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The Significance of the New Venture's First Sale: The Impact of Founders' Capabilities and Proactive Sales Orientation*

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Initial sale success in the market with a new product is a critical milestone for a new venture. Failure at the introduction stage of a new product could have lethal consequences for the venture. In the present study, the authors investigate the role of a new venture company's first successful sale in the venture's future commercial success. The authors develop and test a model of the impact of the founders' entrepreneurial and commercial capabilities and proactive sales orientation on the significance of the first sale and sales growth of a new venture. Using survey data and partial least squares estimation, the results reveal that the founders' commercial capabilities have a positive effect on proactive sales orientation, while their entrepreneurial capabilities positively moderate the effect of commercial capabilities. Further, the results reveal that a proactive sales orientation positively affects the significance of the first sale and that value-based selling approach positively moderates the effect of proactive sales orientation. Finally, the results reveal that the significance of the first sale is positively related to sales growth. Thus, the authors conclude that combining the founders' commercial and entrepreneurial capabilities strengthens proactive sales orientation and that, in turn, a proactive sales orientation particularly increases the significance of the first sale when new venture companies practice value-based selling. Research has convincingly demonstrated proactive selling behavior to be one of the most powerful predictors of sales performance. Value-based selling is a sales approach to identify, quantify, communicate, and verify value of a new product to the customer. Our findings suggest that founders who possess both strong commercial and entrepreneurial capabilities engage considerably more in proactive sales practice as compared with founders that only possess strong commercial capabilities. Hence, rather than hiring specific sales expertise, founders should develop their proactive, value-selling capabilities.

Introduction

Initial sale success in the market with a new product may be even more critical for a new venture than for established firms. As many new ventures are established with the objective of commercializing an innovative new product (Lodish, Morgan, and Kallianpur, 2001), failure at the introduction stage could have lethal consequences for the venture itself. Surprisingly, founders of many new ventures have largely neglected the importance of developing and deploying adequate marketing and sales capabilities (Autio, 1997; Freel, 1998). Founder capabilities refer to the skills and knowledge of a new venture's founders that distinguish them from the founders of other new ventures (Day and Wensley, 1988). Previous research has emphasized that founder capabilities are pivotal to a new venture's competitive advantage (Cooper and Bruno, 1977; Day and Wensley, 1988; Zhao, Song, and Storm, 2012). The impact of founder capabilities may be substantial because of the multiple managerial roles they fulfill. It has been emphasized that a successful founder typically is a jack-of-all-trades who has many capabilities (Alvarez and Busenitz, 2001; Lazear, 2005).

Thus far, research has mainly focused on founders' engineering and entrepreneurial capabilities.

Although some studies have also demonstrated that marketing capabilities are essential to the performance of a new venture (e.g., Romano and Ratnatunga, 1995), the extant literature has paid little attention to the impact of such capabilities, and the role of sales capabilities has been virtually ignored. While related research (e.g., Salminen and Möller, 2006) has touched on theories of early-stage customer referencing and performance, there is barely any knowledge of the impact of the marketing and sales capabilities of the founders of a new venture on the performance of the new venture. Sales and marketing

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are both commercial in nature, have much in common, and are even difficult to distinguish in a new venture setting. Therefore, we conceptualize one single construct labeled "founders' commercial capabilities," which encompasses both sales and marketing capabilities.

An intriguing question is whether founders' commercial capabilities drive the *significance* of the first sale of a newly developed product by a new venture company. The significance of the first sale reflects the extent to which a new venture company's first successful sale of a newly developed product drives subsequent commercial successes in terms of entering the market and succeeding in the market. While research has emphasized that finding a first customer reference and successfully closing the first sale are key events in the founders' entrepreneurial history (Gomez-Arias and Montermoso, 2007; Ruokolainen, 2005), little is known of the impact of the first sale on continued commercial success. Thus far, research has not investigated how founders' commercial capabilities can leverage the first sale opportunity as a catalyst for subsequent sales growth. This is surprising, because founders' commercial capabilities can serve as important bridges between the innovating new venture company and its customers by fulfilling a boundary-spanning role between customer needs and research and development (R&D) activities of the new venture company (Adams, 1999). As most new products are not perfect, founders' commercial capabilities can help engage customers in reciprocal information exchange to position innovations carefully in the market, help customers link them with their specific needs, and convincingly explain the features and usefulness of these new products (Webb, Ireland, Hitt, Kistruck, and Tihanyi, 2011). Mobilizing commercial capabilities by collecting and using marketing information and information on individual customer needs may increase the chance of the first successful sale of a new venture company. However, it is unclear whether the deployment of commercial capabilities also drives the significance of this first sale in terms of the future commercial successes of a new venture. Therefore, the aim of this study is to investigate how a new venture's founders' capabilities affect the significance of the first sale of a newly developed product and, in turn, sales growth. We ground our research on the resource-based competitive advantage theory (Barney, 1991; Day and Wensley, 1988). We conceptualize founders' capabilities along two dimensions that correspond to two important types of activities, commercial and entrepreneurial, for a new venture company.

The remainder of this paper is structured as follows: After this introduction, we develop and test a framework with founders' commercial and entrepreneurial capabilities and proactive sales orientation as drivers of the significance of the first sale and sales growth. Second, we describe the empirical study. Third, we discuss the results, managerial implications, limitations, as well as future research directions of the study.

