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EXTENDED ABSTRACT

Title: UNDERSTANDING PIONEERING ORIENTATION OF TOURISM CLUSTERED FIRMS

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Abstract: *The pioneering orientation is a strategic position whereby a firm proactively tends to be the first to launch new products or services, taking advantage of market opportunities that competitors either did not recognize or are not interested in (Covin, Slevin and Heeley, 2000). Firms following a pioneering orientation are able to capitalize on potential first-mover advantages, which may help a firm create and sustain competitive advantage (Garrett, Covin and Slevin, 2009). This happens because they are the first to access key resources, such as localization or desirable market segments; they also can achieve technological leadership position and scale economies; they can generate entry barriers for late entrants; meanwhile they can benefit from reputation effects as a leader and crate brand loyalty. However, the literature on entry timing points out many advantages, but also disadvantages for pioneering firms, such as a high risk of failure and great deal of uncertainty (Mueller, Titus, Covin and Slevin, 2012). The managers will make decisions of pioneering according to their expectations of achieve first-mover net advantages.*

There is special interest in studying pioneering orientation in the context of cluster because the positive externalities that bring up in these agglomerations can encourage fist-mover advantages. These externalities generated inside the cluster allow reduce the pioneering drawbacks caused by services and training infrastructures, the lack of potential well-trained consumers, and the absence of diversified industries to supply complementary products (Porter, 1985). In addition, agglomeration economies in relation to shared knowledge give clustered firms a clear first-mover advantage, since firms can access to relevant information about changes in products, services and markets. Thus, firms that follow a pioneering orientation will be able to exploit opportunities from these changes and transform them into competitive advantages. Likewise, the tacit knowledge that is shared within a cluster is a key resource in the initial stages of the product life cycle (Audretsch and Feldman, 1996) that fosters pioneering orientation of the clustered firms. Furthermore, the strong competition and easy imitation that happen inside clusters encourage clustered firms to be the first to

introduce new products and services in new markets, and hence they can differentiate from competitors and avoid imitation (Wilson, 2016). Despite this interesting approach there are not studies posing a comprehensive analysis of pioneering orientation antecedents in the context of clusters.

In the last two decades, the literature on entry timing has addressed the antecedents of the pioneering orientation (Schoenecker and Cooper, 1998; Fuentelsaz, Gomez and Polo, 2002; among others). Though some studies point out that environmental changes influence firms' decisions to pioneering orientation (Lieberman and Montgomery, 1998), the likelihood of a firm takes advantage from being a first-mover depends on several organizational factors, including a firm's resources and capabilities (Schoenecker and Cooper, 1998). Some authors highlight the relevant role of relational factors to connect firms with their external contacts in order to depict their environment and make strategic decisions (García-Villaverde, Rodrigo-Alarcón, Parra-Requena and Ruiz-Ortega, 2018). These studies suggest the need to address how relational factors can affect a firm's expectations to achieve first-mover advantages in a dynamic environment (Lieberman and Montgomery, 1998). Specifically, the research question is what role social capital has explaining the pioneering orientation of clustered firms in a dynamic environment.

The dynamism in the environment is related to a constant entry and exit of firms in the industry, and also to changes that happen in demand, competitors and technology (Boyd, Dess and Rasheed, 1993). In the context of tourism clusters, the market dynamism is particularly relevant that refers to changes in preferences and needs of consumers whose constantly search for new products and services. In this line some studies highlight that in very dynamic markets more opportunities can be generated that encourage firms to develop a pioneering orientation to control emerging market segments and achieve a leadership position in relation to competitors (Tegarden, Echols and Hatfield, 2000). Despite these benefits of market dynamism for pioneer, there are also some disadvantages. When there are rapid and significant changes in the market, pioneers can incur costs associated with their first-mover status, such as operating with limited knowledge about customer or obstacles in identify changes in customer needs that leads to an orientation of the follower strategy (Golder and Tellis, 1993). Therefore, although most studies have shown a positive linear effect between market dynamism and pioneering orientation (Tuppura, Hurmelinna-Laukkanena, Puumalainen and Jantunen, 2010), in this study we propose to analyze the possible existence of a curvilinear effect between these two variables, taking into account the net effect between its advantages and disadvantages.

