



Private sector development implications of the export performance determinants of U.S. small–medium forest enterprises to Mexico, Europe, and Asia

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ABSTRACT

This study analyzes variables associated with export venture performance of U.S. forest products to comparative markets in order to develop private sector development policy recommendations. Data from small and medium forest enterprises (SMFEs) that export hardwoods to Mexico, Europe, and Asia were investigated to determine characteristics that influence export performance to these markets. Internal and external factors including, export distribution methods, relationship with export distribution partners, management strategies, transportation, and export assistance were analyzed. Despite extensive research on the determinants of export performance, limited studies have applied this approach to the exportation of forest products. This study adds to this research by examining proper method selection, logistical considerations, and the relationship with distribution partners as they are linked to sales growth in comparative markets. A public policy implication from this research is that structural and agency transportation factors deserve more export assistance attention.

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1. Literature review

This paper begins with a review of the export determinants literature in order to establish the framework used for the study. Next the data collection and statistical analysis approaches are discussed. The first section of the findings compares export ventures to Mexico, Europe, and Asia of U.S. based small and medium forest enterprises (SMFEs). The next section uses regression analysis in order to examine export success factors for the comparative markets. The paper concludes with private sector development policy and management recommendations.

Globalization has led to an increasing demand for international marketing awareness (Rundh, 2003). International marketing is the process of focusing the resources and objectives of a company on global marketing opportunities. The importance of exporting for U.S. hardwood lumber firms is evidenced by trade statistics (AHEC, 2006; AHMI, 2007). In order to keep the industry economically healthy, it is important to determine the factors that lead toward export success and determine appropriate policies to enable success.

Since the 1970s, an extensive body of literature has been developed on the determinants of export performance (Aaby and Slater, 1989; Leonidou et al., 2002; Sousa et al., 2008; Zou and Stan, 1998). The methodological approaches have become more sophisticated and the majority of the research is now conducted outside of the US. Most of the studies examine firm-level, rather than export venture, performance for small-to-medium manufacturing firms in multiple industries even though examining export ventures is becoming more accepted. Despite the hundreds of studies seeking a grand theory of export performance, the literature diversity and fragmentation have hindered theory development. Nonetheless, in a recent review of the literature, Sousa et al. (2008) conclude that internal factors (e.g., export marketing strategy, firm characteristics, and management characteristics), in particular export market orientation, as well as external factors (e.g., foreign market characteristics and domestic market characteristics) are important determinants of export success.

Despite the abundance of research on the determinants of export performance, export success for the forest products industry has not been extensively examined. Eastin et al. (2004) did examine the factors influencing export success for forest product companies from the Pacific Northwest to Japan. They found that firm size, customer relationships, distribution channels, and product characteristics were key factors. Brodrechtova (2008) studied forest product companies in

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Slovakia and determined that domestic market characteristics influence export marketing strategies, which, in turn, were a major determinant of export performance. However, factors influencing the export success of the forest products industry, particularly transportation and export assistance, have not been extensively studied.

Despite a lack of a generally accepted theory of export determinants, a review of the studies does indicate some patterns regarding the influence of internal and external variables on export performance. Similar patterns would be expected to apply to the forest products industry.

2. Internal success factors

2.1. Competitiveness factors for exporting

Internal characteristics and competencies of the firm including product, promotion, and finances are standard measures that influence export performance (Bijmolt and Zwart, 1994; Dean et al., 2000; Nakos et al., 1998; Roper and Hígon, 2006). According to Cavusgil and Zou (1994), export marketing strategy, competency in exporting, and commitment are the key determinants of export performance. Katsikeas et al. (1997) found that the level of export development, product type, and to a lesser extent, company size influence export success. In addition to firm size, Baldauf et al. (2000) found that management's motives to export and the use of a differentiation strategy are predictors of success. Product adaptation strategy is positively associated with export performance (Calantone et al., 2006). Ling-yee and Ogunmokun (2001a) identified export financing resources and supply-chain management skills as key factors for superior export performance. For this study, the standard internal variables are included in the competitiveness factor dimension.

