



External environment and the moderating role of export market orientation[☆]



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ABSTRACT

This research has two main objectives. The first is to fill the knowledge gap on the role which the external environment plays in the strategic behavior of exporting companies, taking into account the psychological distances between the domestic and foreign markets. The second aim is to clarify the role that market orientation plays in export activity, since the literature review shows conflicting results. The study provides insight into these issues through hypothesis testing of a conceptual model using a sample of 212 Spanish exporting companies. The results lead to two major conclusions: (a) in turbulent environments, exporting firms adapting the marketing mix program to the needs of foreign markets obtain a better export performance in highly competitive and psychologically distant markets; (b) although market orientation has a direct and positive effect on export performance, its main role is to support strategic decision making in exporting companies. In addition, market orientation moderates the relationship between marketing mix adaptation and export performance.

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1. Introduction

Exports provide the traditional means of access to foreign markets. Three approaches receive the most attention in the theory on the determinants and consequences of export activity. First, the resource-based view focuses on firm-specific assets such as firm experience, size, and competencies that restrain strategic options (Morgan, Kaleka, & Katsikeas, 2004). Second, the structure–conduct–performance paradigm postulates that, essentially, two significant sets of antecedents affect export performance (EP): (a) the structural characteristics of the export firm's markets (Zou & Cavusgil, 2002); and (b) the firm's ability to achieve and sustain positional advantages in foreign markets through the efficient and effective implementation of competitive strategy planning (Morgan & Strong, 2003).

Third, the relational paradigm inspects the network of business interactions and views of export expansion as the sequential development of relationships with foreign buyers (Leonidou, 2003). These three approaches, however, assume that the success of export activity depends on contingent factors such as those associated with the external environment of the organization. Nevertheless, to progress in export activity research, a broadening of its scope is still necessary because of the significant research gap (Cadogan, Sundqvist, Puumalainen, & Salminen, 2012). Filling this gap is one of the aims of this paper. Thus, the authors analyze the effect that the external environment

exerts on the strategic behavior (adaptation vs. standardization) of exporting companies. In addition, the study takes into account the psychological distance export managers perceive between the domestic and foreign markets.

The success of firms operating in a given environment depends on the strategic orientation of the organization, and this success has to do with the degree of market orientation (Navarro, Acedo, Losada, & Ruzo, 2011). In the context of export activity, many authors assume that export market orientation (EMO) plays a key role in export activity because EMO controls the strategic behavior of organizations, the achievement of sustainable competitive advantages in foreign markets, and EP (Cadogan, Kuivalainen, & Sundqvist, 2009). In recent years, however, certain scholars have questioned the veracity of the extant knowledge of EMO's true role. This view owes to contradictory results from a strategic point of view and from an EP standpoint (Chung, Wang, & Huang, 2012). This situation gives rise to an important debate in the scientific community; a research gap arising concerning the true role of market orientation with regard to export activity. In this context, the following questions reflect the second objective of this research: what role does EMO truly play in export activity; and what is its influence on strategic behavior and EP?

This paper has five further sections. Following this introduction, the second section lays out the theoretical framework of the research, proposing the conceptual model and hypotheses. The third section expounds the research methodology, details of the sample, and data analysis tools for the empirical analysis. The fourth section presents the results, and the fifth deals with the main conclusions and managerial implications of these results. Finally, the sixth section provides an outline of the main limitations of the study and openings for future research.

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2. Theoretical background and research hypotheses

2.1. External environment of exporting firms

Three components of the external environment are particularly pertinent to export activity (Kaleka & Berthon, 2006). Market turbulence refers to the level of insecurity in the external environment, which obliges companies to change their strategies keep abreast of changing customer needs (Gaur, Vaudevan, & Gaur, 2011). In this context, some studies confirm the existence of a positive relationship between the level of turbulence of the country-markets and the degree of adaptation of the marketing mix program that exporters develop (Qureshi & Mian, 2012).

Technological turbulence represents the high rates of technological change in the manufacture of products and the technology intrinsic to the product itself. Businesses competing in industries with high levels of technological turbulence have a greater inclination toward adaptive marketing and operational strategies than businesses in more static industries (Powers & Loyka, 2010). (c) *Competitive intensity* refers to the extent of rivalry among different players in an industry. As the number of participants in a market increases, the volume and unpredictability of strategic changes may increase dramatically (e.g., Porter, 1985). Therefore, a greater need exists for firms to track and react to these moves. In the field of export activity, some authors find a positive relationship between the level of competitive intensity of a country-market and the degree of adaptation in the marketing mix program (Powers & Loyka, 2010).

The preceding arguments support the following hypothesis.

