Export Performance a Review of the Literature

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Abstract

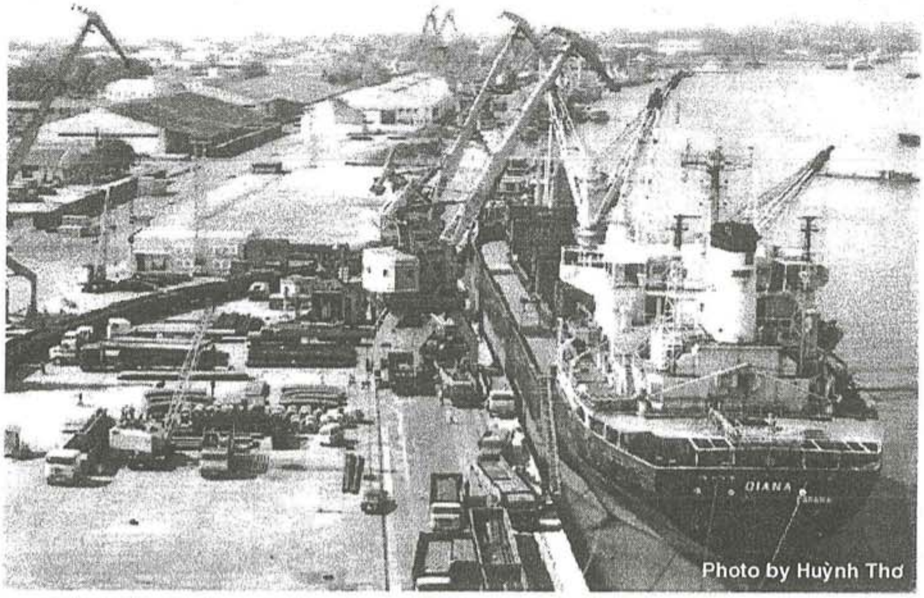
Export performance has been studied since 1960s. Up to now there have been many studies examining every aspects of this subject. Review of the literature shows that there have been four major groups of variables often employed to explain the variation of export performance, i.e. environmental variables, organizational variables, managerial variables, and marketing strategy variables, in which marketing strategy variables have been the central focus of recent studies as opposed to the other threes in early stage of the development of the subject. Among many, 4Ps (Product, Price, Place, and Promotion) have been the most widely used marketing variables. Despite the fact that more than 200 studies have been conducted in this topic, only few studies have been examined export performance of firms from the developing countries, where market conditions are far different from those of the developed countries. An exploratory study with 200 exporters conducted in Vietnam – a typical developing country – shows that most of the exporters in this sample are in their "OEM export" stage, in which most of them export through international export trading companies (ETC) and leave all marketing activities towards consumers to ETC. Therefore, export performance study with marketing mix (4Ps) as central predictors is not relevant in this context. The major objective of this paper is to discuss this issue and propose that relationship marketing variables are a more suitable predictor in the context of exporters from developing countries.

1.Introduction

During the past 40 years, there has been a large volume of studies involving export performance (see Bilkey 1976; Aaby and Slater 1989; Zou and Stan 1998). This large volume of publications is a strong testimony of not only the importance of the issue but also the legitimacy of inquiry into export marketing (Zou and Stan 1998). Being one of the most widely researched, it is, however, considered least understood and most contentious area of international marketing. This is due to several reasons: (1) difficulties in conceptualizing and operationalizing, (2) confusion over the exact role, nature, and purpose of exporting, and (3) research bias from ignoring or underestimating the relevancy of business and marketing research to exporting. The literature in this area therefore has been very fragmented (Katsikeas *et al.* 2000). Several considerable attempts to integrate these fragmented literatures into meaningful and comprehensive frameworks have been made, e.g. Bilkey 1976; Aaby and Slater 1989; Zou and Stan 1998, Leonidou et al. 1998b, and Katsikeas *et al.* 2000. Although more than 200 studies of export performance can be found in the literature, only few studies examined export performance of firms from developing countries where market conditions and practices are far different from those of developed countries. Therefore, the major objectives of this paper are three folds. First, we review export performance literature. Second, we discuss the relevancy of this stream of literature in developing countries' context. And finally, we propose that relationship marketing is a better predictor for export performance of firms from developing countries.