Market orientation, according to Sousa et al. (2008), is increasingly found to be a key internal determinant. Rose and Shoham (2002) found that market orientation was positively related to three measures of export performance including change in export sales, export profits, and change in export profits. Cadogan et al. (2003) also report that export market-oriented activities were positively associated with aspects of export performance. A study of the Turkish clothing industry concluded that improving export market orientation significantly contributes to a company's export performance (Akyol and Akehurst, 2003).

2.2. Satisfaction of firm's relationship with export distribution partner

International distribution channel studies revealed that manufacturers can enhance performance through a better relationship with their distribution partners (Gilliland and Bello, 1997; Koh and Robicheaux, 1988; Weitz and Jap, 1995). Styles and Ambler (2000) found that social learning and relational variables such as trust were linked to export performance. Ling-yee and Ogunmokun (2001b) also found that relational factors contribute to export advantage and performance. Gibbons (1993) found that trust and honesty are keys to success for manufacturers and their agents that permit work to be done effectively in teams that know and understand each other's goals. Moreover, communication, commitment, cultural sensitivity, and patience were found to be important prerequisites for enhancing cooperation between sellers and buyers (Leonidas et al., 2006; Olsen and Ellram, 1997; Robicheaux and Coleman, 1994). Another study indicated that the marketplace affects this relationship (Barrett, 1990).

2.3. Distribution methods used for exporting

One of the successful characteristics for exporters is having a proper distribution channel selection for international markets. In global markets, time is money, and rapid market entry and penetration are needed (Gabrielsson et al., 2002). The greatest potential for achieving a competitive advantage now lies in managing the 4 Ps (price, production,

promotion, and placement) (Pelton et al., 2002). There are several studies which discuss the growing importance of distribution channel selection as a key strategic variable in marketing, and it is thus a key concern within international business (Arnold, 1996; Gabrielsson et al., 2002; Matear et al., 2000; Stock et al., 1982). These studies reveal the importance of the type of distribution channel selection with respect to export profitability. For example, a study of Singaporean and Hong Kong firms suggests a positive relationship exists between channel directness and export performance (Chan, 1992). Selecting distribution channels that maximize the potential for enhanced export performance is important because inappropriate channel selections are difficult to change and have a long-term impact on company performance. In particular, export intermediaries are a factor that needs to be considered for export performance (Peng and Ilinitch, 1998).

3. External success factors

3.1. Assistance organizations programs

Export promotion programs are positively associated with export performance (Alvarez, 2004; Gençtürk and Kotabe, 2001; Wilkinson and Brouthers, 2006). Francis and Collins-Dodd (2004) found that these programs help SMEs, but have little impact on experienced international firms. Interestingly, Lages and Montgomery (2005) also determined that export assistance has a direct positive impact on performance but that there is a negative indirect impact through export pricing strategy adaptation. Some of the variables (e.g., trade shows or fairs) incorporated into this study's assistance organization program dimension are considered part of the market orientation dimension by some scholars (Lafferty and Hult, 2001).

3.2. Transportation factors for exporting

The transportation considerations examined in this study were not specifically found in the export performance literature review, but O'Cass and Julian (2003) determined that channel accessibility does positively affect export performance. As an internal variable rather than external variable, distribution strategy was the norm in the export performance reviewed. The studies concentrated on controllable distribution channel characteristics such as adaption, relationships, and type. In the logistics literature, third-party logistics providers and other factors included in this study are positively related to user's export performance (Panayides and So, 2005; Yeung, 2006). The role of logistics in export performance appears to be understudied in the marketing-focused export performance literature, but could be expected to play a significant role in the forest product sector with its high transportation cost per value.

3.3. Foreign markets

Nineteen of the fifty-two recent export performance studies reviewed by Sousa et al. (2008) included the foreign market characteristics as a control, moderating, or independent (external) variable. They found that legal and political context factors were cited as the most likely variable to influence export performance. On the other hand, a 1998 review of fifty export performance studies found that in general export market barriers (i.e., trade barriers, physical, and psychological distance) are not a significant predictor of export success (Zou and Stan, 1998). A more recent review, Morgan et al. (2004), found cultural similarity, market competitiveness, environmental hostility, channel accessibility, economic similarity, and customer exposure were other foreign market variables that influenced export performance. However, not all the findings are consistent. It concluded that competitive intensity of the foreign market does not have a direct effect on export performance. Nonetheless, export marketing strategies tend to be modified by successful exporters to meet these variable market

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