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Export strategy, export intensity and learning: Integrating the resource perspective and institutional perspective

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ABSTRACT

Export intensity (EI) has been widely examined as a performance outcome of exporting firms. To date, studies on the determinants of EI have generated mixed and even contradictory results. To reconcile such inconsistencies, this study dichotomizes export strategy in emerging economies into two distinctive types, expansion-oriented vs. escape-oriented, with the former inspired by exploiting firm-specific competencies as portrayed by the RBV and the latter motivated by avoiding the domestic institutional deficiencies as informed by the institutional perspective. Different from prior findings in the International Business literature, this research finds that a firm's extremely high EI might not result from their superior competencies. Instead, high EI firms might focus on export mainly for the purpose of escaping from their home country's deficient institutional environment that places extra burdens in terms of costs of doing business. Such escape-oriented exporters are more sensitive and responsive to changes in the environment while they do not enhance their learning as much as those expansion-oriented exporters. Furthermore, institutional environment has heterogeneous impacts on firms with different ownership types. Our study helps integrate the insights from both the RBV and the institutional perspective, and our dichotomization of export strategy adds precision and sophistication to the understanding of EI and export performance. Our hypotheses are supported by an empirical study based on a sample of exporting firms in China between 1998 and 2007.

1. Introduction

Export remains an important mean for a firm's internationalization and globalization (Zhao & Zou, 2002). As a commonly used export performance indicator, export intensity (EI), the ratio of a firm's export sales to its total sales revenues, and its relationship with firm's overall performance have been widely examined by scholars in the international business (IB) literature (Fernández-Mesa & Alegre, 2015; Filatotchev, Stephan, & Jindra, 2008; Majocchi, Bacchiocchi, & Mayrhofer, 2005; Pla-Barber & Alegre, 2007; Verwaal & Donkers, 2002; Zhao & Zou, 2002). What determines an exporting firm's EI? How does EI affect a firm's performance? How do these firms learn to innovate by exporting? These are important research questions examined in the IB literature. Unfortunately, results from extant studies seem to be mixed and fragmented at the best (Chen et al., 2016).

First, regarding the determinants of EI, one dominant explanation remains that the higher the exporting firm's superior competencies, the higher its EI (e.g., Gao, Murray, Kotabe, & Lu, 2010; Sousa, Martínez-López, & Coelho, 2008). However, recent evidences from emerging economies suggest that high EI firms, including those with extremely high EI, may not exactly possess superior competencies (Cheng & Yu, 2008; Shinkle & Kriauciunas, 2010). How do we interpret and deal with such inconsistencies? Second, regarding the relationship between EI and firm performance, extant studies also generated mixed results (Boehe, Qian, & Peng, 2016). While some find a positive relationship between EI and firm performance (Pla-Barber & Alegre, 2007), others reveal a negative relationship (Chiao, Yang, & Yu, 2006; Lu & Beamish, 2001). Still others do not even find a significant relationship between EI and firm performance (Ito, 1997). How do we make sense of such findings?

This paper attempts to make a contribution to the understanding of the determination of EI and its relationship with firm learning from export, one of the major indicator of an exporting firm's performance, an indicator especially relevant and important in the emerging economy setting (Boehe et al., 2016; Ellis, Davies, & Wong, 2011; Salomon & Jin, 2008; Wu, Sinkovics, Cavusgil, & Roath, 2007). Specifically, we propose a new approach toward the treatment of EI. That is, in emerging economies, instead of treating EI as a continuous variable in a linear fashion, we ought to differentiate between two contrasting strategic intentions underlying a firm's exporting behavior, which could

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be dichotomized at certain threshold level of EI. Below the threshold level of EI, we are more likely to see those more traditional exporting firms who pursue an *expansion-oriented* strategy, using the overseas market as an extension to their domestic operation. Above that threshold level, we are more likely to see exporting-dominant firms with high EI that pursue an *escape-oriented* strategy. Contrary to the argument that the more superior a firm's competencies the higher its EI is, these firms focus primarily or even solely on export precisely because of their lack of relevant competencies in the domestic market. They engage in export simply to escape from the underdeveloped and deficient domestic institutional environment that places extra burdens and costs for doing business where they are not competent enough to survive and prosper (Cheng & Yu, 2008; Koed Madsen, 1989).

We believe that the abovementioned mixed results in the export literature in IB could at least be partially explained by the hitherto negligence of this type of exporting firms (i.e., the escape-oriented exporters) in emerging economies. By highlighting the differences between these two strategies, we could examine the determination of EI and the relationship between EI and firm performance with more solid conceptual grounding and methodological precision. This is the incremental contribution this paper seeks to make.

This paper also attempts to add insights to the emerging economy literature in IB by examining how the institutional environment in emerging economies, which often means unclear and unstable "rules of games", shapes a firm's export strategy and behavior (Hoskisson, Eden, Lau, & Wright, 2000; Peng, 2003; Peng, Wang, & Jiang, 2008; Wright, Filatotchev, Hoskisson, & Peng, 2005). It turns out that firms with fewer competencies are more sensitive to the institutional deficiency and institutional changes, suggesting a heterogeneous effect of the institutional environment and its changes on different types of exporting firms that operating in emerging economies.