2.Evolution of export performance research

Export research has gone through an evolution over the past three decades. The first decade could be characterized as an exploratory stage preoccupied with issues such as (1) Why do firms export-or more likely, why don't they? (2) What are the factors contributing to high export activity? and (3) Is there a gradual, incremental growth in adoption of export activity? (Bilkey and Tesar 1977; Johanson and Vahine 1977;). Significant contributions of this research were the identification of firm-specific variables and the decision-maker characteristics that support export performance. The stages model of internationalization (Johanson and Vahine 1977) was adopted quickly into the export models, providing a dynamic model of ex-



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port behavior (Bilkey and Tesar 1977;). All these stages models emphasized "experiential" knowledge (Penrose 1959), knowledge gathered through experience in foreign activities, psychic distance, and the incremental resource commitment of the firm. However, scholars have challenged the stages model and have suggested significant modifications to reflect reality (Rao and Naidu 1992; Sullivan and Bauerschmidt 1990; Turnbull 1987). The second decade saw a phenomenal growth in the number of empirical studies of the export behavior of mostly small and medium-sized enterprises. Managerial attitudes, organizational resources, and product features were studied for their impact on export performance (Beamish and Munro 1987; Cavusgil and Naor 1987; Cooper and Kleinschmidt 1985; Denis and Depelteau 1985; Bilkey 1982). Channel management issues came to the forefront. Reid (1987) argued for an explicit research focus on the anatomy of export channels and their link with firm strategy and performance to assist public policy and export decision-making. The relationship between export strategy and export performance also started receiving attention (Baird, Lyles, and Orris 1994; Cavusgil and Naor 1987; Bilkey 1982). The third decade of export research was marked by significant advances in methodology and by an increase in the number of comparative studies and large sample research. Holzmuller and Kasper (1991) developed a causal analytical model based on a study involving managers from 110 Austrian SMEs. Their study identified both cognitive and noncognitive abilities of the management with an in-depth analysis of the organizational culture that was conducive to export orientation. This was one of the very few studies that looked beyond the regression models and studied the causal relationships by employing the partial least-squares approach (PLS), a correlation-based statistical technique employing latent constructs (Hulland 1999). Comparative works that have samples from multiple countries are very limited. Dichtl et al. (1990) carried out an extensive multi-country project doing comparative studies on SMEs from Germany, Finland, Japan, South Africa, and South Korea and concluded that the foreign market orientation of decision-makers is an important determinant of export performance. Adams and Hall (1993) looked at the factors influencing the growth of SMEs and their export performance by studying 1,132 SMEs from eight European countries and found that country-specific factors affected export performance, while personal factors were relatively more important. Large-sample research has been conducted by Bonaccorssi (1992) using an Italian database of 8,810 Italian manufacturing firms and by Calof (1994) using a Canadian database of 14,072 Canadian manufacturers. Their results highlighted the importance of other variables beyond firm size in determining the export performance of a firm.

Due to large number of studies in this topic, our review is based on the seven important reviews found in the literature. The period of the reviews is from early 1960 to 2001, in which the earliest is Bilkey 1978 and the latest is Leonidou *et al.* 2002. The major focus of all the reviews is of course export performance. While some studies have concentrated on export performance in general (see Zou and Stan 1998; Aaby and Slater 1989; Chetty and Hamilton 1993), the others have paid attention to specific determinants such as the managerial factors (see Leonidou *et al.* 1998b), the measurement of export performance construct (Katsikeas *et al.* 2000), or marketing strategy determinants (see Leonidou *et al.* 2002). All of the studies reviewed by the seven studies were empirical in nature. This confirms the conclusion of Katsikeas *et al.* (2000) on the lack of background theory of most export performance studies. The numbers of studies reviewed are large, ranging from the minimum of 43 to 111 as the maximum, with the average of 62. However, conclusion on the total number of studies in export performance cannot be not implied in this table because of the overlap in the number of studies reviewed among the seven studies. A wide variety of countries has been studied such as the US, North American, European, and Asian countries, in which the US has accounted for a major portion. However, most of the studies were conducted in the developed countries, whereas only a few were based on the developing countries. Among three studies that reported this statistics, only 5% (8/155) is from developing countries' perspective. There might have been two reasons for this problem. First, most of the reviews have based on studies published in major English publications; therefore other studies published in other language might have been ignored. Lack of research funding, interest, and capabilities can be the second reason. However, either the first or the second reason is true, the discipline needs more studies and evidences from the developing countries as the

