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Export strategic orientation–performance relationship: Examination of its enabling and disenabling boundary conditions☆

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ABSTRACT

This study finds that the form of relationship between export strategies – entrepreneurial orientation (EO) and export market orientation (MO) – and export sales performance is curvilinear and dependent on levels of intra-firm resource coordination capabilities. Findings from primary data drawn from new international ventures reveal that increased changes in combined EO and MO strategies lead to decreases in export sales performance. Results further indicate that when levels of resource coordination flexibility and MO are higher the effect of EO on performance is strengthened. However, when levels of MO increase in magnitude along with higher levels of resource coordination flexibility, the levels of sales performance decrease. A natural conclusion to draw is that new international ventures that develop their MO resources and align these with their intra-firm resource coordination competencies will fully realize the export sales benefits of their EO activities.

1. Introduction

International business literature identifies export entrepreneurial orientation (EO) and export market orientation (MO) as important strategic orientations that are beneficial for sales performance in export markets (e.g., Boso, Cadogan, & Story, 2012; Murray, Gao, & Kotabe, 2011). Specifically, EO is a market-driving explorative capability (Hughes, Hughes, & Morgan, 2007) "characterized by search, discovery, experimentation, risk taking and innovation [in foreign markets]" (He & Wong, 2004, p. 481). MO is an information-processing capability that draws heavily on a market-driven exploitative logic to fuel business success (Jaworski, Kohli, & Sahay, 2000). As an exploitative behavior, MO provides a buffer against the shocks and risks associated with EO. Taken together, EO and MO play complementary roles in shaping firm sales performance (Boso et al., 2012).

The findings of past research attempts to explain the relationship between the two orientations and sales performance has so far been equivocal (e.g., Bhuian, Menguc, & Bell, 2005; Cadogan, Kuivalainen, & Sundqvist, 2009). Some study results show a positive relationship, while others are negative (e.g., Balabanis & Katsikea, 2003; Boso et al., 2012; Murray et al., 2011). Studies examining non-linear relationships also show results that are divergent and unclear (e.g., Bhuian et al., 2005; Cadogan et al., 2009). Thus, whether the impacts of EO and MO on sales performance are linear or non-linear remains an unsettled issue (Lisboa, Skarmeas, & Saridakis, 2016) and non-linear paths dependent on environmental conditions lack research.

This study argues that a lack of precision regarding the form of the relationship between EO/MO and export performance partly explains the diversity of findings in the literature. Unlike previous research that assumes linear relationships between the orientations and sales performance, this study posits the possibility of non-linear relationships. Drawing insights from relevant prior studies (e.g., Bhuian et al., 2005; Cadogan & Cui, 2004; Cadogan et al., 2009), this study calls for a test for intra-organizational structural contingencies that would result in variations to the shape of the curvilinear relationships between the two orientations and export sales performance.

Accordingly, this study investigates whether optimal levels of export EO and MO behaviors (henceforth export EOB and export MOB) accurately predict export sales performance under differing levels of export coordination flexibility. Export coordination flexibility is defined as an organizational structural characteristic that embodies firms' abilities to redefine, reconfigure, and redeploy resource chains to meet overall organizational goals, and to successfully react to opportunities and challenges posed by the environment (Johnson, Lee, & Saini, 2003; Sanchez, 1995). Evidence shows that firms must do more than simply develop greater (or lower) levels of EOBs unless they simultaneously have the structural flexibility to produce and

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deliver on superior customer values (Atuahene-Gima & Ko, 2001; Sanchez, 1995). Likewise, the benefits of market-oriented insights are limited for a firm that does not have the flexibility to integrate new market opportunities into existing marketing strategies (Jaworski et al., 2000). This study extends existing knowledge by examining the export resource flexibility contingencies between export EOB and export MOB and performance, thereby generating new information about how and when export strategies predict export performance.

2. Theoretical framework and hypotheses

Export entrepreneurship research suggests that export EOB enables firms to secure superior sales performance in their export markets (e.g., Balabanis & Katsikea, 2003). A major logic supporting this positive relationship is that entrepreneurial-oriented exporting firms benefit from pioneering and first-mover advantages that allow them to explore new market opportunities ahead of the competition. The export literature supports the claim that export MOB firms generate superior sales performance in their export markets because they prioritize export customer intelligence acquisition, sharing, and usage, and are therefore more capable of providing solutions to customers' expressed and latent needs (Murray et al., 2011). Prior research implies a linear association between the two orientations and export sales performance.

