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The effect of matching on perceived export barriers and performance in an era of globalization discontents: Empirical evidence from UK SMEs

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ABSTRACT

In this study we examine the effect of matching, a comprehensive networking concept, on the perceived export barriers and export performance of small exporting firms. We introduce matching as a moderating variable affecting the link of perceived internal/external export barriers to export performance. Using a sample of 106 UK-based exporting small and medium enterprises (SMEs), we find that matching alleviates the negative impact of perceived internal export barriers on export performance. Furthermore, the empirical results show that export experience and export commitment reduce managers' perceived internal and external export barriers. The study shows that matching, as a networking-tool at multiple levels, can help to overcome export barriers, thus providing a mechanism to offset challenges opened up through nationalistic policies.

1. Introduction

Faced with compound uncertainties in an era of rising nationalistic and protectionist policies and backlashes against globalization (e.g. Brexit in the UK and Trump's 'America first' approach to governance in the US), firms, particularly in their cross-border operations, are prompted to learn about and develop managerial strategies of navigating economic nationalism. Exporting firms have long enjoyed the incentives of the globalization era, accompanied by trade deals, international organizations, economic integration, and close relationships between countries, all of which have significantly facilitated the flow of goods, services, and capital across borders. The vibrant export activities across countries have significantly fostered welfare creation, socio-economic development, and job creation. However, the recent protectionist sentiments, encapsulated in 'anti-globalism'⁴ or 'globalization discontents' (Stiglitz, 2018), point at structural changes, and uncertainties in the international political-economic environment, that are likely to have serious effects on personal and organizational connectivity with partners (Cano-Kollmann, Hannigan, & Mudambi, 2017). Institutional change, which was once a driver of globalization in the

shape of pro-market reforms, has reversed, with governments imposing protectionist measures and weakening institutions such as the World Trade Organization (Cuervo-Cazurra, Mudambi, & Pedersen, 2017; Kobrin, 2017). Barrier-free relationships between countries and societies are likely to diminish (Helleiner & Pickel, 2005) and in order to offset these, firms will have to move towards the development of relationships at multiple levels with different actors.

Network-based relationships are considered to be an effective way of navigating through uncertainties inherent in international operations, particularly during institutional transition periods (Meyer, 2001; Peng & Zhou, 2005; Zhou, Wei-ping, & Xueming, 2007). Hence, we examine the matching concept, introduced by Ghauri and Holstius (1996) to refer to a multitude of networking activities that firms conduct in order to interact with different actors at various levels, including customers, suppliers, local government, and trade unions, in developing cross-border relationships (Elg, 2008; Elg, Ghauri, & Tarnovskaya, 2008; Ghauri & Holstius, 1996). Compared with traditional networking relationships, which mainly focus on micro business relationships or on just one level of network relationships, matching extends to networks at the micro and macro levels. Our argument is that

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⁴ Globalism refers to "the idea that, through a series of mechanisms, the world has become more closely interconnected, and by implication that it will continue to become more closely interconnected" (Dickson, 2013). It sees the world as characterized by networks of connections that span multi-continental distances (Keohane & Nye, 2000; Nye, 2002). In contrast, globalization refers to the increase or decline in the degree of globalism and focuses on the forces and dynamism of these changes (Nye, 2002).

the simultaneous management of multiple levels of network relationships will support contemporary firms in overcoming internationalization barriers and foster export performance, specifically for small and medium-sized enterprises (SMEs) in an era of globalization discontents.

This paper develops a conceptual model in which matching is hypothesized as a moderating variable, i.e. shapes the relationship between perceived internal and external export barriers and export performance. Exporting experience, export commitment, and perceived export barriers are introduced as independent variables and export performance as the dependent. While there is a plethora of prior work that examines direct impacts on export performance, the role of moderators is regarded to be underrepresented (Rose & Shoham, 2002; Sousa, Martínez-López, & Coelho, 2008). A study by Sousa et al. (2008, p. 366), providing a comprehensive review of the export performance literature, also suggests that “future studies should focus not solely on the main effects of independent variables on export performance, but also on whether the relationship between the independent and dependent variable varies as a function of the value of a third variable” and deliberately focus on moderating effects.

This paper contributes to the literature as follows. Firstly, it examines the moderating effect of matching on the relationships between perceived export barriers and export performance. Whereas most of the previous work is limited to micro-level business networks and their direct impact on firms' exporting behaviors, we introduce matching to delineate to what extent the moderating impact of networking activities at micro and macro levels can alleviate perceived export barriers and thus foster export performance. Secondly, this paper systematically integrates perceived internal and external export barriers and investigates their impact on export performance, whereas previous empirical evidence on that integration has been limited. This provides a more nuanced understanding of the nature and type of barriers that SMEs encounter.