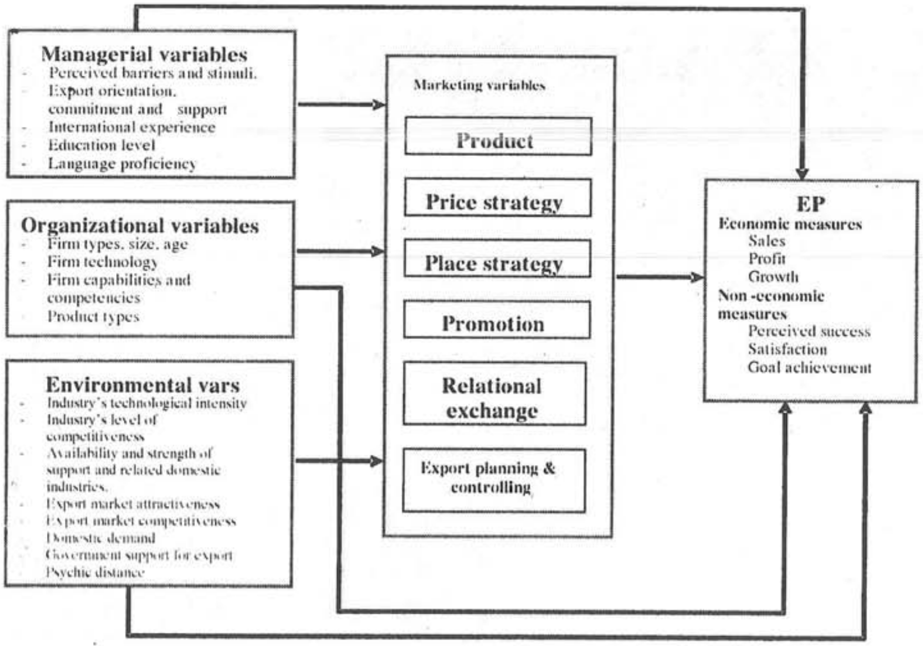


Figure 1: The conceptual framework of export determinant

Table 1: Export performance measures used in previous research

Sales	Profitability	Change
Export intensity	Return on assets	Change in export sales
Total export sales	Return on investment	Change in export intensity
Export intensity relative to industry	Absolute export profits	Perception of dynamic success
Perception of static success	Export sales operating profit margin	Entering new difficult markets
Export intensity variability	Perceptions of success	Six years' export survival
Entering difficult market		Change in export market share
Number of export market		Satisfaction with change in market share
Six years' of export survival		Change in net profits
Export market share		Satisfaction with change in net profits
Perceived sales relative to industry		Change in return on assets
Variability of export sales ratio		Change in return on investment

Source: Shoham (1998)

issues and problems facing exporters in the developing countries are likely to be different from those in the developed countries (Das 1994).

It is clear that there are four major groups of independent variables that have been widely used: (1) managerial, (2) organizational, (3) environmental, and (4) marketing strategy variables. Managerial factors refer to all those demographic, experiential, attitudinal, behavioral, and other characteristics of the decision maker within who is potentially, or actually, involved in the export development process (Leonidou *et al.* 1998). Organizational factors consist of demographic, operating, resource, goals, and objective characteristics of the exporting firm. Environmental factors are forces shaping task environment and macro environment both in home and host markets, which are considered uncontrollable by the firm. Marketing strategy factors includes targeting factors (segmenting and targeting export markets) and marketing functional strategies (product, price, channel of distribution, and promotion). Table 1 presents most widely used measures of export performance, which consists of three groups: (1) sales, (2) profitability, and (3) change (in sales and profitability). Figure 1 visualizes the conceptual framework of export determinant.

3.Critical review

While these studies have advanced the field of exporting, a number of deficiencies have been pointed out by scholars. First, most of the studies lack sound theoretical frameworks (Gemunden 1991), relying largely on empirical relationships. Second, the emphasis of most studies has been on the decision to export rather than on the ongoing export strategy and its relationship to overall firm performance (Cavusgil and Zou 1994). With the changing global dynamics and with the growing interest in international activities by firm managers, the focus needs to move from developing explanatory variables to integrating the research to develop a normative model. Third, most of the studies attempt to explain export behavior and performance, ignoring the relationship among the explanatory variables. Much of this has been due to methodological constraints, which can be overcome by using advanced statistical methodologies such as path analysis and structural equation modeling. Fourth, most studies have focused on firms within a single country (or state). Comparative studies, such as Dichtl et al. (1990), can provide data on differences in exporting practices across countries as well as can enhance the external validity of the model. This particularly becomes useful when country differences are related to performance (Beamish, Craig, and McLellan 1993).

