A STUDY OF STRATEGIC BEHAVIOUR INFLUENCING EXPORT PERFORMANCE IN INTERNATIONAL MARKETING

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ABSTRACT

A major concern in the literature is that researchers have made contradictory recommendations concerning the effect of strategy on export success. This paper will present the findings of study designed to identify the key strategies and strategic behavior that differentiate successful export ventures from unsuccessful export ventures with particular reference to exporting companies in the People's Republic of China.

INTRODUCTION

According to the prescriptive literature organizations should formulate and implement strategies for achieving a sustainable competitive advantage (e.g. Akhter, 1995, Cravens, 2000; Cravens, Lamb and Crittenden; 2002; Cravens and Piercy 2003, Czinkota and Ronkainen, 1998; Fletcher and Brown, 2002; Terpstra and Sarathy, 2000). Although, Porter (1980) recommended that the three generic strategies that firms can use to achieve competitive advantage are: cost leadership, differentiation, and focus strategies and Ansoff (1965), recommended that firms that intend to grow can select and pursue a number of growth options, namely, market penetration, market development, product development, and diversification, the two alternative strategies

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that have been broadly discussed in the export marketing literature are: export market concentration (Douglas, 1996; Madsen, 1989) and export market diversification (Lee and Yang, 1990; Piercy, 1981a). The debate was centered on the need to either concentrate or diversify the firm's export market development (Douglas, 1996).

A major concern in the literature is that researchers have made contradictory recommendations concerning the effect of strategy on export success. For example, some studies (e.g. Douglas, 1996; Madsen, 1989) recommended a market concentration strategy based on the traditional rationale that large market share is associated with higher profitability in the long run. Other researchers (Da Rocha et al., 1990; Lee and Yang, 1990; Piercy, 1981a) recommended a market diversification strategy based on the rationale that taking low market share in widely dispersed markets may be more profitable than concentrating on a few key markets. Furthermore, whereas Donthu and Kim (1993) found no significant relationship between international market expansion strategy and export growth; Douglas (1996) found that a strategy related to market concentration in developed countries significantly contributed to export sales volume. The effect of export market concentration on export success was empirically supported by a few non-US based studies (BETRO report, 1976; ITI report, 1979; Jung, 1984) while the effect of export market diversification strategy on export performance also received empirical support in a number of studies (Hirsch and Lev, 1973; IMR report, 1978; Piercy, 1981a; Airaksinen, 1982; Jung, 1984; Cooper and Kleinschmidt, 1985).

Lee and Yang (1990) also found that those firms following a diversification strategy and a concentric diversification strategy had better export performance than those which concentrated on a few markets. Moreover, although Lee and Yang (1990) found no significant relationship between the selection of a number of markets and relative export profitability, Chetty and Hamilton (1993) found that market selection had a significant effect on export success in their meta-analysis of export performance studies. Due to these contradictory findings, Louter et al. (1991) suggested that much more insight into the determinants of export profitability is necessary. This study is therefore designed to identify the key strategic behaviour that differentiates successful export ventures from unsuccessful export ventures with particular reference to exporting companies in the People's Republic of China. The study will use discriminant analysis to investigate whether or not the extent to which an organization pursues particular strategies as well as the extent to which the organization can be described as a defender, prospector, analyzer or a reactor (i.e. Miles and Snow (1978) categorization of how organizations behave strategically), will differentiate successful export ventures from unsuccessful ones. Strategies to be investigated in this study include overall cost leadership, differentiation, focus, undifferentiated, market development, product development, market penetration, diversification, marketing synergy, technological synergy, acquisition over competitor, acquisition over supplier, acquisition over distributor etc.

METHODOLOGY

Based on the level of export earnings made by different city states in P.R.C., exporting firms from the following three city states were selected and used in this study: Beijing (representing the north), Shanghai (representing the east), and Guangdong (representing the south). These three city states served as the sampling base for this study. Using the membership directories of manufacturers a systematic random sample of 100 was drawn for each of the three cities, and each sampling unit was contacted by mail beforehand to solicit their cooperation in participating in this study. Out of the total 300 exporters randomly selected 280 firms indicated their willingness to participate in this study.

A copy of the survey instrument was provided via personal delivery to each of the 280 exporting firms that indicated their willingness to participate in the study. Out of the 280 exporting firms that were asked to complete the questionnaire, a final total of 111 exporting firms fully completed the questionnaires resulting in a response rate of 39.6 per cent. The response rate is comparable to the rates reported in other studies involving exporting firms (e.g. Moini 1995; Burton and Schlegelmilch 1987).

Since the questionnaire for this study involves specific issues regarding export marketing and exporting in general, the selection of knowledgeable respondents according to John, (1984) must be a key consideration in the data collection process. The authors therefore felt that the most appropriate person to complete the questionnaire in the companies selected should be the export manager or the marketing manager. However, in very small firms where there is no export or marketing manager, the director or general manager was asked to complete the questionnaire.

Of the total 111 exporting firms used in the sample, 34 per cent were involved in manufacturing final consumer goods, while about 57 per cent of the firms were engaged in manufacturing final industrial products and the remaining 9 per cent of the firms were manufacturing other things such as component parts. Using firms that are engaged in manufacturing final industrial products as well those engaged in manufacturing non-industrial products is an indication that firms in this study represented a broad spectrum of exporting firms in China. However, although the achieved sample is not generally representative of the total set of firms in China, the findings are at least suggestive of the marketing mix control practiced by the exporters in the population from which the sample was drawn.

