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Export performance and market orientation Establishing an empirical link

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Abstract

This study examines the export performance consequences of a market orientation and the potential moderating impact of the competitive, technological, and market environment. Market orientation was positively related to three dimensions of export performance: change in export sales, export profits, and change in export profits. The impact of market orientation on export profits and change in export profits was stronger in a technologically turbulent environment. Overall, this study synthesizes two important streams of research, assesses the moderating impact of the environment, and empirically establishes a relation between market orientation and export performance. © 2001 Elsevier Science Inc. All rights reserved.

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Increased trade, the globalization of products and services, as well as the internationalization of specific firms have steadily accentuated the importance of export performance. Previous research has identified several correlates to successful exporting, including commitment to exporting (e.g., Evangelista, 1994), foreign orientation (Dichtl et al., 1990), managerial attitudes toward risk (Cavusgil, 1984), effective planning, and capabilities in research and marketing (Evangelista, 1994). As a whole, past research has highlighted the importance of managerial attitudes and organizational competencies on export performance, but has not supplied a unified theoretical framework for explaining the presence or absence of these competencies. Recent marketing management research (e.g., Kohli and Jaworski, 1990; Kohli et al., 1993; Narver and Slater, 1990; Jaworski and Kohli, 1993; Deshpande and Farley, 1998) has presented a comparatively unified theory for explaining business performance: market orientation. Market orientation provides a means of assessing the overall customer and marketing focus of an organization. Firms that are market-oriented should better recognize and respond to global changes and opportunities in their competitive environment. Thus, market orientation provides a theoretical framework for explaining export performance.

This study examines the effect of overall market orientation and its three components (intelligence generation, intelligence dissemination, and responsiveness) on four dimensions of export performance (sales, change in sales, profits, change in profits). Assessing the consequences of each component of market orientation on performance should facilitate managerial action by isolating the differential impact of each.

Export performance research has examined correlates to specific aspects of performance and has employed a limited set of performance measures, particularly export intensity or the percentage of sales accounted for by exports (e.g., Axinn, 1988; see Aaby and Slater, 1989 for a review). Research in market orientation has generally focused on a limited number of domestic performance measures (e.g., Narver and Slater, 1990; Jaworski and Kohli, 1993). More recent research has attempted to link a study-specific measure of market orientation to a global measure of performance (Thirkell and Dau, 1998) and presented an initial conceptualization of the components (Diamantopoulos and Cadogan, 1996) and antecedents (Cadogan and Paul, in press) of export market-orientated behavior. None of these researches, however, has employed Jaworski and Kohli's (1993) conceptual and

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operational framework for market orientation nor examined the specific effects of market orientation and its components on multiple dimensions of export performance.

This study employs a four-dimensional framework for export performance (Madsen, 1987; Shoham, 1998); examines the moderating effect of the competitive, the market, and the technological environment; and assesses the impact of an overall market orientation and its components on export performance. Thus, this study contributes to the literature in four ways: first, by focusing on the link between overall market orientation and export performance; second, by examining the moderating impact of some crucial environmental variables; third, by assessing the consequences of the individual components of market orientation; fourth, by applying a more complete conceptual and operational definition of export performance and market orientation than utilized in past research.

1. Theoretical background

1.1. Export performance

The fundamental importance of export performance to international marketing has led to a substantial body of research. In general, early research centered on the determinants of a firm's propensity to export (e.g., Cavusgil and Nevin, 1981; Diamantopoulos and Ingles, 1988; Dichtl et al., 1990; see Aaby and Slater, 1989 for a review). For example, Cavusgil and Nevin (1981) identified several determinants of export behavior, including differential firm advantages (such as the possession of a unique product), managerial aspirations for business goals (including overall goals for growth, profits, and market development), level of commitment to export marketing (defined as a general willingness to devote adequate resources to exporting), and management's expectations of the effects of exporting on business goals (such as managerial perceptions of the potential for growth in foreign markets). As a whole, this research highlighted the importance of managerial perceptions on export behavior.

Recent examinations have focused more directly on export performance, rather than a firm's willingness to export. Several studies have assessed both the direct and indirect influence of organizational characteristics. A dynamic organizational culture (Holzmuller and Stottinger, 1996) and top management's priority for international business (Naidu and Prasad, 1994), commitment to exporting (e.g., Evangelista, 1994), willingness to take risks (Cavusgil, 1984), perceptions of potential export-based growth (Axinn, 1988) and profit opportunities (Naidu and Prasad, 1994) have all been directly related to export performance. Proactive decision making, risk taking, and an ability to identify and respond to environmental opportunities also influence export performance (Evangelista, 1994). Thus, previous research has described several factors that contribute to export performance including capabilities in marketing, export planning, and research and development (Evangelista, 1994; see Aaby and Slater, 1989 for a comprehensive and integrative review). Organizational characteristics, however, have generally not been evaluated empirically within an integrated, comprehensive theoretic framework.

1.2. Market orientation

Market orientation provides an integrated perspective for evaluating export performance by assessing the ability of an organization to predict, react, and capitalize on changes in its environment. Kohli and Jaworski (1990) define a market orientation as comprised of three activities: "(1) the organization-wide *generation* of market intelligence pertaining to current and future customer needs; (2) *dissemination* of the intelligence across departments; and (3) organization-wide *responsiveness* to it" (Jaworski and Kohli, 1993, p. 54, italics in the original). We adopt the conceptual and operational approach of Kohli and Jaworski (1990) (cf., Narver and Slater, 1990) because it has been extensively validated (Kohli et al., 1993) and applied (e.g., Selnes et al., 1996) and focuses on specific behaviors which facilitate accuracy in operationalization (Jaworski and Kohli, 1993).

Cadogan and Diamantopoulos (1995) identify substantial overlap between Kohli and Jaworski's (1990) and Narver and Slater's (1990) approaches to measuring market orientation and provide a synthesis of the market orientation literature. Although Narver and Slater (1990) conceptually define a market orientation as "the organizational culture that most effectively and efficiently creates the necessary behaviors for the creation of superior value for buyers" (Narver and Slater, 1990, p. 21), "their operationalization of market orientation is purely behavioral, reflecting the degree to which a strategic business unit (SBU) engages in practices associated with the three behavioral components of customer orientation, competitor orientation, and interfunctional coordination." (Cadogan and Diamantopoulos, 1995, p. 42). Thus, Cadogan and Diamantopoulos (1995) propose a modified conceptualization of market orientation, where Narver and Slater's (1990) customer and competitor orientations identify the specific focus of Kohli and Jaworski's (1990) market-oriented behaviors (intelligence generation, intelligence dissemination, and responsiveness). Cadogan and Diamantopoulos also identify an additional component of market orientation — the coordinating mechanism — which examines the means in which market-orientated behaviors are implemented. We elected to focus on Kohli and Jaworski's (1990) framework, however, because we were unaware of a suitable coordinating mechanism measure at the time of data collection and because of the widespread applicability of the Kohli and Jaworski (1990) framework.

Recent marketing orientation research has also examined the performance consequences of a market orientation in an