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The Inaccuracy of Previous Studies in Evaluating of Export Performance Determinants

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ABSTRACT

Vital role of exporting to the world and countless benefits of export for firms and countries cause the increasing attention to the determinants of firm export performance. However, despite numerous published works on determinants of firm export performance, the literatures are characterized by the inaccuracy in measurement of export performance determinants that led to inconsistent and opposing findings. The future research should attention the previous problems in evaluating determinants of firm export performance to facilitate theory development. This paper evaluates many studies concerning measurement of export performance determinants. This study organized into two sections: first, recognition the determinants of export performance that led to confuse and conflicting findings. Second, methods to evaluate export performance determinants are analyzed. In the end, the finding is discussed and direction for future research is mentioned.

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Introduction

Exporting plays a vital role in the world and has countless benefits for firms and countries. Exporting is a fundamental strategy in ensuring firm's survival or growth, and firms may achieve a competitive advantage in international markets with a positive influence on current and future export performance (Navarro et al., 2009) and so, many companies recently have allocated more attention and resources in order to export their products to foreign markets (Julian and O'Cass, 2003; Julian and O'Cass, 2002a; Lages and Lages, 2003; Navarro et al., 2009). In addition, contributing to nation's economy prosperity is one of the important roles of exporting (Koksal, 2008; Shamsuddoha, 2004, Ahmed et al., 2004, Langes and Montgomery, 2005). Export has great effects onto countries in terms of enhancing economic growth and activity, increasing the internal production, reducing the unemployment rate, supplying foreign currencies for import, becoming growth accelerator, making favorable balance of trade, accumulating the foreign exchange reserves, increasing profitability and societal success, enhancing trade balances and industrial development, improving capacity utilization and productivity, providing employment and creates new job opportunities. Thus, the ulterior goal in most firms and national governments is to expand the exports.

The understanding of the determinants of export performance in today's business environment has been emphasized by the understanding about the impact of export success and export performance on firm survival and expansion, the achievement of having a competitive advantage in international markets, the development of economy as well as the development and implementation of public policy. Hence, within the past 30 years many substantial numbers of studies have been done to identify the key variables that affect the export performance (Zou and Stan 1998; Baldauf et al., 2000; Lages and Lages, 2003; Ahmed et al., 2004; Haahi et al., 2005; Sousa et al., 2008). Identifying the variables which effect on export performance is a strategic move and has triggered vital

interest for export managers, public policy makers and researchers to study them (Sousa et al., 2008; Lages and Lages, 2003; Haahi et al., 2005; Mohamad et al., 2009). Increased importance of exporting in firm's activity has led to attract both academic and managers to determinants of firm export performance. The recognition of export performance determinants is very important for managers if they want to be successful in global markets. Concerning to this important a lot of study tries to evaluate these determinates but there are still problems to mention similar variables and methods.

Problems in Recognition the determinants of export performance

Firstly, many researchers such as Nazar and Saleem, (2009); Gertner et al., (2006); Ogunmokun and Ng, (2004); Ahmed et al., (2004) ; Julian and O'Cass, (2003); Julian and O'Cass, (2002a); Baldauf et al., (2000); Thirkell and Dau, (1998); Diamantopolous, (1999); Cooper, (1985); Zou and Stan (1998) have mentioned that the main problem of the export performance is the recognition of effective determinants of export performance, creation of comprehensive integrated model and fragmentary or often having been conflicting with knowledge about determinants of export performance. Nazar and Saleem, (2009); Navarro et al., (2009); and Julian and O'Cass, (2002a) mentioned that the most of the studies measured export performance by a wide diverse variable, and these variables are different. Therefore, the different findings on studies are difficult to compare and to recognize what are the determinants of export performance. Furthermore, Sousa et al., (2008); Gertner et al., (2006); Shamsuddoha, (2004) emphasized that a lake of coherence and agreement among researchers on the parameters of a firm export performance model resulted from the large number and fragmented nature of independent variables included in export performance studies. The result of these problems is a creation of complex, confusing and conflicting findings and still fragile theoretical framework for researching the export performance phenomenon (Gertner et al.,

2006; Thirkell and Dau, 1998; Cooper, 1985; Zou and Stan 1998; Baldauf *et al.*, 2000; Julian, 2003; Lages *et al.*, 2003; Ahmed *et al.*, 2004).