Analyzing the relational factor, it is revealed that social capital is a dimension connecting a firm with agents in its environment what may help to identify potential first-mover advantages. There is evidence that the geographical proximity has critical implications for the development of social capital of a firm, so it plays an especially relevant role in clusters (Belso-Martínez and Molina-Morales, 2011). Social capital consists in a set of resources embedded within a network of social relationships besides to all resources accessible through this network (Nahapiet and Ghoshal, 1998). The social capital approach points out that social networks of firms can facilitate firms the access to relevant information and knowledge, which, in turn, can strengthen their capacity to identify and exploit new market opportunities and achieve first-mover advantages (Lee, Lee and Pennings, 2001). Thus, we propose that social netwoks of firm exert a moderating role between market dynamism and pioneering orientation.

According to previous studies of social networks, we distinguish between two different types of ties: closed ties, characterized by their density and strength, and diverse ties,

built through structural holes (Zaheer, Gözübüyük and Milanov, 2010). Several studies draw attention to advantages and disadvantages related to both types of ties because they can influence differently the pioneering orientation of firms in dynamic environments. On one hand, closed ties provide opportunities to obtain relevant and tacit knowledge, but they also entail restrictions to identify and access new ideas, due to redundancy of information, isolation and lock-in, and inertia and myopia within a cluster (Hakansson and Ford, 2002). On the other hand, diverse ties allow firms to access to distant, diverse and novel knowledge; however, an excess of non-redundant links entails a large amount of information which can lead to information overload and confusion for firms (Burt, 2004). Thus, in the literature there is also controversy about the nature and effects of both types of ties (Wu, Chang and Chen, 2008). Therefore, we consider rather interesting analyze when and how closed ties and diverse ties influence the development of pioneering in highly dynamic environments. The main aim of this paper is to study how closed ties and diverse ties moderate the curvilinear relationship between market dynamism and pioneering orientation of the clustered firms –whether flatten or steepen the curve shape–.

In this study, we have focused on the tourism industry, since it is particularly interesting to analyze the joint effect of market dynamism and social capital on the pioneering orientation in clustered tourism firms (Lee and Jang, 2017). First, tourism firms compete in a global market where there are continuous changes, and alterations in markets and behavior of consumers are increasingly faster and relevant. Thus, the tourism industry shows a strong market dynamism, which affects significantly the competition of clustered firms. Second, as key resources of a tourist destination, which are the attraction to tourists, belong to the community, survival of clustered firms depend on collective actions. Therefore, the interest of tourism firms consists in establishing social ties with other firms of the destination. In this context, the social capital approach can help understand the complex nature of relationships in tourism clusters (Scott, Baggio and Cooper, 2008). Third, in these circumstances of highly competitive markets where there are collective actions and rapid imitation, tourism firms should pursue differentiate from their competitors and also from other tourism destinations through a pioneering orientation. Thus, firms that seek to be pioneers by means of launching of new products and services might attract customers from new markets and achieve net first-mover advantages (Sorensen, 2007).

Results prove the existence of a curvilinear U-shaped effect of market dynamism on pioneering orientation of firms belonging to tourism clusters -Model 3 in Table 1-. These results differ from previous studies that advocated a linear and positive effect or even linear and negative effect (Tuppura et al., 2010; Zachary, Gianiodis, Payne and Markman, 2015). Thus, taking into account advantages and disadvantages of market dynamism, initially its adverse effects on pioneering orientation are dominant. However, beyond a certain point, the benefits overcome the drawbaks and the market dynamism begins to have a net positive effect on pioneering orientation. The graphic representation of this relationship – see Figure 1- shows an asymmetric curve, where the positive effects on the pioneering orientation prevail from reduced levels of market dynamism. Therefore, the advantages overcome the initial drawbacks quickly.

Second, the results confirm that closed ties and diverse ties have divergent moderating roles on the curvilinear U-shaped relationship between market dynamism and pioneering orientation -Model 5 in Table 1-. On the one hand, closed ties accentuate the U-shape, so the availability of a superior closed ties fosters higher levels pioneering orientation for minimum and maximum levels of market dynamism -see figure 2-. This seems to indicate that the initial adaptation costs arising from the first changes in

customer demand, which limit the pioneering orientation, will become higher in firms with high levels of closed ties. On the other hand, high diverse ties attenuate the potential adverse effects of market dynamism on pioneering orientation -see figure 3-. Thus, the slope between the market dynamism and pioneering orientation becomes positive when the clustered firms have high diverse ties. This is because structural holes allow firms to access heterogeneous groups in their backgrounds, experiences, knowledge and skills, so they will have a greater variety and diversity of information. These firms can be constantly updated on changes in the demands and tastes of consumers in environments where such changes occur at a high speed and can take advantage of the opportunities arising from dynamic market through greater pioneering orientation.

