

THE EXPLANATION OF RELATIONSHIP BETWEEN STRATEGIC ORIENTATION AND EXPORT PERFORMANCE

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Abstract

This paper aims to investigate the role of strategic orientation in enhancing export performance. Based on the recommendations of previous studies, six dimensions of strategic orientation; aggressiveness, analysis, defensiveness, futurity, proactiveness and riskiness were used to establish the conceptual framework of present study. Data were gathered from food exporter firms in Iran and Pearson correlation and regression analysis was used to test the proposed hypotheses. Findings from this study support the proposed relationship between analysis, defensiveness, futurity and proactiveness dimensions with export performance, but no empirical evident found for relationship between aggressiveness and riskiness dimensions of strategic orientation with export performance.

Key Words: Export Performance, Export Management, Strategic Orientation, Developing Countries Based Firms

INTRODUCTION

Exporting has been the most popular and fastest growing mode of international market entry, favored especially by small and medium-sized firms. Exporting is a crucial business activity for nations' economic health, as it significantly contributes to employment, trade balance, economic growth, and higher standard of living (Lee & Habte-Giorgis, 2004).

Export Performance is a widely researched (Matanda & Freeman, 2009), since the 1970s, an extensive body of literature has been developed on the determinants of export performance (Parhizkar, Miller & Smith, 2010). There is a certain need for research to pay attention to developing countries firms, as most studies on the export activity have focused either on

companies based in the United States and Europe (Stoian, Rialp, & Rialp, 2011). Prior researches indicate lots of problems faced by exporters in developing countries to compete in global market. Enhancing export performance is crucial for firms based in developing countries that view the global marketplace as a means to ensure growth, survival or competitiveness (Matanda & Freeman, 2009). So it is important to determine the factors that lead toward export success and determine appropriate policies to enable success in exporting venture (Parhizkar, Miller & Smith, 2010).

In the international marketing field, the extant knowledge about the determinants of firm's competitive position on foreign markets and their influence on export performance is very scarce (Navarro et al., 2010). Lots of studies tried to investigate about the role of marketing strategy and its antecedents on export performance (Leonidou et al., 2002; Lages & Montgomery, 2004; Lado, Martinez-Ros & Valenzuela, 2004 Cadogan et al., 2005), while others provide empirical results for the influence of firms and environmental characteristics on export performance (Baldauf, Cravens & Wagner, 2000; O'Cass, 2003; Singh, 2009; Stoian, Rialp, & Rialp, 2011); some of papers also devoted to appraising the role of one specific variable on export performance such as commitment (Navarro et al., 2010), Internalization (Papadopoulos & Martin Martin, 2010) or inter-organization relationship (Matanda & Freeman, 2009) in enhancing successful export performance. This study has the following objectives: first, to overcome the gap of export performance researches in developing countries; second, to establish the role of the different dimensions of strategic orientation in achieving the export performance; and, third to provide a framework that can guide export managers and policy makers in their decision making.

To achieve above objectives, the work is organized as follows. The next section presents a theoretical review of the variables included in the study: export performance and six dimensions of strategic orientation;

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aggressiveness, analysis, defensiveness, futurity, proactiveness, and riskiness. This theoretical review provides the basis for the formulation of research Conceptual framework and its hypotheses, which are tested using a sample of Iranian food exporters. The paper then describes the methodological aspects of the empirical study, and presents the results obtained. The final section discusses the most important conclusions that can be drawn from the results obtained and offers a series of suggestion in according to the findings.

THEORETICAL BACKGROUND

Export performance

Export performance is a fundamental aspect for decision making in international trade. Researchers do not agree on its conceptual or operational definition (Navarro et al., 2010). Research in the field of export performance has focused on two dimensions; first, conceptualizing this construct and second, the identification of its determinants. There is now broad consensus that performance is multidimensional and broad understanding that its main components are economic and strategic, but also broad disagreement as to its specific measurement and how its dimensions work. Therefore, the construct itself does not yet have a generally accepted conceptualization and operationalization (Katsikeas et al., 2000; Papadopoulos & Martin Martin, 2010).