BIOGRAPHICAL SKETCHES

Ilona Pitkänen is a researcher at the Department of Marketing at Aalto University, Finland. Pitkänen has a Master of Science in industrial engineering and management at Aalto University and is a member of the Innovation Sales Research Group. Her research interests include technology innovation selling, value-based selling of sustainable development innovations, value creation in start-ups, founder profile investigation, and new venture sales management. She is a board member and has been working in many growth companies, in the areas of sales management and environmental services. Her specialties include product commercialization and launch, start-up first sales, customer development, value-based selling, and innovative business models.

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Conceptual Model

We developed a conceptual framework of the significance of the first sale (see Figure 1), in which we investigate how founders' commercial and entrepreneurial capabilities influence the significance of a new venture's first sale and new venture's sales growth through proactive sales orientation. To complement the model, we also consider

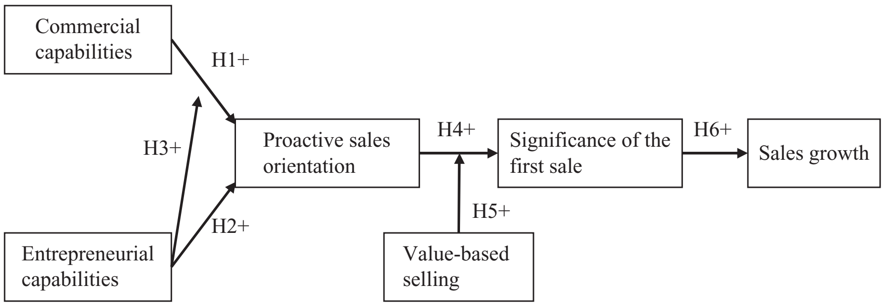

Figure 1. Conceptual Model

the moderating influence of value-based selling on the significance of the first sale.

Significance of the First Sale

The focal concept of this study is the significance of the first sale of a new venture. We define a new venture company's first successful sale of a newly developed product as significant when it drives future commercial success. While existing new product development (NPD) literature has paid some attention to a sales force's adoption of new products (Atuahene-Gima 1997; Hultink and Atuahene-Gima, 2000) and its impact on new product selling performance (Hultink, Atuahene-Gima, and Lebbink, 2000; Rackham, 1998), the significance of the first sale has been largely ignored. The first sale is particularly relevant for new ventures, as it is an event that usually requires considerable effort and often is a decisive moment for a new venture's viability. Whether the first successful sale is significant depends on the extent to which this sale generates a flow of subsequent commercial successes over time.

The extent to which the first successful sale contributes to a new venture's viability and future performance requires research attention. Many first sales appear to be rather helpful in identifying new customers and entering the market. However, not every first sale leads to further sales and deeper penetration into the market. Winning new customers becomes successively easier if the learning of the previous customer's needs is applicable and the reference gained is valuable for acquiring additional customers. However, it is unclear which factors influence the significance of a new venture's first sale. In the next section, we focus on the role of founders' commercial and entrepreneurial capabilities.

Founders' Capabilities

Prior research on new ventures has paid some attention to the impact of the founders' capabilities on new venture performance (Cooper, Gimeno-Gascon, and Woo, 1994; Marino and De Noble, 1997; Zhao et al., 2012). Zhao et al. (2012) argue that founding team members possess the only skills and knowledge available for new ventures. These skills and knowledge can be defined as founders' capabilities, which are arguably among the most valuable resources a company has in its initial stages (Feeser and Willard, 1990). Founders' capabilities enable new ventures to strategically acquire and deploy other resources to implement a new venture's core activities, such as the design and sale of new products. This is line with the resource-based view of the firm (Barney, 1991), which contends that a company's competitiveness is the result of resources that are valuable, rare, and difficult to copy or substitute. A company's resources include all assets, organizational processes, skills, and knowledge that a company possesses (Barney, 1991). Capabilities are complex bundles of skills and knowledge that companies exercise through their organizational processes to utilize their resources (Day, 1994). Capabilities are also heterogeneous across organizations (Barney, 1991). In the next section, we discuss the impact of two important types of founders' capabilities, commercial and entrepreneurial capabilities, and founders' proactive orientation as drivers of the significance of the first sale. We also consider how founders' entrepreneurial capabilities moderate the impact of founders' commercial capabilities and how value-based selling moderates the impact of founders' proactive orientation. Finally, we discuss the relationship between the significance of the first sales and sales growth.

Hypothesized Relationships

The founders' commercial capabilities comprise (1) marketing and (2) sales capabilities. Marketing capabilities reflect skills and knowledge in marketing-related activities, such as pricing, segmentation, promotion, and advertising (Song, Di Benedetto, and Nason, 2007; Zhao et al., 2012). Sales capabilities include knowledge and skills that manifest in core sales tasks, such as understanding the needs of the customer, selecting the best sales strategies, and compiling solutions that match the needs of the customers (Levy and Sharma, 1994). While marketing capabilities have received some attention and are considered essential in building legitimacy, reputation, competitive advantage, and affecting firm survival (Parasuraman, Berry, and Zeithaml, 1983; Srivastava, Fahey, and Christensen, 2001), the literature has not empirically investigated their effect on new venture personal selling performance, and the role of the founders' sales capabilities has been virtually ignored.