The main contribution of this paper is to improve the understanding of antecedents of pioneer orientation considering both relational factors, through the approach of social capital, and environmental factors, analyzing dynamism, as demanded by previous studies (Garrett et al., 2009). Specifically, this study contributes to clarify the relation between market dynamism and pioneering orientation, by proposing and demonstrating a curvilinear U-shaped effect. In addition, a deep analysis of the divergent moderator roles of closed ties and diverse ties was carried out. Thus, the study has developed the literature on social capital and, particularly, on the controversy with regard to both closed ties and diverse ties, known as the paradox of the networks, since certain tie characteristics can help to a particular action while may adversely affect other actions. Even though many studies have addressed social capital as one-dimension construct or tridimensional construct -structural, relational and cognitive (Nahapiet and Ghoshal, 1998)-, this paper uses a bidimensional approach of social capital and contributes to the debate in the literature about the optimal level of closed ties and diverse ties. In addition, the paper has delved into the antecedents of pioneering orientation in the context of clusters, connecting entry timing and cluster literature. Specifically, we focused this study on tourism clusters what entails an interesting contribution to the lack of empirical studies about entry timing in the tourism industry.

Regarding the practical implications, managers should pay attention to changes in the demand in order to evaluate potential opportunities for clustered firms, by developing pioneering orientation that boosts developing of more innovations in new markets. Initially, when the first changes in markets occur, the drawbacks to adapt to this new situation outweigh the first-mover advantages. However, beyond certain levels of market dynamism, clustered firms might start to take advantage from the opportunities due to these changes in the market. In addition, firms might benefit from the development of social capital. Specifically, closed ties hinder to develop more pioneering orientation when market dynamism is low; but beyond a certain point of market dynamism, the chances of achieving higher net first-moved advantages with high levels of closed ties become increasing. Likewise, managers of clustered firms should develop diverse ties in order to eliminate the initial adverse effects of market dynamism on pioneering orientation. Thus, firms could start to benefit the first-mover advantages since the first changes in needs and tastes of customers.

Table 1. Results of Regression Analysis for pioneering orientation

	Model 1		Model 2		Model 3		Model 4		Model 5	
	β	t-statistics	β	t-statistics	β	t-statistics	β	t-statistics	β	t-statistics
Family business	0.066	0.976	0.062	0.936	0.056	0,863	0,061	0,95	0,047	0,733
Sense of belonging	0.041	0.586	0.032	0.461	0.031	0,452	-0,052	-0,715	-0,065	-0,893
Imitación	0.139*	2.007	0.089	1.272	0.092	1,327	0,063	0,918	0,115	1,649
Access to financ	0.284***	4.18	0.279***	4.187	0.307***	4,609	0,276***	4,133	0,27***	4,11
ITCs	0.108	1.559	0.071	1.037	0.058	0,854	0,074	1,097	0,056	0,837
Type of company	-0.068	-0.999	-0.075	-1.123	-0.066	-1,011	-0,063	-0,964	-0,073	-1,134
Market dinamism			0.206**	2.951	0.263***	3,625	0,224**	3,086	0,187*	2,513
Market dinamism^2					0.175*	2,502	0,17*	2,475	0,128†	1,766
Closed ties							0,189*	2,56	0,043	0,456
Diverse ties							0,067	0,979	0,216*	2,496
MdxClosed ties									0,114	1,574
MDxDiverse ties									-0,025	-0,33
MD^{2}xClosed ties									0,193*	1,999
MD^{2}x Diverse ties									-0,212*	-2,17
Adjusted R^2	0.091		0.125		0.148		0.176		0.206	
F	45.010***		45.959***		34.215***		34.770***		35.328***	
Change in adjusted R^2	0.118		0.038		0.026		0.035		0.044	
Change in F	4.392***		8.707**		6.259*		4.292*		2.829*	

*† p 0.10; * p 0 .05; ** p 0.01; *** p 0.001*

Figure 1. Curvilinear relationship between market dynamism and pioneering orientation