Export performance can be defined as the outcomes from the firm's international activities. From this perspective, export performance is the extent to which the firm achieves its objectives when exporting a product to a foreign market (Navarro et al., 2010). Export Performance measurement is a complex issue for numerous reasons. Since firms typically do not report the financial details of their exporting activities, it is difficult to access readily available and valid archival data. On the other hand; company officials may be reluctant to disclose confidential information to outsiders, particularly regarding a single segment of their business (Leonidou et al., 2002). Katsikeas criticized more than 100 empirical studies on export performance measures; identified 42 individual measures and concluded that measurement of this construct suffers from serious conceptual, methodological

and practical limitations, hindering theory advancement in the field (Katsikeas et al., 2000). It's worthy to mention that the importance of various export performance measures may differ depending on a firm's level of international development, with sales objectives perhaps being more relevant in early stages but profit measures in later ones (Papadopoulos & Martin Martin, 2010).

Strategic orientation

Business strategy has been characterized as the manner in which a firm decides to compete, which encompasses the pursuit, achievement, and maintenance of competitive advantage in an industry (Morgan & Strong, 2003). The strategic management field has produced a body of research that focuses on the identification and the understanding of firm level strategic orientations within and across industries. Researchers typically use strategic orientations to examine the link between firm strategy and performance (Avci, Madanoglu & Okumus, 2011; Voss & Voss, 2000). The underlying assumption in strategic orientation is that substantive strategic beliefs underpin the strategic actions taken by the firm (Lau & Bruton, 2011). Strategic orientation is conceptualized through three viewpoint; the narrative approach, the classificatory approach and the comparative approach.

The narrative approach endeavors to describe verbally the holistic nature of strategy which is unique to the event, situation, and organization. The classificatory approach attempts to classify firms' strategy according to either ex ante conceptual arguments or ex post empirically derived groupings (Morgan & Strong, 2003). These classifications are respectively known as typologies such as prospector, defender, analyzer and reactor that were introduced by Miles and Snow in 1978. The third approach to business strategy assessment is comparative and seeks to evaluate strategy by way of multiple traits or dimensions common to all firms (Morgan & Strong, 2003). In this approach; Venkatraman (1989), who carefully considered the nature of strategic orientation, conceptualized its component parts as having as many as six dimensions: aggressiveness, analysis, defensiveness, futurity, proactiveness, and riskiness. These dimensions are the guiding

principles of managers in developing appropriate strategies when managers are facing opportunities in their market and organizational environment (Lau & Bruton, 2011).

Aggressiveness

The aggressiveness trait of strategic orientation can be defined by the willingness of the business to take actions to improve the market position of the firm (Lau & Bruton, 2011). It is primarily concerned with exploiting and developing resources more rapidly than competitors (Morgan & Strong, 2003). Aggressiveness typically involves a clear sales orientation (Lumpkin & Dess, 2001). Aggressiveness is particularly critical to highly volatile environments such as in high technology industry and demands substantial investment.

Analysis

The analysis dimension of strategic orientation reflects a firm's knowledge building capacity and enabling processes for organizational learning (Morgan & Strong, 2003). It can be seen as the efforts of the firm to have internal consistency in achieving the firm's stated objectives (Lau & Bruton, 2011). By systematically pursuing analytical activities such as collecting and interpreting information and deriving managerial implications, firms facilitate their objectives with competitive strategies (Talke, 2007). Such analytical activities are critical for, and are likely to positively impact, business performance, regardless of the external environment (Morgan & Strong, 2003).

Defensiveness

The defensiveness dimension of the strategic orientation is the opposite of aggressiveness; characterized by an emphasis on efficiency, productivity and cost reduction in operations. This dimension is noted for a high degree of strategy specialization, a focus on existing domain defense rather than new product/market development (Morgan & Strong, 2003). Firms demonstrating the characteristics of defensiveness are able to accumulate selected capabilities and skills, and develop composite strategies to outperform less domain focused firms.

Futurity

Futurity reflects an emphasis on a firm's long-term considerations. Long-term vision is a strategic imperative for securing a competitive edge in the turbulent marketplace (Morgan & Strong, 2003); and help firms to face environmental dynamics and reduce their risk. It also can be seen in long term relationship with suppliers or other strategic business partners.