This is surprising, because founders' commercial capabilities may be important drivers of founders' proactive sales orientation. In a new venture company, a proactive sales orientation reflects the founder's desire to change the status quo by actively initiating new selling approaches and methods, such as experimenting with selling tactics, developing solid sales arguments, and scanning and identifying sales opportunities to sell the products (Gruber, MacMillan, and Thompson, 2008; Nath, Nachiappan, and Ramanathan, 2010; Read, Dew, Sarasvathy, Song, and Wiltbank, 2009). This is of importance for new ventures because the search for the first sale requires proactive scanning and exploring potential sales opportunities by applying the proactive sales approach. "Conventional sales wisdom would suggest that the effective salesperson would be one who sought business rather than wait for it to come their way" (Pitt, Ewing, and Berthon, 2002, p. 639). Founders that possess strong commercial knowledge and skills are likely to be more confident of changing the status quo by using a proactive sales approach, detecting market changes, anticipating shifts in the market environment, creating and retaining durable links with customers, and creating strong bonds with channel partners (Song et al., 2007). Hence, we posit the following hypothesis:

H1: The founders' commercial capabilities positively affect their proactive sales orientation.

The founders' entrepreneurial capabilities are related to the knowledge and skills required to start a new venture and to approach contacts with sources of capital (e.g., Lumpkin and Dess, 1996; Marino and De Noble, 1997; Song et al., 2007). Entrepreneurial skills are associated with a proactive orientation (Lumpkin and Dess, 1996; Naman and Slevin, 1993). It has been argued that founders with good entrepreneurial skills typically engage in recognizing and exploiting opportunities to create positional advantages that were critical for their new ventures to achieve superior performance (Zhao et al., 2012). Entrepreneurial capabilities appear to inherently relate to a proactive orientation to commercial activities specifically, like the sale of the first newly developed product. A fundamental entrepreneurial skill not only involves designing products ahead of competitors, but also implies a proactive commercial orientation in terms of taking initiative in recognizing, anticipating, and explicating the needs of customers by focusing on customers' latent needs (Brown, 1991; Hamel and Prahalad, 1991). Therefore, we posit the following hypothesis:

H2: The founders' entrepreneurial capabilities positively affect their proactive sales orientation.

Based on the notion of resource heterogeneity, we argue that the effectiveness of the founders' commercial capabilities is likely contingent on whether founders also have entrepreneurial capabilities. This notion stems from resource-based theory (Barney, 1991), which contends that the bundling of heterogeneous resources is a prerequisite for sustainable advantage. Also, the entrepreneurship literature emphasizes that combining different types of resources is a basic requirement to successfully survive as a new venture company (Alvarez and Busenitz, 2001; Lazear, 2005). In contrast to managers in larger firms, suitable founders fulfill all kinds of roles, ranging from deciding on the new venture's strategy to participating in all kinds of daily operations (Ling, Simsek, Lubatkin, and Veiga, 2008). It is argued that founders should bundle complementing capabilities to become more effective (Alvarez and Busenitz, 2001; Lazear, 2005). Such bundling of commercial and entrepreneurial resources, or orientations, likely leads to more effective organizations. For example, Slater and Narver (1995) argue that market orientation, which provides strong norms for learning from customers and competitors, must be complemented by entrepreneurship to create a learning organization (Slater and Narver, 1995). One essential aspect of entrepreneurial capabilities is effectuation, which provides insight into how experienced entrepreneurs make decisions under uncertainty (Read et al., 2009; Sarasvathy, 2001). Effectuation processes take a set of means as given and focus on selecting between possible effects and outcomes that can be created with that set of means (Sarasvathy, 2001). Entrepreneurs that use the effectuation approach are more likely to effectively apply their commercial capabilities to achieve desired outcomes by identifying market opportunities (Gruber et al., 2008), building relationships with networks of influential stakeholders (Read et al., 2009), and applying a proactive sales approach in order to co-create value

(Read et al., 2009). Hence, it is likely that the founders' entrepreneurial capabilities leverage the founders' commercial capabilities. Thus, we posit the following hypothesis:

H3: The effect of the founders' commercial capabilities on their proactive sales orientation is stronger when they possess strong entrepreneurial capabilities.

Proactive behavior is frequently referred to in academic studies, particularly in those focused on entrepreneurship, marketing, and organizational behavior. Proactive behavior has been identified as one key dimension of entrepreneurship (Covin and Slevin, 1989; Miles, Arnold, and Nash, 1990; Morris and Paul, 1987). Furthermore, it has been argued that sales and marketing should explicitly adopt a proactive, entrepreneurial orientation (Zeithaml and Zeithaml, 1984).

Research has convincingly demonstrated proactive selling behavior to be one of the most powerful predictors of sales performance (Pitt et al., 2002; Spiro and Weitz, 1990). Employee proactive behavior has also been associated with higher customer ratings in service recovery (De Jong and De Ruyter, 2004) and improved post-sale service performance (Challagalla, Venkatesh, and Kohli, 2009). A proactive sales orientation seems particularly relevant when it comes to the significance of the first sale of a product developed by an entrepreneurial company that has to struggle with the liability of newness in the market. If founders are proactive by anticipating and scanning, utilizing sales opportunities at an early stage, taking initiative in terms of prioritizing sales activities, deciding to actively exert effort in experimenting, as well as analyzing and developing sales tactics, they can avoid and prevent a lot of problems when entering the market and getting in touch with customers. More importantly, the use of such an anticipatory, well-thought-out proactive sales strategy may considerably help to prolong and continue the success of the first sale. Hence, we posit the following hypothesis:

H4: A proactive sales orientation is positively related to the significance of the first sale.