Unlike prior research, this study argues that export EOB and export MOB have conditional effects on export sales performance. Previous studies ignored several possibilities: (1) The two orientations are expensive to develop and maintain, implying that firms need optimal levels of the two orientations. (2) The two orientations may compete for scarce resources and firms may be inclined to choose between the two. (3) Firms may over-invest (or under-invest) in either one or both orientations. (4) Other strategic orientations (e.g., technology orientation or sales orientation) may work to drive performance, thereby drawing the attention of managers. Also missing from previous research is the possibility of internal structural contingencies (here coordination flexibility) to facilitate or inhibit the impact of the two orientations on export sales performance. These arguments lead to the development of a proposed conceptual model (see Fig. 1) and the hypotheses that follow.

2.1. Form of relationship between export EO/MO and export performance

In this study, it is argued that firms need to continuously pursue greater innovation, constructive risk-taking, and new market opportunities ahead of competitors (i.e., high levels of EOB). Higher levels of export EOB would result in firms being ever-ready to offer incremental and novel products in export markets, offerings that might enable firms to continuously shape the market to their advantage. With growing levels of EOB in export operations, the behaviors of export personnel are geared towards increased opportunity identification and exploration aimed at shaping and restructuring export markets to generate superior value. For such entrepreneurial activities to remain the dominant orientation within an export unit, they need to be repeatedly promoted and applied (Hughes et al., 2007). Findings in the export literature support this view: "The adoption of an entrepreneurial posture is something that profit-maximising firms have to…pursue actively for their export operations regardless the conditions of their markets" (Balabanis & Katsikea, 2003, p. 246); and Kropp, Lindsay, & Shoham (2006) urge export managers "to ensure that there are ongoing programs…to stimulate, enhance and encourage [entrepreneurial orientation]" (p. 514).

High performance is expected as a result of greater investments in export EOB. According to Bhuian et al. (2005), firms' levels of EOB have positive implications for business performance for a number of reasons. At higher levels of export EOB, it is likely that a firm would take greater risks to proactively launch greater number of innovations and explore new market opportunities. While greater EOB can help a firm launch new innovations and explore alternative opportunities requires substantial resource investments, the benefit of pursuing higher levels of EOB is likely to exceed this resource investment cost. The logic is that higher EOB levels increase a firm's ability to launch new innovations and enhance its motivation to explore entry opportunities (Lumpkin and Dess, 1996). The new innovations launched and the new entry opportunities explored as a result of greater export EOB may boost a firm's export decision making processes and as a result enhance its export performance. Thus, we contend that variations in export performance is a function of increasing levels of export EOB.

H1. A J-shaped relationship exists between export EOB and export performance.

March (1991) argues that too much exploitative activity might lead to structural inertia and reduce firms' abilities to adapt to emerging market opportunities. This reasoning is emphasized in the work of He & Wong (2004), who found that too much market-driven behavior might "reduce the speed at which existing competencies are improved and refined" (p. 482). Christensen & Bower (1996) also argued that too much market-oriented activity stifles innovation and inhibits a

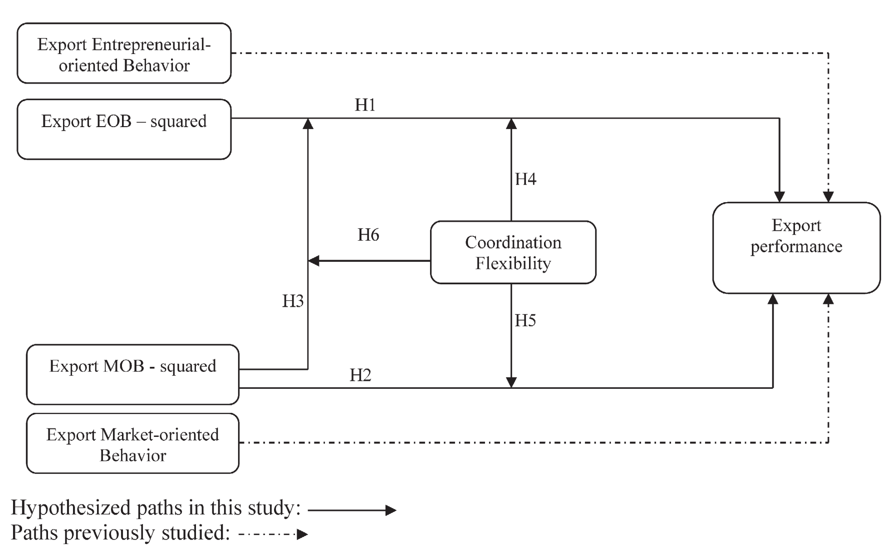

Fig. 1. Conceptual model & hypotheses.

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