The majority (96.4 per cent) of the respondents were in senior/middle level management positions. Only 3.6 per cent of respondents described themselves as junior managers in their firms. Given that nearly all the respondents used in this study were in middle/senior management positions they should have a reasonable knowledge regarding the export practices of their firms. Most (80 per cent) of the respondents had college or university qualifications.

On the whole, the exporting firms used for this study consisted of small, medium, and large sized exporting firms. For example as shown in Table 1, the majority (86 per cent) of the respondents employed more than 99 full time employees. Only 13.5 per cent of the respondents employed less than 100 employees. More than a third (37.8 per cent) of the respondents employed 1,000 full time employees or more.

The rationale of the inclusion of small, medium, and large sized firms in this study is that according to Aaby and Slater, (1989) there is little agreement in the literature regarding the impact of organizational size on either export propensity or export success. According to the literature, although large sized firms tend to have more financial and human resources for export, firm size is not a barrier to export success for small firms.

Instrument Used for Data Collection

The primary data collection for this study commenced with a series of informal personal interviews with business managers and executives in P.R.C. who are familiar with the exporting activities of their firms. For these informal interviews, open-ended questions were used to gain free and uninhibited responses from the interviewees about the export practices of their firms. The information collected from this first step, combined with secondary data obtained from a literature review, provided the basis for the development of a structured questionnaire used for this study. This was followed by the translation of the original English questionnaire into its Chinese version. To avoid the problem of an overly literal word-for-word type of translation, the Chinese questionnaire was forwarded for comment to several academic researchers who are familiar with not only the international marketing literature but also the business environment in mainland China. The feedback obtained from these researchers was used to improve the questionnaire before pre-testing.

Twenty exporting firms in China were used for pre-testing the questionnaire through personal interviews. Some of the respondents used in pre-testing the questionnaire completed it in Hong Kong because the pre-testing was scheduled to coincide with the time they were attending a course in Hong Kong. During the pre-test, respondents were asked to complete the questionnaire and indicate any difficulties they experienced and to offer suggestions for improvement. This second step ensured that ambiguity and confusion was minimized.

The final structured questionnaire was delivered personally to each firm and later collected. Each firm was asked to provide information on one successful product export venture and one unsuccessful product export venture initiated not more than three years ago. This method of asking respondents to choose one successful case and one unsuccessful case within a specific period of time was used in a study by Madsen, (1989) and utilized for this study because the approach is useful for comparative purposes. Another reason for using this approach according to Madsen, (1989) is the desire to exclude ad hoc export activities from the study.

In the literature, other researchers that used this method (i.e. asking respondents to pick one successful case and one unsuccessful case) in previous export performance studies include: Cavusgil and Zou, 1994; Kleinschmidt, 1988; Madsen, 1989; Ogunmokun and Li Ling-yee, 2001). This approach is appropriate because, according to Matthyssens and Pauwels (1996), comparison between complete success and complete failure is a valuable analysis as it serves to highlight the distinctive characteristics in differentiating export success and failures. This approach is also a popular method used in the new product development research studies (see e.g. Brown and Eisenhardt, 1995 for an overview; Cooper, 1979; Mishra et al., 1996, Montoya-Weiss et al., 1994; Parry and Song, 1994; Song and Parry, 1997). Furthermore, since both successful and unsuccessful export ventures will be selected by the same firm and looked after by the same respondent owner/manager, much control over contextual variables such as firm and personal characteristics could be attained (Matthyssens and Pauwels, 1996).

In order to determine whether the characteristics of the respondents differ from those of "non-respondents", a sample of 50 non-respondents was contacted by phone to obtain the structural characteristics of their firms and reasons for their refusal to complete this survey. Eighteen firms explained that they could not participate in this survey because either (1) they had stopped exporting, or (2) they had not started exporting activities. None of the respondents reported difficulty in understanding the instrument as a factor for not completing the questionnaire. This procedure generated 32 responses. Furthermore, the analysis of data (at the five per cent significance level) showed that the characteristics of non-respondents concerning firm size, total company sales turnover, international experience, number and type of export markets did not differ significantly from those of respondents.

FINDINGS AND CONCLUSION

Through the use of discriminant analysis, the findings of this study provide some insights into the key strategies and the strategic behaviour that differentiate successful export ventures from unsuccessful export ventures with particular reference to exporting companies in the People's Republic of China. The study found that the key strategies and the key strategic behaviour that differentiate successful export ventures from unsuccessful ones are:

- The extent to which an organization uses differentiation strategy. This accounts for 38.4% of the total discrimination between successful export ventures and unsuccessful export ventures.
- The extent to which an organization can be described as a "defender" in its strategic behaviour. This accounts for 61.6% of the total discrimination between successful export ventures and unsuccessful export ventures.

The organizations in this study pursued to a great extent, the use of differentiation strategy and a behaviour that can be described as "defender behaviour" when their export ventures were successful compared to when their export ventures were unsuccessful.

However, because this study employed a small sample, an in-depth research on a much larger scale should be conducted to validate further the findings of this study.

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