Many modern companies practice value-based selling, which involves an innovative sales approach that emphasizes the role of customer value when selling products to customers (e.g., Slater, 1997; Woodruff, 1997). Terho, Haas, Eggert, and Ulaga (2012) conceptualize value-based selling as a broad, multidimensional concept that comprises (1) value to the firm, (2) dyadic value, and (3) value to the customer. In our study, we focus on the third dimension—value to the customer.

Value to the customer refers to identifying, communicating, and providing the added value of the product to the customer (Ballantyne, Frow, Varey, and Payne, 2011), which is particularly relevant for newly developed products, because the customer has more difficulties in understanding the added value of new products: "It is essential to help customers appreciate the benefits and distinctiveness of the new offering" (Kindström and Kowalkowski, 2009, p. 165). Since it is the first product that the company is selling, customers lack any prior experience and knowledge of prior products developed by the company. Using such a value-based selling approach with the aim of communicating and concretizing the benefits to the customer (Terho et al., 2012), and treating the customer as a relationship partner is essential to capitalize on proactive sales orientation. A salesperson's proactive behavior to sell new products is likely to be a stronger driver of the significance of the first sale if it is complemented with such a customer-centered, value-based selling approach, aiming at realizing measurable business benefits. Therefore, we posit the following hypothesis:

H5: The effect of a salesperson's proactive sales orientation on the significance of the first sale is stronger when value-based selling is high.

The first sale is known to be a valuable learning opportunity with regard to current and evolving customer requirements and decision criteria (Gomez-Arias and Montermoso, 2007). It has also been argued that if the first customer can be used as a valuable and representative reference, this provides a basis to continue sales growth (Ruokolainen, 2005). Representative references help in building the new venture company's reputation, lowering entry barriers to certain markets, and attracting the next customer (Helm and Salminen, 2010). Therefore, we posit the following hypothesis:

H6: The significance of the first sale positively affects the sales growth of the company.

Empirical Study

Data Collection

The sample comprised small Finnish companies that participated in one of two early-stage company incubators at Aalto University. The incubators worked in conjunction with the university, but are concerned with independent organizations that acted as business accelerators and provided co-working facilities for early-stage companies. The incubators that hosted these start-up companies defined such companies as companies that seek significant growth and international competitive advantage from the time of their inception by tapping into the right set of resources (Oviatt and McDougall, 1994). The entry and selection criteria used by the management of the incubators corresponded with this definition. Two open interviews that were conducted with two external incubator managers confirmed that the sample represented past and current incubator populations well, and resembled the populations of other incubators across the country. Appendix B provides the demographics of the start-ups in the sample.

After the interviews, we developed a survey and pretested this survey on a group of 13 start-up entrepreneurs, sales experts, and incubator board members. Based on the pretest, minor changes were made to the phrasing and format of the survey. In addition, an electronic mail survey was sent to 338 start-up companies and yielded 113 completed questionnaires (response rate of 33.4%). The sample was confined to companies with at least a sizeable amount of business-to-business sales and that had already closed its first sale. This resulted in an effective sample size of 95 start-up companies (final response rate of 28.1%), of which 14.7% originated from one incubator and 85.3% from the other incubator. Incubator-specific response rates were 23.8% and 29.1%, respectively.

The survey was sent out in two versions, one in Finnish and one in English. The data were t-tested for differences between these two language groups, and no significant effects were found ($p = <.05$).

Further, 78.9% of the respondents were founders, chief executive officers, or partners, or some combination thereof. The remainder included marketing experts, sales experts, software experts, or a combination of the three. In terms of education, 83.2% of the respondents had obtained a B.Sc., M.Sc., or D.Sc. degree, and the average age was 36 years. An analysis of the mean scores on the survey items for early versus late respondents was conducted to test for nonresponse bias (Armstrong and Overton, 1977): t-tests revealed no significant differences at the $p = <.05$ level.

The most common cohort in terms of company size was between two and four employees (46.3%). At the time of their establishment, 90.5% of the companies included between one and four founding members (average size of the founding team was 2.7 members). Moreover, 70.5% of the companies was operating for five years or less, while only 5.3% was founded in the year 2000 or before. On the basis of these statistics, the sample could be considered representative of typical new-venture companies in the context under study.

Measures

All the measures were assessed on 7-point Likert-type scales with anchor phrases that fit the new-venture context (Table 1). The scales ranged from "totally disagree" to "totally agree" for all constructs except for sales growth (which ranged from "much lower than the objectives" to "much higher than the objectives"). The measures were all based on an extensive literature review that identified relevant concepts and previously operationalized variables. In addition, the constructs were refined based on open interviews with the entrepreneurs and sales experts to identify the most relevant aspects that fit present-day entrepreneurial context.

To further validate the measures, open interviews were conducted with 10 entrepreneurs and sales experts and 3 start-up incubator board members. Each interview lasted between 60 and 90 minutes. All interviews were recorded for further use. A hallmark aspect of these interviews was the time allocated by the new venture to sales-related activities. Some new ventures spent a considerable amount of time planning activities rather than doing actual sales work. Thus, they failed to execute their plans. Others did a lot of customer-facing sales work without planning this beforehand and without understanding what particular activities actually contribute to success. Many interviewees stated that the first sale was particularly important for the new venture company's sales growth. Finally, a considerable number of founders confirmed the first sale to be the most important event for the company in its initial stages (Ruokolainen, 2005).