4.The relevancy of export performance studies for firms in developing countries

This section examines the relevancy of export performance study for firms from the developing countries. Vambery and Um (1993) proposed Export strategy model for developing countries which is presented in Figure 2. The

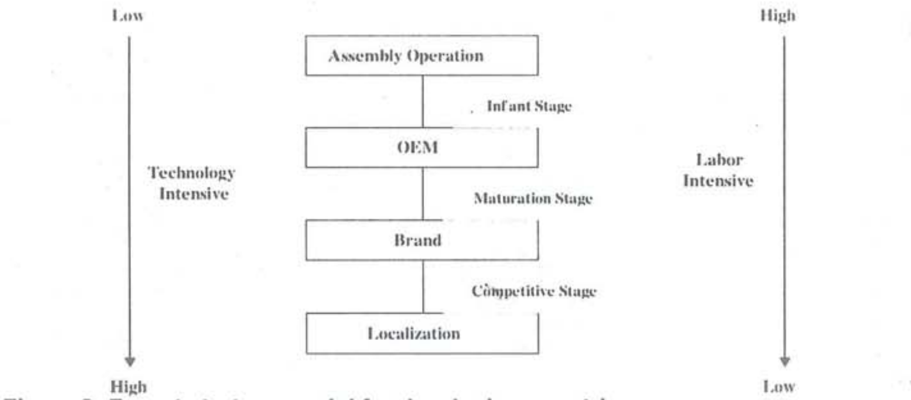


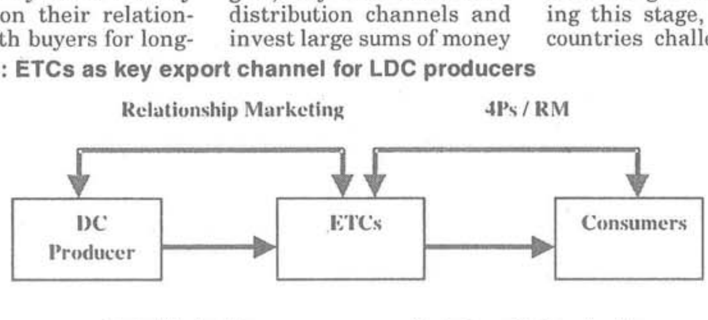
Figure 2: Export strategy model for developing countries

Source: Vambery and Um (1993)

three stages of the model are the infant stage, the maturation stage, and the competitive stage. In the infant stage, countries are treated as less developed countries, because their economies hope to develop on the basis of manufacturing. Initially, developed country companies set up simple assembly plants in the less developed countries to take advantage of low labor costs. However, as less developed countries (LDCs), they improve their technology and skilled labor resources, they become less dependent on just hosting foreign owned assembly plants and can progress to the ownership of factories servicing OEM (original equipment manufacturing) contracts. One way to improve technology and skills for LDCs is to foster local companies. Yet, due to limited marketing skills, capital resources, and a poor technology base, LDCs may prefer to participate in joint ventures. They need to rely heavily on their relationships with buyers for long-term access to markets. The price competitiveness of less developed country corporations is achieved by employing inexpensive labor through which the LDC achieves economic development. Because the quantity of exports of the less developed countries is significantly increased through the OEM method of export marketing, the LDCs progress to the maturation stage and become developing countries. Their governments initiate export-drive policies. In this stage, developing countries have four needs: capital, technology, quality, and marketing. During the maturation state, developing countries gain experience in creating marketing programs. Because they can not develop overseas markets on their own without the use of the limiting OEM export strategy, developing countries explore alternative marketing methods, one of which is the use of brand names. To instigate brand strategies, they have to establish distribution channels and invest large sums of money n advertising. The expenses for advertising and for controlling channels of distribution are major barriers to the sales growth of developing country producers. Developing countries may acquire technology through joint ventures, but often they prefer to acquire technology through licensing. Developing countries may consider establishing local manufacturing plants in the developed countries, because overseas governments increase riffs against developing countries' products. In the maturation stage, developing countries use both OEM and brand name strategies. The more technology the developing country possesses and uses to upgrade its products, the more its brand names will be recognized in the developed country markets. In the competitive stage, developing country firms have the potential to become leaders in customer satisfaction, R&D, marketing, and innovation in specific foreign markets. During this stage, developing countries challenge developed countries on the basis of quality competitiveness. They can gain further competitive strength by introducing new products for customers in developed country markets.

