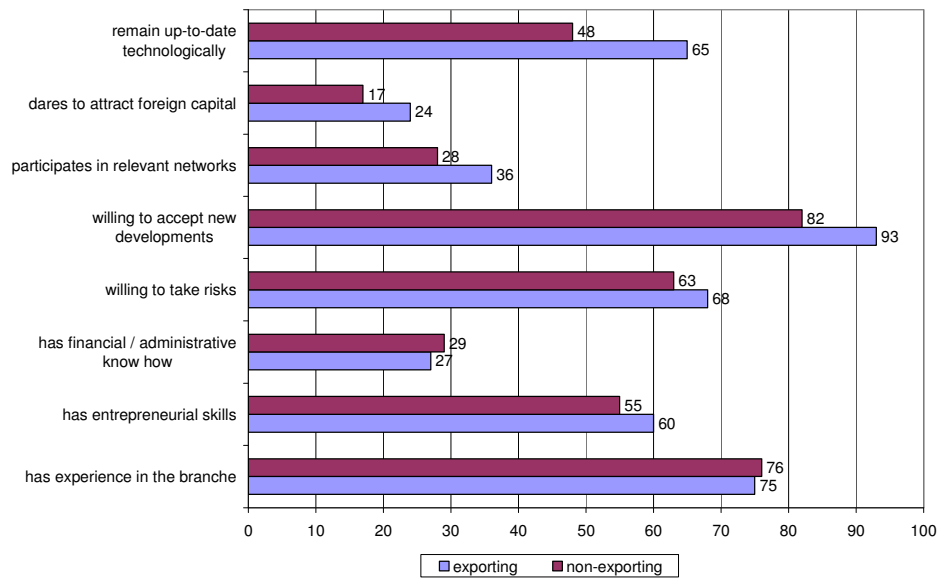
Source: EIM Starters Cohorts 1998-2000, measured at start

Level of qualifications and characteristics of starting entrepreneurs

To be able to export entrepreneurs require the capacity that allows them to see beyond country borders. Figure 2 shows the extent (large or limited) to which entrepreneurs consider themselves to possess various skills and properties.

Exporters appear to be particularly receptive to new developments: 93% indicate having this characteristic to a considerable or very considerable degree. Characteristics through which exporting starters distinguish themselves from non-exporting starters are that they more often indicate that they are receptive to new ideas, willing to participate in relevant networks, have the courage to attract foreign investment and will remain up-to-date with new technologies. The readiness to network and attract foreign capital is especially evident among those starters that have an export turnover of at least 20%.

Figure 2 Extent to which capabilities or characteristics are represented, as a percentage of the total