The founders' commercial capabilities. The founders' commercial capabilities construct was partially based on the marketing capabilities construct developed by Song et al. (2007). Of these capability constructs, we chose a selection of items and adjusted most of these selected items to better suit the context under study. The idea was to cover the development of capabilities in the areas of sales and marketing: education and experience leading to knowledge, and further leading to capabilities (Rumelt, 1984; Teece and Pisano, 1994; Wernerfelt, 1984). Actually, the construct comprised two dimensions that are intrinsically related: sales and marketing. This construct and the following constructs (i.e., entrepreneurial capabilities, proactive sales orientation, value-based selling, and significance of the first sale) were validated by the open interviews.

Based on the interviewees' extensive and accurate descriptions of the new venture companies' actual sales

Table 1. Measurement Items and Standardized Loadings

Construct	Source(s)	Items	Stand. Loading
1. Commercial capabilities[a]	Applied from Song et al. (2007); open interview	At the time when the company was founded the founder(s) had. . .	
SC1		1. Work experience in selling at the customer interface.	.80
SC2		2. Participated in selling courses or consulting sessions.	.74
SC3		3. Experience in managing the sales team/function.	.78
SC4		4. Academic studies in selling.	.79
MC1		5. Work experience in advertising and promotion.	.81
MC3		6. Experience in dividing the market into customer segments.	.84
MC4		7. Academic studies in marketing.	.77
2. Entrepreneurial capabilities[a]	Applied from Marino and De Noble (1997); open interview	At the time when the company was founded the founder(s) had. . .	
EC1		1. Entrepreneurial experience in similar industries.	.75
EC2		2. Contacts with the sources of capital.	.88
EC4		3. Prior experience in founding other start-ups.	.84
3. Proactive sales orientation[a]	Van der Borgh et al. (2011)	In order to get our first successful sale we put a lot of time and energy into. . .	
SO1		1. The actual sales of products/services to the potential customers.	.61
SO2		2. The development of sales arguments for the product/service in question.	.78
SO3		3. Experimenting with selling tactics with the potential customers.	.69
SO4		4. Creating and identifying sales opportunities in the market.	.80
SO5		5. Spotting new, rising needs among potential customers.	.79
4. Value-based selling[a]	Applied from Narver and Slater (1990) (CO4, CO5)	Our. . .	
CO4		1. Selling strategy is based on offering measurable business value to customers.	.73
CO5		2. Competitive edge is based on understanding customers' business.	.57
CO8		3. Company treats customers as partners.	.71
5. Significance of the first sale[a]	Bank of England Quarterly Bulletin, 2001; Ruokolainen, 2005; Gomez-Arias and Montermoso (2007); open interview	Our company's first successful sale. . .	
SOF2		1. Brought our company a valuable customer reference.	.83
SOF3		2. Helped in entering the market.	.88
SOF4		3. Helped in developing our sales activities.	.79
SOF5		4. Helped our company to get its next sale.	.73
6. Sales growth[b]	Applied from Moorman (1995)	Within the three previous years (or the time company has existed). . .	
BP2		1. Our company has met our predefined sales objectives.	.92
BP4		2. Our company has met our predefined level of sales growth.	.97
BP5		3. Our company has met our predefined level of market-share gains.	.84

[a] The response options ranged from 1 = Totally disagree to 7 = Totally agree.
[b] The response options ranged from 1 = Much lower than the objectives to 7 = Much higher than the objectives.

practice, sales routines and sales culture at the earliest stages of selling a newly developed product helped us to fine-tune the measures.

Entrepreneurial capabilities. The entrepreneurial capabilities construct was adapted from Marino and De Noble (1997) and developed further in accordance with the knowledge gained in the open interviews.

Proactive sales orientation. The proactive sales orientation construct was based on Van der Borgh, De Jong, and Nijssen (2011), who assessed a salesperson's proactive sales orientation with regard to the sale of new products. We adjusted this construct to the context of our study by placing more emphasis on a new venture and the process of selling its new products for the very first time.

The significance of the first sale. The significance of the first sale construct was developed and validated for the new-venture context on the basis of the literature review (Gomez-Arias and Montermoso, 2007) and the open interviews. In the open interviews, the participants were asked to discuss, on the basis of their experience, the results and outcomes of their first sale. First, the interviewer introduced the concepts that had arisen in previous research: the benefit of learning about customers' requirements and decision criteria (Gomez-Arias and Montermoso, 2007), bringing a representative customer reference and identifying sales arguments (Ruokolainen, 2005), and helping with reputation building (Helm and Salminen, 2010).

Value-based selling. The value-based selling construct was developed and validated for the context of a new venture on the basis of the literature review (Slater, 1997; Terho et al., 2012; Woodruff, 1997) and the open interviews.

Sales growth. The sales growth construct was adopted from Moorman (1995). We decided to use a subjective measure instead of objective sales figures, because many new venture companies did not have objective sales performance data available yet.

Results and Analysis

Analysis Method

We used partial least squares (PLS) as the method of analysis because we wanted to estimate the effects of the exogenous variables and their interactions on three causally related criterion measures—all latent constructs with reflective measures (i.e., proactive sales orientation, significance of the first sale, and sales growth). PLS analysis enables the simultaneous estimation of all these relationships, without making stringent assumptions regarding the distribution of variables and sample size required by maximum likelihood techniques. We followed Chin's (1998) recommendation to use bootstrapping (with 500 runs) as the resampling procedure. Finally, we used SmartPLS 2.0 software (University of Hamburg, Hamburg, Germany) to run the analyses.