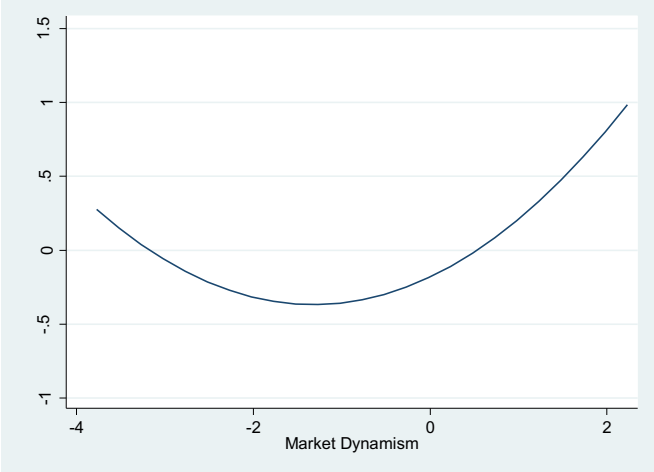


Figure 2. Moderating effect of closed ties on the curvilinear relationship between market dynamism and pioneering orientation

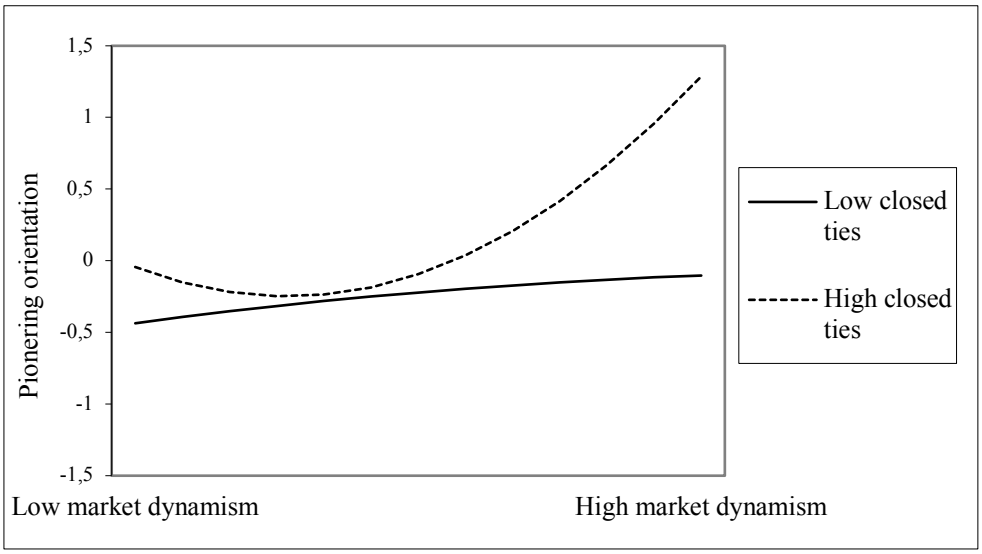
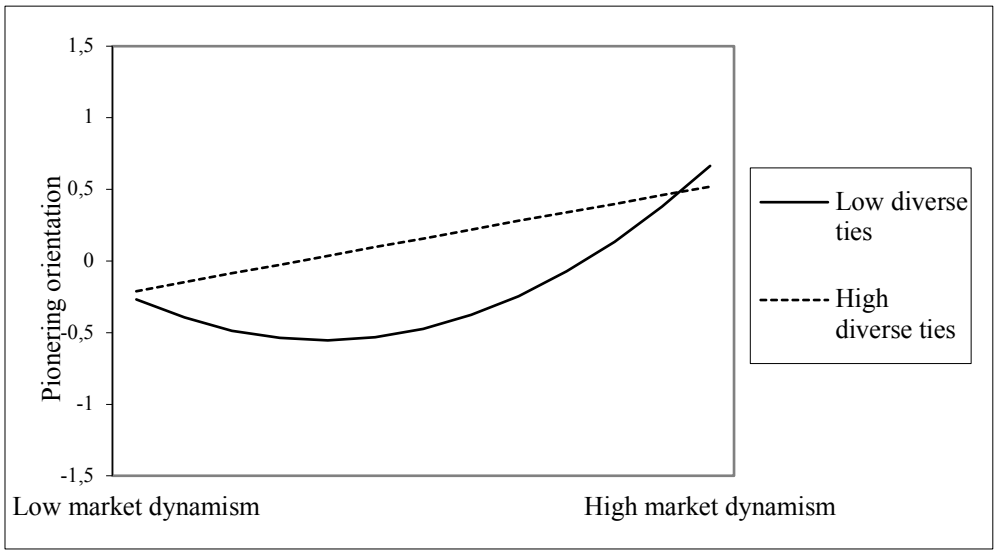


Figure 3. Moderating effect of diverse ties on the curvilinear relationship between market dynamism and pioneering orientation



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