Secondly, many researchers and scholars study the effect of different determinants of export performance. However, they give less attention to external factors. In addition, the existing learning process and experience supply insufficient insights for recognizing external determinate (Zou and Stan, 1998; Baldauf *et al.*, 2000). Furthermore, Sousa *et al.*, (2008) in their review explained that researchers were keen on include the external factors in their models. Although, domestic market characteristics (one of the sub categories of an external factor is one of the important factors on export performance, a researcher often neglect them in the previous studies (Sousa *et al.*, 2008) or they often report the mixed finding (Zou and Stan, 1998). In addition, there is a conflicting knowledge about internal factors. Scholars have a different opinion about the positive or negative effects of firm characteristic's determinants, which are under internal determinants. The lack of consensus among researchers as to what constitutes a managerial factor in determining exporting, which are under internal determinants has been highlighted by Leonidou *et al.* (1998) and recently by Suarez-Ortega and Alamo-Vera (2005).

Third, Cavusgil and Zou, (1994); Thirkell and Dau, (1998); Lee and Griffith, (2004); Brodrechtova, (2008); Salavou and Halikias, (2008) mentioned that the relation between marketing strategy and export performance has been one of the most famously investigated issues in international marketing study, and the researcher considered marketing strategy is one of major elements of export performance. However, although many studies have been conducted in this area, and they demonstrate a impact on marketing strategy of total export performance, the variety of conceptualization and performance measurement has led to inconsistent and opposing findings (Aaby and Slater, 1989; Baldauf *et al.*, 2000; Leonidou *et al.*, 2002; Lee and Griffith, 2004). Also, the lack of detailed analysis on dimensions of export marketing strategy is a popular problem inherent in the previous studies (Leonidou, *et al.*, 2002).

Fourth, Mohamad, (2009); Souse *et al.*, (2008); Calantone *et al.*, (2006); Lee and Griffith (2004); Theodosiou and Leonidou, (2003); Julian and O'Cass, (2002a); Baldauf *et al.*, (2000); Aulakh *et al.*, (2000); Katsikeas, (1996); Dominguez and Brenes, (1997) emphasized that vast majority of the research had focused on the exporters from highly industrialized countries or developed economy (e.g. United states, Canada and Western European countries) with very little attention to developing countries, and it may be misleading to infer such findings, marketing issues, and evidence of exporters in developing countries. Given the differences between developed and developing economies and also unique conditions of exporting in developing countries, the previous research about exporters in developed economy context is not appropriate for firms in the developing country (Aulakh *et al.*, 2000; Lee and Griffith 2004; Julian and O'Cass, 2002a). In addition, a study by Souse *et al.*, (2008) that review previous studies revealed that scholars received little or no attention to research about export performance certain parts of Asia, South and Central America, and Africa. As a result, there is a void in the literature in these countries. There is a need to evaluate whether our current knowledge can be generalized to these countries, especially the developing ones. Thus, assessment of the theories across different countries with various economic, cultural and

technological settings is advised by researchers (Souse, 2004; Souse *et al.*, 2008). The limited survey in these countries is a one of the limitations of this study.

Fifth, most of the previous study evaluated the principal variable and there are limited studies that evaluated the sub element's relationship with export performance. The lack of researchers that evaluating the relationship of export performance and sub elements is one of the main problems in recognition of determinants of export performance. Even though the earlier research effort to make a lot of main variables, it appears that still sub variables have to be added to those already identified in the previous researches. Furthermore, earlier study fails to test complex models with the different kind of sub variables due to the high number of relationships, constructs and indicators. Such a survey would provide richer study to extend model, and improving our understanding of the sub variables.