2. Theoretical background and conceptual framework

2.1. Exporting and network-based SME internationalization

Exporting is seen as a baseline cross-border activity, particularly useful for SMEs, as their organizational structure, size and management system puts pressure on their ability to devote resources towards internationalization and connecting with international markets (Chetty & Blankenburg Holm, 2000; Navarro, Acedo, Robson, Ruzo, & Losada, 2010a; Uner, Kocak, Cavusgil, & Cavusgil, 2013). It offers a fast, cost-effective, and risk-reducing approach to internationalization, combined with high flexibility (Golovko & Valentini, 2011; Lu & Beamish, 2006). The benefits associated with exports are not restricted to firms, as countries also gain significantly from them (Pinho & Martins, 2010). Exporting plays a vital role in promoting socio-economic development, and contributes to countries' GDP, economic growth, employment, and welfare creation (Pinho & Martins, 2010). For instance, it is an important contributor to GDP in the UK, the EU, and OECD countries. Exports of goods and services as ratios of GDP are 28.3% for the UK, 44% for the EU and 28.2% for OECD countries (OECD, 2018). Exporting is also an important driver of job creation. As indicated in the 2016 European Commission report, one in seven jobs in the EU was either directly or indirectly supported by exports to the rest of the world (Rueda-Cantuche & Sousa, 2016). The number of jobs supported by extra-EU exports increased by around three million between 2000 and 2007 (Sousa, Rueda-Cantuche, Arto, & Andreoni, 2012). These significant contributions and attractive benefits of exporting activities, for firms, countries, and societies, could be eroded by the onset of an anti-globalization era that is likely to turn interconnected markets into isolated islands. Hence, deepening our understanding of export barriers and networking strategies for overcoming them is becoming particularly crucial.

Within the international business (IB) and international entrepreneurship (IE) literatures, the network model of firm internationalization has

received strong interest (Coviello, 2006; Ghauri, Lutz, & Tesfom, 2003; Kurt & Yamin, 2016; Loane & Bell, 2006; Musteen, Francis, & Datta, 2010; Zhou et al., 2007). Whereas traditional internationalization theories mostly employ a firm-centric focus (i.e., Johanson & Vahlne, 1977), its later theorizations have extensively applied relational approaches and understand internationalization as a dynamic process through which firms are engaged in a diverse range of network relationships (Ellis, 2000; Johanson & Vahlne, 2003, 2009; Yamin & Kurt, 2018). A well-established body of the literature on SMEs and rapidly internationalizing entrepreneurial firms (i.e. born-globals or international new ventures) has empirically demonstrated the relation between network propensity and firms' internationalization performance by focusing on firms' business, social, and also macro-level political/institutional networks (Cavusgil & Knight, 2015; Coviello, 2006; Kiss & Danis, 2010; Li & Zhang, 2007; Manolova, Manev, & Gyoshev, 2010; Sharma & Blomstermo, 2003; Zhang, Ma, Wang, Li, & Huo, 2016; Zhou et al., 2007). The rise and success of rapidly internationalizing entrepreneurial SMEs has been thought to be facilitated by the contemporary global business environment and widening multi-country networks comprising different actors (Cavusgil & Knight, 2015).

Moreover, a stream of research in the IB and IE literatures has focused on macro-level networks as an important component of non-market strategy in IB activities. This body of research has mainly focused on the value of political embeddedness, with reference to political actors and institutions, for organizational performance (Frynas, Mellahi, & Pigman, 2006; Sun, Mellahi, & Thun, 2010; Sun, Mellahi, & Wright, 2012). From a non-market strategy perspective, network ties are seen as boundary-spanning personal and institutional linkages between firm and government agents, which play a crucial role in determining performance outcomes and IB success (Doh, Lawton, & Rajwani, 2012; Sun et al., 2012). Being embedded in macro-level political networks of home and host countries is considered an effective means of capturing non-market and political resources that create and sustain competitive advantages in cross-border business activities (Hillman, Keim, & Schuler, 2004; Peng & Luo, 2000). Despite their separate and narrow focus on either the micro or the macro level of network relationships, one key overarching argument of these research streams has been that networks are one fundamental determinant of firms' success or failure in IB activities, particularly in the contexts of small and entrepreneurial firms.

However, existing research on the networks of small and entrepreneurial firms has been unable to grasp a holistic picture of the network dynamics, as it has mostly adopted a micro perspective, with an extensive focus on inter-firm and business-level relationships. Scholars have also highlighted that this body of research has underemphasized the importance of network relationships with socio-political and non-business actors in non-market environments (Elg et al., 2008; Hadjikhani & Ghauri, 2001; Hadjikhani, Lee, & Ghauri, 2008). Furthermore, previous studies have investigated different types of networking activities (social, business, and macro-level networks) separately and neglected firms' simultaneous composition of different levels of network relationships with multiple actors. Yet, entering a foreign market requires the consideration of a broad range of external stakeholders, beyond firm-level relationships (Mark & Quinn, 2005). Firms need to interact with different actors to gain the knowledge necessary to respond to required market adaptations, and also to gain support and approval in the host country (Elg et al., 2008). Accordingly, the network approaches in this body of research need to be elevated to a broader and more comprehensive level that deals with different levels of networking activities with actors in both market and non-market environments, in order to develop a more holistic and nuanced understanding of the potential role of networks in firm internationalization.

Building on the export marketing and network-based internationalization literature, we propose a conceptual model in which export barriers, export commitment, and exporting experience relate directly with export performance. Specifically, we argue that the exporting experience and commitment of entrepreneurs exhibit positive effects on export

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