Proactiveness

Proactive firms strive to create competitive advantage by leading the market in pioneering new products and developing innovative techniques and processes (Avci, Madanoglu & Okumus, 2011). Proactiveness is central to innovative behavior and reflects a firm's inertia for exploiting emerging opportunities, experimenting with change, and mobilizing first mover actions (Morgan & Strong, 2003). Proactiveness firms have high performance, because of their responsiveness to market signals and potential customer needs; they also may create new needs by their creativity and build new trend in market.

Riskiness

The sixth dimension of strategic orientation is riskiness that can be described as the possible losses or gains that are derived from an action; so it has an important role in resource allocation and can act as a key parameter in determining the decision processes involved in competitive strategy (Morgan & Strong, 2003). It also describes how much risk the firm can tolerate (Lau & Bruton, 2011). Riskiness as a strategic orientation can improve the performance of the firm only by enhancing flexibility, creativity and traditional rule breaking. Firm profitability may suffer from the adoption of such strategies due to the additional risks incurred and less predictable returns.

CONCEPTUAL FRAMEWORK

According to earlier research, a conceptual framework of the present study that is shown in figure 1; was developed by using the conceptualization of strategic orientation that was introduced by Venkatraman. The framework posits that export performance is determined directly by strategic orientation. Furthermore, it is also considered that how each dimension influence the export performance. In

according to the conceptual framework of the study, following hypotheses are posited:

H₁: strategic orientation of firm has a direct and positive relationship with export performance

H₂: Aggressiveness in firm's strategic orientation is positively related to export performance

H₃: Analysis in firm's strategic orientation is positively related to export performance

H₄: Defensiveness in firm's strategic orientation is positively related to export performance

H₅: Futurity in firm's strategic orientation is positively related to export performance

H₆: Proactiveness in firm's strategic orientation is positively related to export performance

H₇: Riskiness in firm's strategic orientation is positively related to export performance

METHODOLOGY

The current work involves an empirical study of export firms to test the proposed conceptual framework and its hypotheses. For selecting the firms to which the questionnaire was aimed, the Iran Ministry of Industries and Business database was used; all the firms in the list filtered by their industries and food exporters are chosen. At the first step, firms were selected who had been active in food exporting for at least three years. Then, simple random sampling was used and a sample of 200 decision makers in charge of exports in their respective companies was identified and selected to participate in the survey. Of the 200 questionnaire dispatched, 143 usable responses were received which representing an effective response rate of 71.5%.

The data were collected using a structured questionnaire that included sections on export performance and six dimension of strategic orientation. To ensure that the questionnaire content and design would be easily and unambiguously understood by the respondents, it was pre-tested by 12 experts (Four academic professors in international business field, four consultants of exporting and foreign business and four managers of respected exporting firms) and the questionnaire revised in according of their comments. A tool with Cronbach's Alpha greater than the minimum quantity level 0.7 is considered reasonable from reliability aspect. As a result of assessing reliability of questionnaire, Cronbach's Alpha is 0.924 that is greater than minimum level. Data analyzing was performed

by Statistical Package for Social Sciences (SPSS) and for testing the hypothesis, the correlation test and regression analysis were used.

FINDINGS

In order to test H_1 that plays the key role in determining the relationship between strategic orientation and export performance, Pearson correlation test and regression analysis were run. As illustrated in table 1, Pearson correlation coefficient for the relationship between export performance and strategic orientation was 0.760; since the significance level for this relationship was less than 0.05, the relationship was accepted.

On the other hand, in regression analysis, export performance was taken as dependent variable and strategic orientation was taken as independent variable. Table 2 shows regression analysis designed for export performance and strategic orientation. Standardized coefficient (β) for this relationship was 0.543, so it was concluded that a strong relationship exist between strategic orientation and export performance.

Table 3 displays the results of Pearson correlation test for relationship between different dimensions of strategic orientation and export performance. As mentioned in the table 3, the significance level for aggressiveness and riskiness were over than 0.05, so the relationship between these dimensions and export performance were not accepted. The Pearson correlation coefficient for proactiveness, 0.642, was the most amongst different dimensions.

Multivariate regression analysis was run in the next step to investigate about the role of each dimension on export performance. As illustrate in table 4; result support the positive relationship of analysis, defensiveness, futurity and proactiveness dimensions on export performance, but no such support was evident for the remaining hypotheses related to aggressiveness, and riskiness dimensions.