Methods of evaluate export performance determinants

Many previous researchers have problems in their methods to evaluate export performance and determinate of export performance. The different method led to different finding and conflict finding about determinants of firm export performance. This study highlights the importance of a unit of analysis, kind of industry for data gathering, kind of respondents. There are limited researches that focused on the main export venture (MEV), single and related-industry, and multiple informants.

At first, Researchers use the firm (total product to a total export market) or export venture (one product or a product line to a specific market) in their study as the unit of analysis. However, employing this unit has posed some problems. The use of firm level is not appropriate because firms have a variety of performance that some ventures are successful and others are unsuccessful, and firm level does not take into account the variability of performance as total export performance of firms (lages and lages, 2004; Sousa, 2004). Furthermore, firm level is appropriate for small companies that have only one product line and inaccurate measure of strategy and performance variables will result if medium and large firms with diversified business portfolios use as a unit of analysis (Cavusgil and Zou, 1994; Zou and Stan, 1998). Furthermore, different strategy that is applied by export venture in various market places has failed to capture by firm level analysis (Sousa *et al.*, 2008; Morgan *et al.*, 2004). On other hands, deeper insight into the overall, long-term export performance of the firm is inapplicable in using export venture as a unit of analysis (Cavusgil and Zou, 1994; Sousa, 2004). So, due to these problems, most-recent researchers analyzed the firm's main export venture (MEV) in their studies (lages and Montgomery, 2004, Mavrogiannis *et al.*, 2008). Firm typically develop specific strategies for the main export venture and most of the manager's design marketing strategy or defined consequence of strategy only for MEV but many of the secondary export venture to have no defined strategy (Lages and Montgomry, 2004). Major export venture should be selected deliberately to ensure maximum representativeness, while a random selection should be applied to a remainder (Morgan, 2000; Sousa, 2004). Therefore, a limited study found main export venture (MEV) should be used as a unit of analysis in specific market or as main products in specific market place. In this research, we will mention respondents (as unit of analysis) to answer the questions with refer to main export venture to China market.

Second, majority of the study used samples drawn from multiple industries. For example, Zou and Stan (1998) in their

review found only 6 research and Sousa, (2004) found only 4 researches that used single industry for data gathering. The use of large sample is unlikely to disentangle the variety of effects associated with industry, environment, and strategy (Wong, 2007). A single industry would give better understanding about the relation of export marketing strategy and export performance. Previous studies investigating the single industry is lacking (Abdul Adis and Md. Sidin, 2010). In the same vein, Wu and Pangarkar, (2006); Meyer *et al.* (2009) noted the suitable strategy for companies is dependent on the characteristics and conditions of particular industry. Majority of previous published work has neglected the influence of industry-specific characteristics on internal export factors (Leonidou *et al.* 1998; Suarez-Ortega and Alamo-Vera, 2005). It is interesting to focus on the single and related-industry. This is because this kind of approach would allow scholars to have control on the industry-specific influences such as technology of product, type of production, industry concentration and level of competition (Sousa *et al.*, 2008). So, some of the researchers believe that each industry has different situation and condition that influence on the determinants of export performance. For instance, a study done by Contractor *et al.*, (2005) found different results about the relationship of export performance and experience of managers that can be explained because of the characteristics of the industry used in this research (Sousa *et al.*, 2008). The review of previous studies showed that majority of research use multi industry for data collection, and it is interesting to focus on single and related- industry that allowed scholars to control the industry-specific influence (Sousa *et al.*, 2008). Therefore, a limited number of studies used single and related-industry as a sample for data gathering.

Third, another point is that in most research, limited informants or respondents were interviewed. For example, Sousa *et al.*, (2008) reviewed studies and revealed that none of the studies gathered data from more than one informant in the same firm. Managers have different views about performance and multiple informants within each company will improve assessment on export performance (Sousa, 2004). The single informant is preferable where only one informant has access to the information or the only one who can provide information, which is much accurate (Sousa *et al.*, 2008). The researcher advised to use multiple respondents in their study that led to many accurate results.