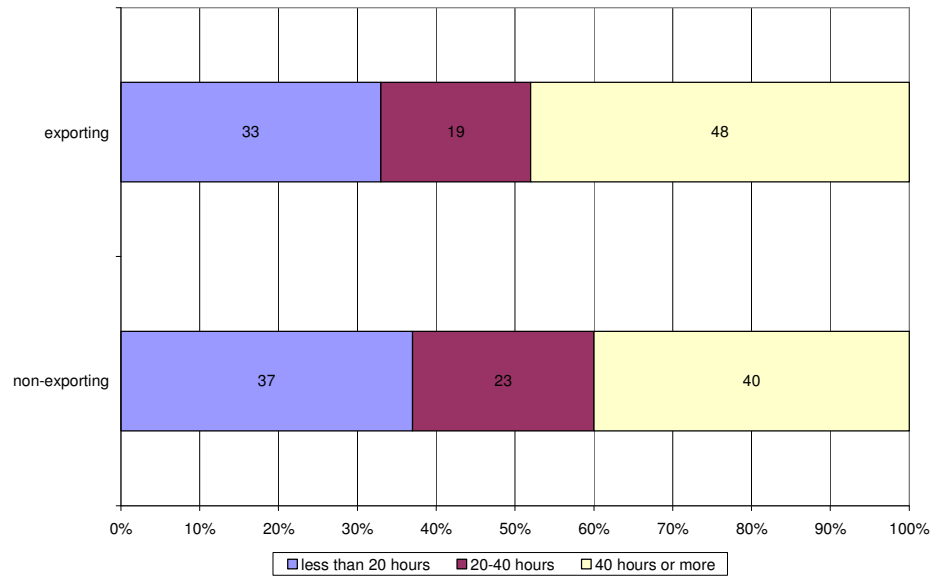


Source: EIM-Starters Cohorts 1998-2000, measured at start.

Commonly spend more hours working in the business

It is a well known fact that, in the beginning, many starters are active in the business part-time only. At first these activities are, for example, combined with a paid job (as guaranteed income) or with caring for a family. In figure 3 it can be seen that exporting starters spend proportionally more time on their business than do non-exporting starters. Almost half of the exporters was working 40 hours or more in the business when it started. At 40% this was significantly lower for non-exporters.

Figure 3 Number of hours spent working in the business at the start, in percentages of the total



Source: EIM Starters Cohorts 1998-2000, measured at the start.

3 Characteristics of those businesses that export right from the start

Based on literature it may be expected that enterprises that export as soon as they start, or shortly afterwards, will have other characteristics than starting enterprises that do not operate in international markets. The possession of unique sources, including technology and knowledge for example, are often considered to be an important condition for starters to be able to operate on international markets (Oviatt & McDougall, 1994). This provides them with a, sometimes temporary, competitive advantage on foreign markets. Particularly those businesses that have an extensive international presence from the start will be active in niche markets (Knight & Cavusgil, 1996). It is also to be expected that exporting starters will look for opportunities to work together with other businesses (Oviatt & McDougall, 1994), despite the fact that this can be accompanied by the risk that the co-operating partner could make mis-use of the business's valuable knowledge or technology. Starters often have only limited means and this makes it necessary for them to co-operate with others to be able, for example, to access foreign markets for their products or to be able to combine their own products with the correct technology. This chapter examines more closely the characteristics of those businesses that export immediately after the start and to what extent these characteristics differ from those of starters that have no export activities.

3.1 Product characteristics

Greater distinction between the exporting businesses and their competitors

Almost half the exporters state that their product or service differs greatly from that of their competitors. This figure is considerably higher than is the case for non-exporters where 24% state that there is a significant distinction between their product and that of the competitors.

Table 2 Distinction between the starters and their competitors (product/service has a unique selling proposition), as a percentage of the total

	<i>exporting</i>	<i>non-exporting</i>	<i>total</i>
yes, significant	46	24	26
Yes, to some extent	39	46	45
no	15	30	29
total	100	100	100

Source: EIM Starters Cohorts 1998-2000, measured at start.

Knowledge is a very important production factor

For more than half of the exporting starters knowledge is an extremely important production factor for the business (see table 3), 54% indicate that knowledge makes a major contribution. Here again the exporting starter differs from the non-exporting starter. Knowledge is less frequently mentioned by non-exporting starters as being very important (39%).

Table 3 Knowledge is an important production factor for businesses, as a percentage of the total

	<i>exporting</i>	<i>non-exporting</i>	<i>total</i>
very strongly	54	39	41
strongly	24	27	26
not so strongly	9	14	14
not, hardly any	13	20	19
total	100	100	100

Source: EIM Starters Cohorts 1998-2000, measured at start

More use is made of new technologies or inventions

Exporting starters benefit more frequently from using new technologies or inventions. To some extent this is linked to the fact that products and packaging must be adapted to meet the requirements of the foreign markets. But also that these technologies and inventions are deployed to capture foreign markets by introducing unique products. The products or services of nearly half of the exporting businesses are almost entirely, or to a large extent, based on new technologies or new technological inventions (see table 4). In this way these businesses are able to obtain a strong market position.