CONCLUSION

This study contributes to the international business literature by analyzing the relationship established between different dimension of strategic orientation and export performance. Moreover, the research was carried out using empirical data from Iran and its results can be

considered useful for all of developing countries, especially in Asia and Middle East, where export performance related topics have not been widely investigated.

It was clear from the analysis that there is a strong relationship between export performance and strategic orientation. Strategic orientation, as whole, provides a framework in which firms formulate strategies, allocate resources and seeking opportunities in a coordinated way. In international marketplace, firms need to maintain their competitive edge and it's important to operate efficiently and effective. The results of present study indicate that exporters should follow specific orientation if they want to enhance export performance and be successful.

The finding of this study provide support for H₁, H₃, H₄, H₅ and H₆ but not for H₂ and H₇; so among different dimensions of strategic orientation, the relationship between aggressiveness and riskiness with export performance weren't accepted and the extent to which they relate to export performance among developing countries based firms appears to be limited. Analysis, defensiveness and futurity orientations are conservative in nature and reveal that defensive skills, analytical capabilities, and future oriented planning could help exporters to reach to their goals. On the other hand, proactiveness as the most influential strategic orientation is not conservative one. Proactiveness relates with innovation and responsiveness to market signals, it's a key solution for developing countries based firms to entry to foreign markets.

Based upon the results of our study, it is concluded that developing countries based firms should be innovate and seek new trends in global markets. Findings indicated the need for more research in this area, particularly related to the strategy - performance nexus and the drivers of this relationship.

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Appendix A. (Tables)

Table 1. Pearson correlation Test between Strategic Orientation & Export Performance

Strategic Orientation	Export Performance	
	Pearson Correlation	0.760
	Sig. (2-tailed)	0.000

Table 2. Regression Analysis between Strategic Orientation & Export Performance

Standardized Coefficient (β)	Sig.
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Strategic Orientation	0.543	0.000
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Table 3. Pearson correlation Test between Strategic Orientation Dimensions & Export Performance

	Pearson Correlation	Sig.
Aggressiveness	0.212	0.102
Analysis	0.346	0.000
Defensiveness	0.298	0.000
Futurity	0.433	0.000
Proactiveness	0.642	0.000
Riskiness	-0.108	0.311

Table 4. Regression Analysis between Strategic Orientation Dimensions & Export Performance

	Standardized Coefficient (β)	Sig.
Aggressiveness	-0.105	0.220
Analysis	0.185	0.000
Defensiveness	0.225	0.000
Futurity	0.286	0.000
Proactiveness	0.302	0.000
Riskiness	-0.086	0.546

Appendix B. (Figure)

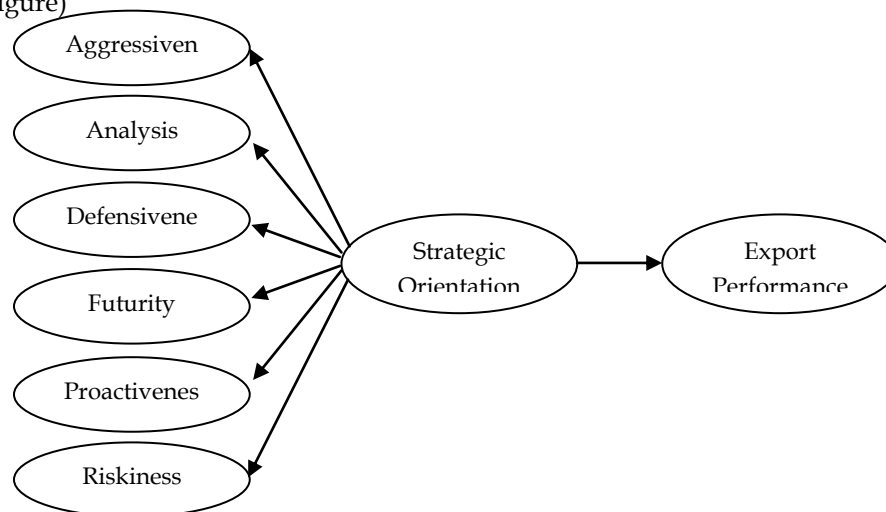


Figure 1. Conceptual Framework