H1. Turbulence (market and technology) and the competitive intensity of foreign markets positively influence the degree of adaptation of the marketing mix program in export activity.

2.2. Psychological distance

The concept of psychological distance (PD) is essential to assess the differences between cultures and markets and to drive international market selection. According to Sousa and Lages (2011), the definition of PD is the individual's perceived differences between the home market and that of the foreign country. PD includes two dimensions: (1) "country" refers to the features of the modernization of a country; and (2) people relates to the degree of separation between people from different countries. In this context, Sousa and Lages (2011) find a positive and significant effect of PD on marketing strategy adaptation. In addition, Sousa and Lengler (2009) show that the manager's PD toward the foreign market positively influences the degree of product, price, promotion, and distribution adaptation. Also, Chung et al. (2012) confirm that a suggestion exists of adaptation strategies being more suitable when a great cultural distance exists.

The next hypothesis is in accordance with these ideas.

H2. PD positively affects the marketing mix adaptation of the international strategy of firms.

2.3. Export strategic behavior: Adaptation vs. standardization of marketing mix

Some authors (e.g., Morgan et al., 2004; O'Cass & Julian, 2003) maintain that developing a differentiated marketing strategy in foreign markets requires the firm to adapt to the needs and desires of the target markets. The adaptation of export marketing tactics brings about several benefits: (1) they allow the firm to adjust its offer to the specific characteristics of each market, which decreases foreign consumers' uncertainty, or PD (Morgan et al., 2004); (2) they improve relationships with local intermediaries (O'Cass & Julian, 2003); and (3) the firm can attain a greater profitability, as a better product-market match can

result in greater customer satisfaction, which may give better pricing freedom vis-à-vis competitors (Leonidou, Katsikeas, & Samiee, 2002). As a consequence, the adaptation of export marketing tactics improves EP (Navarro, Losada, Ruzo, & Diez, 2010; Phattarawan, Kiran, Anil, & Anusorn, 2010).

The following research hypothesis captures this idea.

H3. Adapting elements of the export marketing mix has a positive effect on EP.

2.4. Market orientation and its role as a moderator in export activity

EMO permits the analysis of the ability of an organization to predict, respond to, and capitalize changes in the export environment. Firms with a solid EMO will be more dynamic in their search for—and better able to identify and take advantage of—opportunities emerging in external markets than firms lacking this capability. In this context, firms that have appropriate information about their foreign markets are likely to be more willing to make variations to their marketing mix, and so on, than other firms that lack such information and that make their decisions on the basis of instinct (Navarro, Acedo, Robson, Ruzo, & Losada, 2010).

These arguments lead to the fourth research hypothesis.

H4. EMO has a positive effect on the adaptation of the marketing mix strategy in foreign markets.

On the other hand, Rose and Shoham (2002) recognize that EMO provides an integrative insight for evaluating EP. Thus, the gathering of relevant market information is critical for effective decision making, and has a direct influence on the design of the marketing strategies and the firm's success in its foreign markets (Cadogan et al., 2009). In this respect, firms that try to identify their customers in order to develop products and services that satisfy their desires and needs hope to be superior to their competitors by creating and delivering superior value (Cadogan, Diamantopoulos, & Siguaw, 2002). In this sense, EMO may contribute to improving EP from the quantitative and qualitative points of view (Navarro et al., 2011; Rose & Shoham, 2002).

In accordance with this idea, the fifth research hypothesis states the following.

H5. EMO relates positively to EP.

Although the environment in which firms operate may require them to adapt their export marketing mix elements, however, internal restrictions (e.g., deficient market intelligence) may prevent firms from making adaptations. In this context, although adaptations by export managers to the components of the marketing mix and its attributes may be a necessary condition to succeed in foreign markets, such action may be insufficient. A key reason for this shortcoming is an oversight of the success stemming from making such adaptations according to the idiosyncrasies of each country-market. The retaining of relevant information of markets is necessary in this situation. This information should be available at all levels at which this element is necessary for the decision-making process associated with export activity cross-functional coordination. For example, with regard to the export marketing mix adaptation strategy, the idea that market-oriented export firms are more likely to appropriately adapt their marketing mix elements to the needs of foreign markets is debatable. EMO should make the export firm more proactive as this orientation responds to customer needs (Calantone, Kim, Schmidt, & Cavusgil, 2006). Therefore, EMO is likely to play a moderating role regarding the strategic adaptation of EP (Phattarawan et al., 2010).

The following hypothesis builds on the basis of these arguments.

H6. EMO moderates the relationship between export marketing mix adaptation strategy and EP.

Fig. 1 shows the conceptual model.

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