Table 4 Products/services based on new technology or technological inventions, as a percentage of the total

	<i>exporting</i>	<i>non-exporting</i>	<i>total</i>
almost entirely	13	5	6
to a large extent	34	16	17
to a small extent	24	18	19
not or hardly	29	61	58
total	100	100	100

Source: EIM Starters Cohorts 1998-2000, measured at the start.

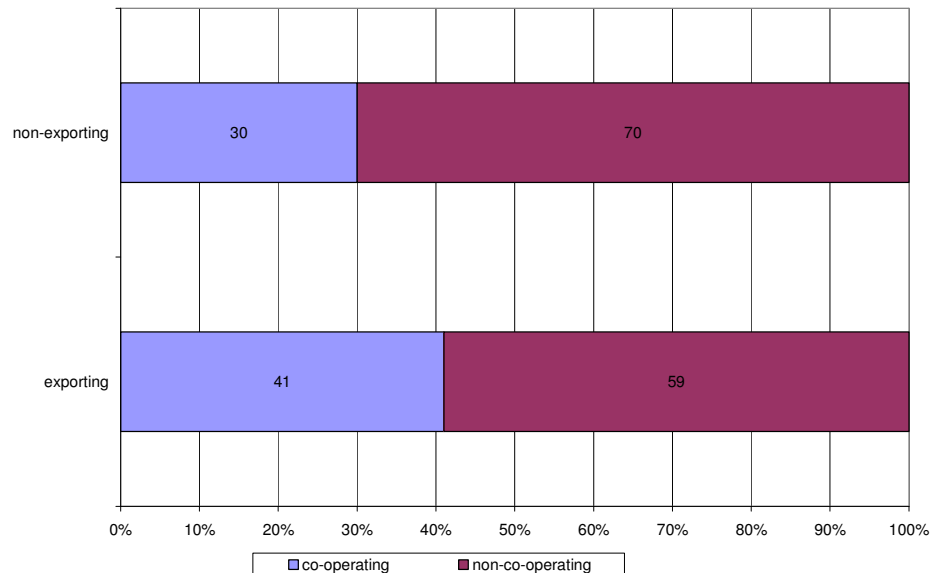
The fact that exporting starters are, in a certain sense, in possession of a unique market position is confirmed by the information given above. Exporters often state that they distinguish themselves from their competitors by having a unique selling proposition. Knowledge is considered to be an important production factor. To ensure that they are unique it is not surprising that exporters offer products or services that are often based entirely, or to a large extent, on innovations.

3.2 Co-operation

Exporting starters often co-operate

By co-operating with other business exporters can benefit from the experience these have gained abroad, business that are internationally active or from foreign partners that will provide access to the market. Co-operation also offers the opportunity to offer a wider ranging and higher grade products/ services, of increasing international interest which, for the business on its own, would not be possible. Figure 4 shows that over 40% of the exporting starters works together with other businesses in the beginning. Of the starters in this group that have an export turnover of at least 20%, the degree of co-operation is even higher at 48%. At 30% this is considerably lower for non-exporting businesses.

Figure 4 Co-operation with other business at the start, as a percentages of the total



Source: EIM Starters Cohorts 1998-2000, measured at the start.

3.3 Ambition

Internationalisation often demands investment and effort. It has already been explained that the exporting entrepreneur him/herself spends a considerable proportion of his/her time working in the business, compared to non-exporting entrepreneurs.

Higher investment of financial means

Table 5 shows that, proportionally, the starting capital of exporting starters is higher than that of non-exporting. Almost 70% of the non-exporters has a start capital of less than 11.500 euro; this applies to only 55% of the starters that do export. Twenty-five percent of the exporting starters has a start capital of at least 22.500 euro, but only 17% of the non-exporters has this amount.