Reliability and Validity

Several tests were conducted to test the reliability and validity of the model. The first one assessed indicator reliability. In line with the recommendations of Bagozzi and Yi (1989), four items were excluded because their loadings were below the threshold of .60. Table 1 presents the final items for each measure. The next stage was to test the composite reliability (CR) and average variance extracted (AVE). Both measures were above the suggested values of .70 and .50, respectively (Fornell and Larcker, 1981). In fact, all the CR values exceeded .80, which is the satisfactory threshold in more advanced stages of research. The Fornell–Larcker criterion and cross-loadings methods were used to assess discriminant validity. According to the former, the square root of AVE for a given measure must exceed the absolute value of the standardized correlation of the given measure with any other measure in the analysis. The results indicated high discriminant validity because the correlations of the construct under study were all below the square root of AVEs of the constructs. The results of the indicator cross-loadings were also in line with Chin's (1998) criteria (Appendix A). Table 2 presents the summary statistics for the measurements.

Results

Table 2 reports the standardized path coefficients for two models: a main effects (only) model and the hypothesized model. We found support for most of the hypothesized relationships.

To begin with, commercial capabilities turned out to positively affect proactive sales orientation ($\beta = .279$,

Table 2. Means, Standard Deviations, Construct Reliability, Validity, and Correlations

Construct	Mean	SD	CR	AVE	1	2	3	4	5	6
1. Commercial capabilities			.92	.63	**.79**					
2. Entrepreneurial capabilities			.86	.68	.34	**.82**				
3. Proactive sales orientation			.85	.54	.32	.23	**.74**			
4. Value-based selling			.71	.45	.19	−.04	.35	**.67**		
5. Significance of the first sale			.88	.66	.01	.15	.33	.32	**.81**	
6. Sales growth			.94	.84	.13	.01	.15	.23	.16	**.91**

Square root of average variance extracted (AVE) on the diagonal in bold; correlations off-diagonal.

$p < .01$), while there was no effect of entrepreneurial capabilities ($\beta = .115$, not significant [n.s.]). Therefore, H1 is supported, whereas we found no support for H2. In addition, in the hypothesized model, entrepreneurial capabilities interacted positively with commercial capabilities ($\beta = .327$, $p < .01$). Hence, entrepreneurial capabilities positively moderate the effect of commercial capabilities on proactive sales orientation and therefore H3 is supported. In short, commercial capabilities, entrepreneurial capabilities, and their interaction together explained 22.5% of the total variance in proactive sales orientation.

Next, in line with H4, proactive sales orientation was found to positively affect the significance of the first sale ($\beta = .194$, $p < .01$). As we predicted in H5, the interaction between proactive sales orientation and value-based selling was significant and in the predicted direction ($\beta = .397$, $p < .01$). In addition, our findings revealed a positive direct effect of value-based selling on the significance of the first sale ($\beta = .214$, $p < .01$). In conclusion, proactive sales orientation, value-based selling, and their interaction together explained 31.0% of the total variance in the significance of the first sale.

Finally, significance of the first sale was found to relate positively with sales growth ($\beta = .19.1$, $p < .05$), which is in support of H6. Furthermore, we controlled for differences in sales growth due to company age and size of the founding team. Company age appeared to have a significant negative effect on sales growth ($\beta = -.19.6$, $p < .01$), while size of the founding team was found to be unrelated ($\beta = .089$, n.s.). Overall, significance of the first sale, company age, and size of the founding team together explained 8.6% of the total variance in sales growth.

Mediation

We examined the mediating effects of proactive sales orientation in the link between the founders' capability constructs and proactive sales orientation and the mediating effect of significance of the first sale in the link between proactive sales orientation and sales growth by conducting a Sobel (1982) test. The traditional method for assessing mediation has been the multistep process outlined by Baron and Kenny (1986). However, recent research has suggested that mediation can also be established without significant direct relationships between independent and dependent variables, which is the first step in the Baron–Kenny method (see Shrout and Bolger, 2002). In addition, Preacher and Hayes (2004) argue that the Sobel test is a more powerful alternative for assessing indirect effects than the stepwise procedure provided by Baron and Kenny, because the Sobel test can directly assess mediation. Therefore, we decided to use the Sobel test. Table 3 presents the results of the Sobel test. Since entrepreneurial capabilities did not directly affect proactive sales orientation, we did not conduct Sobel tests for this relation.

Table 3. Sobel Tests for Indirect Effects

	Significance of the First Sale (Dependent Variable) Proactive Sales Orientation (Mediator)
Commercial capabilities (Independent variable)	2.691**
Entrepreneurial capabilities (Independent variable)	NA
	Sales Growth (Dependent Variable) Significance of the First Sale (Mediator)
Proactive orientation (Independent Variable)	1.007

Note: All tests are two-tailed.
** $p < .01$.

With proactive sales orientation as a mediator, the Sobel test statistics were found to be significant ($p < .05$) for commercial capabilities as an independent variable. To determine whether proactive sales orientation fully or partially mediated the relationship, we also inspected the effects of the capability constructs on proactive sales orientation when we included proactive sales orientation in the PLS model (Table 4). Commercial capabilities did not have a direct effect on the significance of the first sale. Therefore, proactive sales orientation fully mediates commercial capabilities.