We conduct our empirical analyses based on a sample of exporting firms (from 1998 to 2007) in China, a typical emerging economy witnessing some fundamental transitions in its institutional environment (Chang, Chung, & Jungbien Moon, 2013; Li & Li, 2014; Xia & Walker, 2015). Our hypotheses are supported by the empirical results.

This paper is organized as follows. We first briefly review the export literature in IB, and then present our theory development and hypotheses, followed by the description of the empirical study and the discussion of the results. Concluding remarks ensue that summarize the contributions of this study, its limitations, as well as suggested avenues for future research.

2. Brief review of the literature

Two dominant perspectives on export in the IB literature help explain the determination of EI. While the resource based view (RBV) focuses primarily on the internal working and firm-specific attributes of the exporting firm (Sousa et al., 2008; Zou & Stan, 1998), the institutional based view (IBV) emphasizes the impact of the institutional context where the exporting firm comes from (Peng et al., 2008). In the RBV motivated studies, the typical arguments clearly favor those idiosyncratic firm resources and capabilities (hereafter referred to as *competencies* throughout this paper) that confer competitive advantage (Chen et al., 2016; Sousa et al., 2008; Zou & Stan, 1998), and assume implicitly that the competitive (market) environment and the institutional (non-market) environment the exporting firms face are somewhat homogeneous, stable, and consistent, i.e., commensurate to a great extent (cf. Peng et al., 2008). The greater the firm competencies, the higher the EI, the better the export performance of a firm. Most of these studies are conducted in settings of developed countries, citing large scale, strong competencies, and more experiences as major determinants of EI (Majocchi et al., 2005; Pla-Barber & Alegre, 2007; Verwaal & Donkers, 2002).

On the other hand, prior studies inspired by the IBV tend to focus more on the varying institutional contexts as impediments or barriers to the exporting firms, and examine how these contexts affect a firm's export intention, strategy, and their subsequent impact on its EI performance (Cheng & Yu, 2008; Koed Madsen, 1989). Many of these studies are conducted in those transitional or emerging economies where exporting firms are constantly coping with various under-developed institutional arrangements as well as their ongoing fluxes (Chen et al., 2016). Research results indicate that improvements in the institutional environment are likely to facilitate the exporting process and thus will enhance an exporting firm's EI (LiPuma, Newbert, & Doh, 2013).

That is to say, the two perspectives differ on their explanation of the determinants of EI, with RBV touting firm competencies and IBV citing the quality of the institutional environment in the exporting firm's home country. While each perspective has garnered their own supportive evidences and attempts do exist to encompass both perspectives (Boehe et al., 2016; Gao et al., 2010), however, their necessary integration, to date, is still lacking, which hinders our understanding of the exporting firms.

In fact, there are often two drastically different types of exporting firms in emerging economies, namely the expansion-oriented exporters (Wu et al., 2007) and the escape-oriented exporters (Cheng & Yu, 2008). They feature different motivations and intensions to export. Fitting the description offered by the RBV, an expansion-oriented firm engages in export so as to further grow and expand, to fully utilize its competencies, and hence further enhancing its EI. Escape-oriented exporting firms, attracting relatively less attention in the export literature, engage in the export business not exactly because they are competent enough to outperform their rivals. Quite to the contrary, they often do not possess the competencies and advantages necessary to survive in the domestic environment. That is, in order to survive in the harsh domestic market, a firm has to be competent enough to not only withstand the onslaught of competitive rivalry but also overcome the extra-burdens imposed on them in the form of added costs and troubles by the deficient and changing institutional environment. Such harsh domestic market environment is likely to force those less competent firms to look into overseas markets for better chances of survival. Hence, there emerges escape-oriented export strategy, through which exporting firms intentionally choose to escape from the unfavorable institutional environment domestically (Koed Madsen, 1989; Cheng & Yu, 2008).

As such, although the expansion-oriented firms could enhance their EI thanks to their more superior competencies, there will be a certain ceiling that they will likely reach because they usually do not intend to depend solely on the export market. The escape-oriented firms, however, usually bank their very existence primarily or even entirely on export. Hence they usually possess a typically much higher EI, as compared to the case of the expansion-oriented firms. That is, in emerging economies, with the increase in EI, the likelihood of spotting an escape-oriented exporting firm increases. Above certain threshold level of EI, escape-oriented firms will dominate the population. By dichotomizing these two types of export strategy with different motivations and intensions, we believe that we could better make sense of EI and its determinants, as well as how EI affects exporting firms' performance such as learning in international competition (Wu et al., 2007; Zhang, Tansuhaj, & McCullough, 2009).

Regarding the relationship between EI and firm performance, extant studies also generated mixed results (Martineau & Pastoriza, 2016). Those studies with findings of a positive relationship between EI and firm performance often posit that a firm's competencies underlie both its higher EI and performance (Pla-Barber & Alegre, 2007). With higher EI, it means that a firm could also learn more due to its broad exposure to the global economy (Ellis et al., 2011). Studies citing institutional factors as the dominant motivations for export, however, typically do not find such a positive relationship (Chiao et al., 2006; Ito, 1997; Lu & Beamish, 2001). On surface, the two sets of findings seem inconsistent and directly opposing each other. With our dichotomy of the two types