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The empirical link between export dispersion and export performance: A contingency-based approach

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ABSTRACT

Practitioners and scholars point out that firms are increasingly dispersing their capabilities across organizational functions. However, it is not clear whether all forms of dispersion, of any function, result in the same consequences. This study initiates investigation into the link between the cross-functional dispersion of influence on export marketing decisions (export dispersion) and export performance. Drawing on data from a sample of 225 UK exporters, the findings support the argument that active participation of non-export functions in export-marketing decisions affects export success. However, those performance consequences are dependent on internal and external contingencies. Export dispersion is beneficial for export performance when the export customer environment is more turbulent and, simultaneously, the export technological environment is more stable and the firm has lower levels of export information sharing. In all other scenarios examined in this study, greater levels of concentration of export decision-making (i.e. lower levels of export dispersion) appear to be more beneficial for export performance. Our findings imply that the management of the firm's level of export dispersion is a complex task, whereby the degree of export dispersion pursued needs to match external environmental and internal firm factors.

1. Introduction

The current study aims to address a critical research gap in the international marketing literature by examining the relationship between cross-functional dispersion of influence on *export* marketing activities (henceforth "export dispersion") and *export* performance for the first time. The study also seeks to examine the role of external and internal firm contingencies in shaping the link between export dispersion and export performance.

Previous investigations pinpoint cross-functional dispersion of influence on marketing activities as critical for organizational performance because it enables firms to effectively respond to changes in customers' needs and market conditions (Krohmer, Homburg, & Workman, 2002; Krush, Sohi, & Saini, 2015). Nonetheless, there is lack of knowledge on of how cross-functional dispersion of influence on marketing activities affects business success in the export-specific context. This is unfortunate because it is widely recognized that relationships between business success and its predictors do not necessarily hold in the "export-specific" context of the firm due to the idiosyncratic nature of exporting (Boso, Cadogan, & Story, 2012; Cadogan, Diamantopoulos, & Siguaw, 2002). Thus, a core question remains regarding whether firms should engage all their business functions in *export* marketing decisions (i.e. enhance their export dispersion levels), or whether, alternatively, firms should concentrate export decision-making in one (or few) functional unit(s). The answer is not obvious: on one hand, greater dispersion levels may lead to better performance. On the other hand, lower dispersion levels may also bring benefits to firms (Krohmer et al., 2002). Therefore, the lack of

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information about the nature of export dispersion-export performance link constitutes a significant shortfall in knowledge.

Export dispersion decisions present the firm with key challenges, especially in terms of identifying environmental conditions and internal firm attributes that most or least appropriate for dispersion and shape its performance consequences. Prior research in non-international business contexts indicates that the benefits of dispersion may depend on environmental contingency factors (e.g., market dynamism; Krohmer et al., 2002), and so it is important to determine whether export environments, which are often complex and dynamic, shape the export dispersion-export performance relationship in a fashion similar to that uncovered in a domestic decision-making context. It is also important to know how to leverage export dispersion, which constitutes a feature pertaining to internal cross-functional interactions, for export success. Critical interfunctional interactions are information sharing and goal alignment (Jaworski & Kohli, 1993; Kahn, 2001). Thus, we investigate those internal features that may operate to enhance the performance outcomes of export dispersion.

The remainder of this article is organized as follows. We present an overview of the pertinent literature and then move to discuss the theoretical framework, present our theoretical model, define key constructs, and develop the hypotheses. Subsequently, we describe the methodology used for data collection, the procedures adopted for measure validation and structural model testing, and outline our findings. Finally, we discuss the theoretical and practical implications, identify limitations, and suggest directions for future research. We then present a conclusion of the study.