Table 5 High starting capital, as a percentage of the total

<i>x 1.000 euro</i>	<i>exporting</i>	<i>non-exporting</i>	<i>total</i>
less than 11,5	55	68	66
11,5 to 22,5	20	15	16
22,5 or more	25	17	18
Total	100	100	100

Source: EIM Starter Cohorts 1998-2000, measured at start

Soon after the start the exporting starters are found to be more willing to invest. Almost 40% of the exporters invested extra financial means during the first year, compared to 31% of the non-exporters (see table 6).

Table 6 Additional investments (in the first year) as a percentage of the total

	<i>exporting</i>	<i>non-exporting</i>	<i>total</i>
yes	39	31	32
no	61	69	68
total	100	100	100

Bron: EIM-Starterscohorten 1998-2000, meting startjaar.

After five years it is still the case that, proportionally, the exporters have more frequently invested extra financial means than non-exporters (see table 7).

Table 7 Additional investments made by businesses during the last 12 months (5 years after the start), as a percentage of the total

	<i>exporting (incl. new exporters*)</i>	<i>non-exporting</i>	<i>total</i>
Yes	39	29	31
No	61	71	69
total	100	110	100

Five years after the start the term exporting businesses applies to: all exporting businesses at that moment i.e. the businesses that exported right from the start, including those businesses that started to export in the subsequent five years the 'new exporters'.

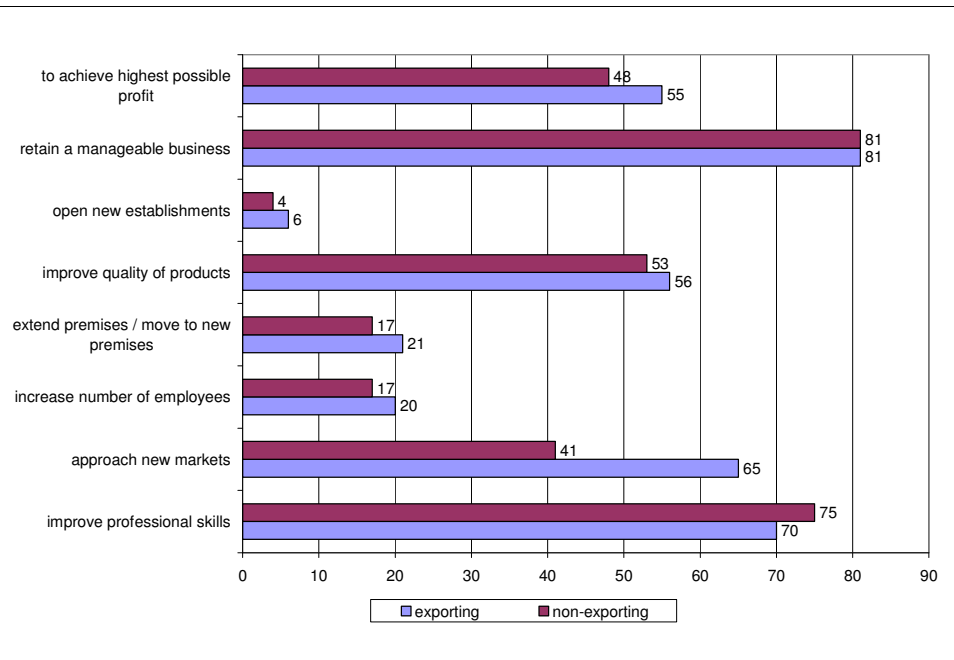
Source: EIM Starters Cohorts 1998-2000, measured at the start+5years.

Exporters aim to achieve ambitious goals

The greater ambition of the exporting starter is also evident from the objectives, formulated at the start, that these businesses hope to achieve in the medium term.

Figure 5 shows the medium term objectives, set at the start that businesses endeavour to achieve. From this table it is apparent that exporting starters endeavour to achieve more ambitious goals than non-exporting starters i.e. working new markets and, in addition, acquiring the highest possible profit.

Figure 5 Objectives, set at the start, to be achieved in the medium term (2 to 3 years), as a percentage of the total



Source: EIM Starters Cohorts 1998-2000, measured at the start.