It is very clear from the Vambery and Um model that the developing countries' exportation goes through stages. And it can be assumed that export performance at each stage would be influenced by different determinants and that the conceptual framework showed in figure 1 is more suitable for firms at maturation and competitive stage. For those firms and countries that are in an infant stage with OEM method of export this framework is not quite relevant. While firms at maturation and competitive stage have marketing competencies to build their own brand name and directly perform marketing activities towards consumers, firms at infant stage often export through OEM contracts with ETCs and leave all marketing activities towards consumers to ETCs. Therefore, the conceptual framework with marketing 4Ps as focal predictors of export performance is not relevant. An exploratory study with 200 exporters from Vietnam covering four industries (Textile and Garment, Aqua-products, Footwear, and Ceramic decoration) has shown that most of the firms export through ECTs with OEM contracts. They therefore do not conduct any direct marketing activities toward consumers, but leave these tasks to ETCs who own the brand names of the products. As showed in Figure 3, exporters in this stage only conduct marketing activities to attract ETCs' orders and to build long-term relationship with those ETCs. Therefore, by nature they often employ relationship marketing approach towards ETCs. This situation is reflected in Figure 3.

Figure 3: ETCs as key export channel for LDC producers



The most serious problem in applying the conceptual framework of export performance in the developing countries' context is that it ignores the role of ETCs in exportation process of the developing countries. It is suggested that export performance study in the developing countries should include the role of ETCs in the framework. Therefore, it is proposed that:

Hypothesis: Exporters from developing countries at an infant stage of exportation with close and long-term relationships with ETCs have higher export performance than those with no such relationships.

In addition, back to the Vambery and Um (1993) model, other most important issue is that in order to shift from infant to maturation and to competitive stage, firms from the developing countries should accumulate marketing competencies which lead to their success in building and promoting their own brand named products in the developed markets. This is the most difficult tasks. And the question of "How to do that" is remained ambiguous. Moreover, it is clearly that having brand named products is an important objective of exporting firms and therefore becomes an important measure of export performance. Unfortunately, this measure has never been paid attention to as it never appears in the previous studies. This once again shows the inappropriateness of the conceptual framework that often be used by researchers from developed countries.

5.Conclusions

Although export performance has been studied for quite a long time, we are still lack of a strong conceptual background. As discussed in the paper, the common approach to export performance is suitable in the context of developed countries, while it is not relevant for firms from developing countries. The future research in developing countries should carefully consider the role of ETCs in exportation stages and the application of relationship marketing in those contexts. Moreover, building and promoting brand named products is an important strategic objective of firms from developing countries, therefore export performance study should also take this as major criterion of export performance. The question of how to acquire marketing competencies is this context is still an unanswered question which is the major interests of developing countries' managers and governments.■

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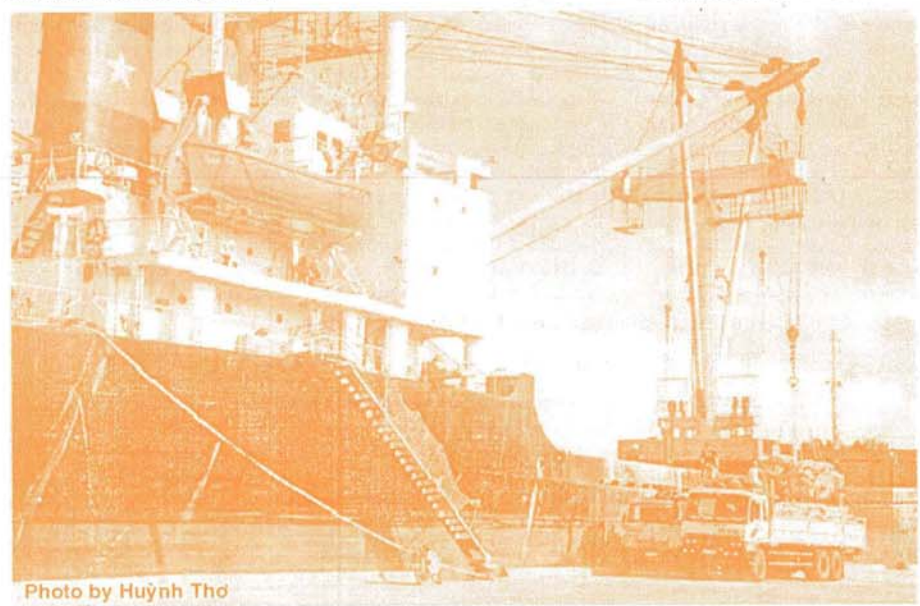

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