However, with significance of the first sale as a mediator, the link between proactive sales orientation as an independent variable and sales growth as a dependent variable, the Sobel test statistics did not show any significance. Hence, proactive sales orientation, although found to be positively related to the significance of the first sale, did not have a significant direct or indirect effect on sales growth.

Discussion

The main purpose of this study was to investigate the antecedents and consequences of significance of the first sale of a newly developed product in new venture companies, taking into account two important contingencies: the bundling of founder commercial and entrepreneurial capabilities and the presence of a value-based selling approach.

Table 4. Partial Least Squares Analyses

	Standardized Estimates	
	Basic Model (Main Effects Hypotheses)	Final Model (Interaction Effects Hypotheses)
Proactive sales orientation	$R^2 = .128$	$R^2 = .225$
H1: Commercial capabilities → Proactive sales orientation	.286**	.279**
H2: Entrepreneurial capabilities → Proactive sales orientation	.139	.115
H3: Commercial capabilities × Entrepreneurial capabilities → Proactive sales orientation		.327**
Significance of the first sale	$R^2 = .155$	$R^2 = .310$
H4: Proactive sales orientation → Significance of the first sale	.394**	.194**
Value-based selling → Significance of the first sale		.214**
H5: Proactive sales orientation × Value-based selling → Significance of the first sale		.397**
Sales growth	$R^2 = .089$	$R^2 = .086$
H6: Significance of the first sale → Sales growth	.200**	.191*
Number of founders	.087	.089
Age	−.194**	−.196**

Note: * $p < .05$. ** $p < .01$.; (R^2) = Variance explained in endogenous variables.

To begin with, the results reveal that founders' commercial capabilities positively affect founders' proactive sales orientation to the first sale. This underlines the relevance of commercial capabilities as a driver of proactive sales orientation. Our findings are also in line with the literature on effectuation, according to which the drivers of start-up success include the key commercial capabilities of opportunity identification and evaluation, stakeholder-network development, and the co-creation of value (Gruber et al., 2008; Read et al., 2009; Sarasvathy, 2001).

However, contrary to expectations, the founder's entrepreneurial capabilities did not directly relate to proactive sales orientation. This may be attributed to the fact that founders of high-tech start-ups, who possess strong entrepreneurial capabilities, may be more occupied with the technical features and intrinsic quality of their high-tech innovation than with commercial aspects. As a result, they do not put much effort into developing a proactive sales orientation to the first sale. This is consistent with the findings of previous studies showing that entrepreneurship-orientated and experienced founders are more focused on product features and technology than commercialization (Autio, 1997; Freel, 1998).

In addition, the interaction of commercial capabilities and entrepreneurial capabilities suggests that a founder who combines these capabilities possesses a more proactive orientation toward the sale of the first product. This result empirically substantiates the notion of resource heterogeneity of the resource-based theory to the founder capability level.

Next, the positive effect of proactive orientation on the significance of the first sale confirms results of early studies that proactivity is concerned with a powerful driver of sales performance outcomes. The result implies that a proactive sales orientation in terms of early engagement with potential customers and devoting significant time and energy is critical to increasing the significance of the first sale.

In addition, the interaction of proactive sales orientation and value-based selling on significance of the first sale confirms that proactive sales orientation is more effective when combined with a value-based selling approach. Apparently, a value-based selling approach in terms of explicating the product's value to the customer value and treating customers as partners significantly leverages the founders' proactive sales orientation. This result implies that new venture companies should consider two sides of the medal to enhance the significance of the first sale. Moreover, enhancing the significance of the first sale and to be successful in the long run by proactively selling the first newly developed product is a dual-goal process that takes into consideration both the product selling process and customer perspective.

Finally, the positive effect of the significance of the first sale on sales growth confirms it as a key determinant of new venture performance. This finding confirms the relevance of this new concept and encourages the need for a fine-grained analysis of the selling practices of new venture companies. Further research is needed to substantiate this result by considering the impact of the significance of the first sale on objective parameters of the performance of new venture companies.

Managerial Implications

Our study provides some important managerial implications. To begin with, the findings suggest that founders who possess both strong commercial and entrepreneurial capabilities engage considerably more in proactive sales practice as compared with founders that only possess strong commercial capabilities. Hence, rather than hiring specific sales expertise, founders should develop commercial capabilities themselves and carefully integrate them with their entrepreneurial skills to increase proactive selling in a new venture company. This also implies that incubators should invest in those founders who combine entrepreneurial skill with commercial capabilities, or at least possess a commercial mindset and the potential to develop commercial capabilities next to other relevant founder capabilities. Finding such hybrid founders is not always an easy job, as many entrepreneurs tend to ignore commercial skills or underestimate their importance (Autio, 1997; Freel, 1998). In particular, entrepreneurs that develop technological innovations lack a commercial mindset compared with those who develop R&D, production ramp-up, and launch activities.

Second, our results reveal that adopting a proactive orientation to the first sale of a new product is relevant, but not sufficient for the significance of the first sale. Instead, a sales approach that combines proactive selling practice with an explicit focus on value for the customer must be adopted. To successfully apply proactive personal selling techniques, founders should develop an in-depth understanding of their customers' business model and business process, identification of improvement opportunities therein, explication of how the new product impacts the customer's key performance indicators, and—finally—credibly quantifying the impact in monetary terms. The founding team and the entrepreneurial network around the new venture must focus on building the requisite capabilities, skills, knowledge, and networks in line with the effectuation logic. However, the fact that new ventures lack an established reputation represents a major challenge in terms of gaining access to customers, and also makes identifying and communicating the value of the offer demanding when there is no proof. Once the venture becomes successful with a reputed customer, this success can be used as an indirect evidence of value, which will be of great help to win the next customer.