4 Performance

The common assumption is that the internationally active starters make a significant contribution to employment and economic growth (Moen, 2002)¹. It is also frequently assumed that internationalisation is accompanied by various financial advantages for new businesses, for example it contributes towards improving their competitive power and results in better financial performances by the business (Zahra, Neubaum & Huse, 1997)².

A quarter of the exporting starters shows growth in employment within 5 years

After 5 years on average a quarter of the businesses still active have taken on paid employees. This is somewhat higher for exporting starters. The employment growth percentage for exporting starters, 25% is also somewhat higher, (compared to 20% for non-exporters) but is not distinguishing. In the field of development of employment, therefore, there is hardly any difference between the exporting and the non-exporting starters (see table 8).

Table 8 Businesses with growth in the number of employees, after 5 years, as a percentage of the total

	1998/2000 + 5
exporting (incl. new exporters)	25
non-exporting	20
total	21

Source: EIM Starters Cohorts 1998-2000, measured at start+5years.

Better financial performance

Contrary to growth in employment exporting starters do distinguish themselves from non-exporters in the area of financial performance. The exporting starters generally achieved a higher turnover from the start. Half the non-exporting starters had a monthly turnover of less than 2,250,000 euro in the first year, compared to 38% of the exporters (see table 9). Almost a quarter of the exporters achieved a monthly turnover of more than 9.100.000 euro, while this percentage was considerably lower (15%) for the non-exporters. It should however be noted that there were relatively many

¹ Moen, O. (2002), The Born Globals, A new generation of small European exporters, *International Marketing Review*, 19(2-3), pp. 156-175.

² Zahra, S.A., D.O. Neubaum & M. Huse (1997), The Effect of the Environment on Export Performance Among Telecommunications New Ventures, *Entrepreneurship Theory and Practice*, 22(1), pp. 25-46.

wholesale businesses, with a high average turnover, among the exporters, and that there were relatively many “other services” providers among the non-exporters with a comparatively low turnover.

Table 9 Average monthly turnover at start, as a percentage of the total

<i>x 1.000 euro</i>	<i>exporting</i>	<i>Non-exporting</i>	<i>total</i>
less than 2.250	38	51	50
2.250 to 9.100	38	34	35
More than 9.100	24	15	15
total	100	100	100

Bron: EIM Starters Cohorts 1998-2000, measured at the start.

Five years after the start the exporters have a more positive turnover prognosis than the non-exporters (see table 10). This may be explained by the fact that in a period of economic recovery- of which increasing international trade is the first sign – the internationally oriented businesses are the first to benefit

Table 10 Turnover prognosis after 5 years (for 5 years+ 1), as a percentage of the total

	<i>exporting</i>	<i>non-exporting</i>	<i>total</i>
strong increase	6	3	3
increase	58	38	40
remain the same	33	47	45
drop	2	10	10
steep drop	1	2	2
total	100	100	100

Source: EIM Starters Cohorts 1998-2000, measured at start+5.

As far as trading results are concerned exporters have more positive expectations than entrepreneurs with non exporting businesses (see table 11 and table 12).

Table 11 Expected trading results after 5 years, as a percentage of the total

<i>x 1.000 euro</i>	<i>exporting</i>	<i>non-exporting</i>	<i>total</i>
up to 50	61	79	76
50 to 100	27	14	16
100 or more	12	7	8
total	100	100	100

Source: EIM Starters Cohorts 1998-2000, measured at start+5.

Table 12 prognosis of trading results after 5 years (for year_5 + 1), as a percentage of the total

	<i>exporting</i>	<i>non-exporting</i>	<i>total</i>
strong increase	6	2	2
increase	59	37	40
remain the same	27	51	48
drop	7	9	9
steep drop	1	1	1
total	100	100	100

Source: EIM Starters Cohorts 1998-2000, measured at start+5.