Direction for future research

The last part of this study recommends direction for future studies. First, researchers try to finalize the determinants of firm export performance and find a comprehensive framework in investigating the effect of export marketing strategy, external and internal factors on export performance. The future research should try to introduce coherence and agreement among researchers on the variables of a firm export performance. They advise to categorize the wide diverse variables of firm export performance to tree category as internal factors, external factors, and export marketing strategy or refer to some other studies, they can divide to internal variables or external variables. The agreement in a finalized framework is very critical and researchers advise to categories the determinants into two or three main category. Also, researchers are recommended to finalize the total variables of export performance or consider the total determinants that with consider to the situation of study some of them can be as effective factors that led to recognition

of effective determinants of export performance and creation of a comprehensive integrated model.

Researchers recommend giving more attention to external factors to supply insufficient insights for recognizing external determinates and includes the external factors in their models. In addition, the domestic market characteristics (one of the sub categories of the external factors) need more consideration because in some countries such as Middle East countries the domestic market characteristics have an important role in exporting, and some of the characteristics of domestic market prevent the exporting. On another hand to obtain useful knowledge about internal factors and same opinion about the positive or negative effects of firm characteristic's determinants, and agreement among researchers as to what constitutes a managerial factor in determining exporting, which are under internal determinants, the researchers recommend to give more attention to internal factors. Furthermore, the future study should analysis the detailed dimensions of export marketing strategy that is a popular problem in the previous studies.

Given the differences between developed and developing economies and also unique conditions of exporting in developing countries, scholars are advised to receive more consideration to research about export performance in developing countries, especially certain part of Asia, South and Central America, and Africa that led to more and practical literature in these countries. There is a need to evaluate whether our current knowledge can be generalized to these countries, particularly the developing ones. Thus, assessment of the theories across different countries with various economic, cultural and technological settings is advised by researchers.

Even though the earlier research effort to make a lot of variables, it appears that still more variables have to be added to those already identified in the previous researches. As a result, it would be interesting for the further investigation to develop a fresh survey instrument that includes new variables. Such a survey would help validate results and provide richer study to extend our model, improving our understanding of the main variables. Furthermore, it would be interesting future research test complex models with the different kind of sub variables where other approaches would fail due to the high number of relationships, constructs and indicators. This research introduces Partial Least Squares (PLS) modeling can be used to successfully test complex models where other studies fail due to the high number of relationships, and sub variables.

Researchers use the firm (total product to the total export market) or export venture (one product or a product line to a specific market) in their study as the unit of analysis. Due to problems, researchers recommend analyzing the firm's main export venture (MEV) in their studies due to manager's design marketing strategy or defined consequence of strategy only for MEV. Major export venture should be selected deliberately to ensure maximum representativeness, while a random selection should be applied to the remainder (Morgan, 2000; Sousa, 2004). The main export venture (MEV) should be used as a unit of analysis in specific market or as principal products in specific market place.

A single and related industry would give better understanding about the relation of export marketing strategy and export performance. Suitable strategy for companies is dependent on the characteristics and conditions of particular industry. The future studies advised to focus on the single and related-industry due to this kind of approach would allow

scholars to have control on the industry-specific influences such as technology of product, type of production, industry concentration and level of competition. Furthermore, each industry has different situation and condition that influence on the determinants of export performance. It is interesting for future studies to focus on single and related- industries that allow scholars to control the industry-specific influence.

The most research used the limited informants or respondents for interviewing. For Managers have different views about performance and multiple informants within each company will improve assessment on export performance. The single informant is preferable where only one informant has access to the information or the only one who can provide information. The researcher advised to use multiple respondents in their study that led to many accurate results and findings. As a result, this research helps to bridge these gaps.

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