Future Research and Limitations

The aim of this study was to open up completely new avenues of research in the context of new ventures, the focus being on the selling process and its integration into NPD. The model included a completely new measure of the significance of the first sale, and is based on an idea that has not previously been tested.

Given the significance of the first sale as evidenced in this study, future research should investigate the nature of its impact on consequent actions, decisions, and business outcomes. There is a need for longitudinal studies that would identify the mechanisms, focusing, for example, on the impact of the first sale on a company's investment ability, customer referencing, product-attribute development, and managerial cognitions. Integrating business benefits and activities with the first customer into respective R&D benefits (e.g., Dolan and Matthews, 1993; Luthje and Herstatt, 2004) is another potentially fruitful avenue for investigation.

This study was based on the idea that a company remains in the same business and continues to develop the same offering after the first sale. However, the first sale and the learning associated with the first customer could lead it to change its business idea or product, either partially or completely. In addition, the nature of the first sale might have a self-positioning effect, both internally and externally. For example, the company might position itself better in the market due to increased self-confidence, credibility, and reputation gained from the customer references it received. This implies the need for further investigation of the first sale as a determining factor of a new venture's business concept (cf. Gomez-Arias and Montermoso, 2007).

There were some limitations in the sample and the survey. The first is that the study was conducted only among companies that still exist. The survival rate of start-ups tends to be very low (Song, Podoynitsyna, Van der Bij, and Halman, 2008); thus, a sample that also includes defunct companies would yield more comprehensive results. Another limitation of the sample is the large variety of sectors in which the companies operated, which may have resulted in overly generalized results and advice. Although this limitation is common in studies on small firms and new ventures (Laforet and Tann, 2006), sector-specific start-up data would probably yield more specific results of interest. Future research and follow-up studies should also include objective, register-based performance measures to cross-validate the model. Finally, the cross-sectional nature of our research design did not permit us to draw causal conclusions. Therefore, we encourage that a longitudinal approach be adopted in future research.

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Appendix A. Indicator Cross-loadings

Items	Constructs					
	Commercial Capabilities	Entrepreneurial Capabilities	Proactive Sales Orientation	Value-based Selling	Significance of the First Sale	Sales Growth
SE1	**.8049**	.3925	.1972	.1659	.0993	.1610
SE2	**.7405**	.1122	.1705	.1464	−.0113	.1434
SE3	**.7751**	.3000	.2031	.1689	−.0509	.2530
SE4	**.7923**	.2190	.4130	.0899	−.0249	−.0273
ME1	**.8126**	.3349	.2172	.2076	.1024	.2226
ME3	**.8410**	.3661	.2065	.2369	.0319	.1740
ME4	**.7744**	.1542	.1856	.1091	−.0966	−.0819
EE1	.2894	**.7487**	.1379	.0444	.1330	.1337
EE2	.2399	**.8779**	.2279	−.1014	.1716	−.0176
EE4	.3239	**.8388**	.1771	−.0172	.0693	−.0628
SOF1	.2637	.1803	**.6082**	.2864	.4440	.1020
SOF2	.3522	.2781	**.7768**	.1633	.1086	.0556
SOF3	−.0226	.0226	**.6941**	.2095	.1594	.0330
SOF4	.1476	.1105	**.7952**	.2247	.1800	.1413
SOF5	.2759	.1567	**.7911**	.3544	.2137	.1611
CO4	.3913	.0206	.3582	**.7295**	.2469	.2054
CO5	−.0738	−.0276	.0321	**.5677**	.1163	.0306
CO8	−.0283	−.0838	.2327	**.7139**	.2450	.1794
RES2	.0677	.2019	.2197	.2462	**.8314**	.1171
RES3	−.0701	.0200	.1322	.2680	**.8806**	.0831
RES4	.0327	.1675	.4766	.2968	**.7950**	.1280
RES5	−.0373	.0808	.1868	.2093	**.7321**	.2136
BO2	.0915	−.0694	.1610	.2395	.1201	**.9246**
BO4	.1498	.0434	.2036	.2783	.2248	**.9705**
BO5	.1111	.0490	−.0275	.0689	.0407	**.8419**

Note: Bolded terms indicate the cross-loadings of the questions that are related to each individual construct.

Appendix B. Sample Description

Characteristics	Number	Percentage
Category of the company		
Technical software solutions	26	27.4%
Technical hardware solutions	3	3.2%
Creative business/Design company	10	10.5%
Gaming	2	2.1%
Media	14	14.7%
Professional services	29	30.5%
Other	9	9.5%
Company size (# of employees)		
1	18	18.9%
2–4	44	46.3%
5–10	19	20.0%
11–20	6	6.3%
21–50	7	7.4%
>50	0	.0%
Founding year of the company		
2011	6	6.3%
2010	19	20.0%
2009	18	18.9%
2008	11	11.6%
2007	13	13.7%
2006	6	6.3%
2005	5	5.3%
2004	3	3.2%
2003	5	5.3%
2002	2	2.1%
2001	1	1.1%
2000 or before	5	5.3%
Number of founders in the founding team		
1	20	21.1%
2	30	31.6%
3	23	24.2%
4	13	13.7%
5	2	2.1%
6	2	2.1%
7	1	1.1%
8	2	2.1%
9	1	1.1%