2. Theoretical background

2.1. Strategic export decision-making process and export dispersion

The firm's strategic decision-making process is a critical theme in strategy and international business research (e.g. Papadakis & Barwise, 2002; Papadakis, Lioukas, & Chambers, 1998). In this context, hierarchical decentralization, lateral communication, and political behavior are critical dimensions of the decision-making process in international firms (Dimitratos, Petrou, Plakoyiannaki, & Johnson, 2011; Francioni, Musso, & Cioppi, 2015). Hierarchical decentralization concerns the degree of dissemination of power within the organization in the process of decision-making. Lateral communication is the involvement level of all major business units in the decision-making process (Papadakis, Lioukas, & Chambers, 1998). Finally, political behavior is the influence of both internal actors and external parties on the decision-making process (Elbanna & Younies, 2008; Francioni, Musso, & Cioppi, 2015). Issues concerning the strategic decision-making process have been covered by previous export performance investigations. Existing studies focus on different aspects of export decision-making, including decision-maker characteristics (Reid, 1981), the degree to which export decisions are taken following a systematic approach (Nemkova, Souchon, Hughes, & Micevski, 2015), or decision-making uncertainty (Raven, McCullough, & Tansuhaj, 1994). However, with the exception of few studies (e.g. Cavusgil, Chan, & Zhang 2003), research on hierarchical decentralization, lateral communication, and political behavior in export decision-making is missing in the literature. Cross-functional dispersion of influence on export marketing activities (i.e. export dispersion) is a key manifestation of the extent of which hierarchical decentralization, lateral communication, and political behavior are adopted by firms in the export decision-making process. Our export dispersion core construct relates to the hierarchical decentralization dimension since higher export dispersion levels entail greater distribution of power on export decision across various business functions (i.e. they imply enhanced levels of hierarchical decentralization). Higher export dispersion levels also bring about the involvement of a greater number of major business functions (e.g. marketing/sales, manufacturing, and R&D) in export decision-making, thus implying heightened lateral communication. Finally, higher export dispersion also entails greater levels of political behavior because various business functions (i.e. internal actors) actively participate in and influence the export decision-making process.

2.2. Theoretical foundation and level of analysis

Our study is underpinned by contingency theory (Donaldson, 2001), which contends that superior organizational performance is the result of a fit between organizational attributes and the context in which the firm operates (e.g. Venkatraman, 1989). Specifically, we follow the perspective of fit-as-moderation (Venkatraman, 1989), an approach that is increasingly used by export performance researchers (e.g. Cadogan, Kuivalainen, & Sundqvist, 2009; Lengler, Sousa, & Marques, 2013; Navarro-García, Arenas-Gaitán, Rondán-Cataluña, & Rey-Moreno, 2015), which is rooted in the principle that no level of a particular organizational feature is universally superior. Rather, the impact of a certain predictor variable on performance depends on the value(s) of particular moderator variable(s). The level of fit between the predictor variable and the moderator variable(s) is a key determinant of performance. In the present study, we examine the link between export dispersion and export performance using export market dynamism, export information sharing and interfunctional goal alignment as moderators.

Researchers examining the determinants of export performance typically adopt either the export function or the export venture level of analysis (Oliveira, Cadogan, & Souchon, 2012). Studies on export function level examine the overall export performance level achieved by the exporting entity (i.e. they focus on firm-wide export performance). Studies on venture level analyse an export venture within the firm with an export venture being defined as a single product or product line exported by a company to a specific foreign market (Cavusgil & Zou, 1994; Morgan, Kaleka, & Katsikeas, 2004; Oliveira, Cadogan, & Souchon, 2012). A fundamental principle of theory testing is that the level of analysis needs to match the level at which such a theory is developed (Klein, Dansereau, & Hall, 1994). Our study focuses the relationship between firm-wide cross-functional dispersion of influence on export marketing activities and firm-wide export performance levels and therefore we adopt the export function level of analysis.

3. Construct definitions and research model

3.1. Construct definitions

3.1.1. Export dispersion

Following Krohmer et al. (2002) we conceptualize export dispersion as based on the distribution of power of different organizational functions over decisions in various export-marketing domains (e.g., pricing, new product development, customer satisfaction and service, and advertising). It is defined as "the degree of coherence with an identical influence distribution across all the functional groups" (Krohmer et al., 2002; p. 454). Importantly, as explained above export dispersion constitutes a manifestation of crucial dimensions of decision-making in international firms, namely hierarchical decentralization, lateral communication, and political behavior (c.f. Dimitratos et al., 2011; Francioni et al., 2015; Papadakis et al., 1998).