

# Factors facilitating and impeding the development of export market-oriented behavior: A study of Hong Kong manufacturing exporters

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## Abstract

We test a model of the antecedents to market-oriented behavior in firms' export operations (i.e., export market-oriented [EMO] behavior). Using data from Hong Kong-based industrial manufacturing exporters, we explain 73% of the variance in EMO activity. Our findings confirm the importance of variables such as export coordination, export experience, and the export environment in determining EMO behavior levels. However, several hypotheses are refuted, contradicting previous research findings. For instance, in our sample, centralized decision-making generally is positively related to EMO activity—particularly under conditions of high environmental turbulence: this contradicts findings of studies in Western exporting businesses where centralization generally inhibits EMO behavior. Furthermore, unlike their Western counterparts, market-based reward and training systems and managers' export commitment and emphasis on market orientation do not predict EMO behavior. We suggest that these unexpected findings may be due to differences in culture between Asian and Western businesses.

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## 1. Introduction

It is argued that a powerful way to enhance the export performance of manufacturing companies is for them to adopt a market orientation in their export operations (Cadogan, Diamantopoulos, & Siguaw, 2002). Specifically, for most exporting manufacturers, empirical studies indicate that higher levels of market-oriented activity in the firms' export markets (hereafter, export market-oriented [EMO] behavior) is associated with higher levels of export success (e.g., Akyol & Akehurst, 2003; Cadogan, Diamantopoulos, & de Mortanges, 1999; Cadogan et al., 2002; Sundqvist, Puumalainen, Salminen,

& Cadogan, 2000). Given these encouraging findings, it is clear that managers can benefit from understanding the conditions that facilitate or impede the development of EMO behavior. However, research into these antecedent factors is scarce in an exporting context. It is more common for researchers to study antecedents to market orientation in non-export-specific settings (e.g., Avlonitis & Gounaris, 1999; Bhuian, 1998; Chelariu, Ouattarra, & Dadzie, 2002; Jaworski & Kohli, 1993; Pelham & Wilson, 1996; Pulendran, Speed, & Widing, 2000; Ruckert, 1992; Selnes, Jaworski, & Kohli, 1996; Valera & del Rio, 2003; Winston & Dadzie, 2002).

This state of affairs is unfortunate because one cannot assume that findings uncovered in non-export-specific studies can be transferred to exporting firms. That is, the antecedents to market orientation may be context-specific such that “antecedents may be found which affect a firm's market-oriented behavior in its export operations but, because of their context-specific nature, do not lend themselves to being modeled as antecedents to a firm's market-oriented behavior

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in its domestic market” (Cadogan, Paul, Salminen, Puumalainen, & Sundqvist, 2001, p. 262). Thus, researchers interested in understanding antecedents to EMO behavior have to contend with the possibility that antecedent factors may not mirror or have the same affect as those identified in non-export-specific studies. Cadogan and colleagues’ empirical findings add credence to this contention, since they discover antecedent factors to EMO behavior that are unique to the exporting context, and which have little meaning within non-export settings (see Cadogan et al., 2001, 2002).

A further problem arises from the scarcity of research into the antecedents to market-oriented behavior of exporters. Specifically, to the authors’ knowledge, only two published studies attempt to identify factors facilitating or inhibiting EMO behavior: Cadogan et al.’s (2001) investigation of New Zealand and Finnish exporters, and Cadogan et al.’s (2002) study of US exporters. This paucity of empirical evidence means that export managers operating in non-Western business environments have only Western-based empirical evidence to help them develop strategies for managing EMO levels in their businesses. However, non-Western business cultures may be different from those found in Western firms, especially in terms of market-oriented activities (cf., Deshpandé & Farley, 2004), and generalizing studies of exporting behavior from Western to non-Western business contexts may be misleading (see Ling-ye, 2004). Indeed, it is noted that there is a need for more studies into the transferability of Western exporting research to the Asian business setting (Ambler, Styles, & Xiucun 1999). In this respect, Cadogan et al. (2001) argue that the antecedents to EMO behavior may be partially nation-specific, and present some empirical evidence in support of this notion.

Given this situation, the purpose of the current study is to shed new light on the antecedents to EMO behavior on two fronts. First, responding to Ambler et al.’s (1999) call, our main contribution is to test the generalizability of previous models of antecedents to EMO behavior in an Asian business setting. To this end, we utilize a sample of Hong Kong-based industrial manufacturing exporters to provide initial insights into the research question. Our second contribution is to extend the previous models of EMO behavior’s antecedents by adding to the hypotheses already developed. As a result, we add richness to our current understanding of how EMO behaviors come about, and how they can be fostered and managed.

In what follows, we describe the domain of the EMO behavior construct, and then present our model of its antecedents. We then explain the methods used to test the model and describe our results. Finally, we discuss the findings of the study, highlight the managerial implications, and provide suggestions for future research.

## 2. Background and conceptual model

In line with opinions in the broader literature (e.g., Kohli & Jaworski, 1990), researchers have defined EMO behavior as comprising three key activities, namely export market intelligence generation, dissemination and responsiveness. What differentiates EMO behavior from broader market-oriented

activities is that “EMO behavior is [focused] towards *export* customers’ current and future needs, competition within the firm’s *export* markets, and other exogenous factors... influencing the firm’s *export* performance” (Cadogan et al., 2001, p. 263). Consequently, EMO activities involve the firm collecting information that is relevant to its exporting operations, disseminating that information to appropriate decision-makers within the firm, and developing and implementing responses to influence export customers, exploit competitive advantage over export competitors, and otherwise take advantage of, or avoid problems relating to, other extraneous export market factors affecting the firm’s ability to provide superior value to export customers (Cadogan et al., 2002).

## 3. A model of the antecedents to EMO behavior

Cadogan and colleagues’ (Cadogan et al., 2001, 2002) empirical studies identify antecedents to EMO behavior in samples of exporters in New Zealand, Finland and the USA. This work draws heavily on variables and ideas arising in the contingency theory of the firm (see Donaldson, 2001). In this respect, four key sets of antecedent variables can be identified: export structures, export systems, export development indicators, and export environment factors (see Fig. 1). We expand on these factors now. In doing so, we present arguments and hypotheses previously modeled and, drawing on new literature sources, we extend the theory of EMO’s antecedents by presenting a new hypothesis regarding the roles of export coordination and the export environment in determining firms’ EMO behavior levels.

### 3.1. Export structures

Three aspects of organizational structure are considered for their potential impact on EMO behavior: export formalization, export centralization, and export coordination. We discuss these now.

#### 3.1.1. Export formalization

Export formalization concerns the extent to which rules determine organizational members’ roles, authority relations, communication norms, sanctions and procedures (e.g., Kohli & Jaworski, 1990). Adopting a contingency theory perspective, Cadogan et al. (2001) argue that formalization facilitates basic EMO behaviors, but only when the export environment is stable. When the environment is turbulent, greater flexibility is required, and less formalized structures are needed to cope with the variability of demands posed by the export environment. The empirical evidence provides support for this notion—with formalization returning a positive relationship with EMO behavior under conditions of relative environmental stability, and returning a negative relationship with EMO behavior under conditions of relative environmental turbulence (Cadogan et al., 2001). As a consequence, we test the following hypothesis:

**H1a.** The relationship between the degree of formalization in firms and their EMO behavior is positive under relatively stable

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