

Empirical study on factors influence to the export market orientation and its influence on the export performance

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Abstract

There are much research on market orientation and performance, although the limited number of researchers examined the Influence of Export market Orientation (EMO) on export performance. The result of these studies shows significant influence although several studies couldn't find out significant influence on export performance. Many of these studies conducted within developed countries, therefore novel studies need to do within developing countries. This the examined influence of EMO on business performance and factors influence the degree of EMO. The research was conducted using 135 sample firms registered under the Board of Investment (BOI) in Sri Lanka. Multiple regression analyses used to test the proposed model. The study result shows that EMO positively influence on export performance, and export experience, export coordination, and export innovations significantly influence on the degree of EMO. Moreover, the present EMO level of Sri Lanka export companies is at a satisfactory level nonetheless it is important to improve the level of existing degree of EMO within the export firms. Furthermore, Top management of the export companies should advance export coordination, export innovations to increase the degree of export market orientation. They should earn more experience in the export market and relevant activities

Keywords: Export market orientation, Export performance, Export companies

Introduction

Number of past research focused export market orientation (EMO) (e.g. Racela et al., 2007) and examined the antecedents of EMO (e.g. Cadogan et al., 2006) and consequences of EMO (e.g. Kropp et al., 2006, Samarakoon, S.M.A.K., 2018). Furthermore, past research of EMO expressed positive significant influence on export performance, while few research studies reported a non-significant influence on export market orientation within their studies (Akyol and Akehurst, 2003). When it discusses under export market orientation, it is relevant to how far the exporters are catering to their customers' needs and wants. Export firms attempt to obtain a higher degree of export market orientation because it leads to increase the export performance of the firms. To achieve this purpose, policymakers and export firms need to know the existing levels of EMO,

when they are catering to their customers' needs and wants. On the other hand, it will directly effect on export-based earnings of a country. Increasing export earning influence on the healthy balance of payments, growth of the economy, increasing employment level of a country, etc.

In the international context, there are a number of research articles relevant to various sectors including manufacturing, service, educational agricultural, etc. Sri Lankan context it is rare to find such published research articles with regard to the export market orientation. The result will be worthwhile for the decision-makers that held top management positions in the foreign market oriented companies, Sri Lankan policymakers and researchers. Moreover, Sri Lankan export quantity and values were increased slowly from recent years (International trade statistics of Sri Lanka,

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2018) and from a long period of years shows a huge minus trade balance in Sri Lanka (IMF country report, 2019). Therefore it is important to increase the exports performance of Sri Lankan export companies. For this purpose, it is very important to know the present degree of export market orientation within the export-oriented companies in Sri Lanka. It is very important to know the present degree of export market orientation within the export oriented companies in Sri Lanka. Further, Sri Lankan context there are a number of export oriented business firms, although some of those are profitable and some are not. Being profitable is not an indicator of being market oriented therefore it is required to know whether the Sri Lankan export organizations are really export market orient or not. The base of the above background key research problem is which is the level of export market orientation and what types of antecedents affecting to the degree of export market orientation of the BOI registered companies in Sri Lanka?

Research objectives

To measure the level of Export Market Orientation (EMO) of export firms in Sri Lanka.

To examine the influence of export coordination, export experience, export innovation and export environment on export market orientation (EMO) of export firms.

To examine the effect of export market orientation (EMO) on the export performance.

Literature review and definitions

Market orientation (MO) is the second most important driver of after differential advantage (Doyle and Wong 1998). However, studies were found that organizations in which success in the domestic market does not guarantee success on foreign markets (Shoham 1999). Therefore, it is important to pay attention export market orientation.

Export market orientation.

Diamantopoulos and Cadogan (1996) suggested the concept of EMO to spread out the application of Market orientation to exporting firms. EMO states to the application of marketing based on Jaworski and Kohli, (1993) in an export market background. This study also adopted Cadogan et al. (1999) EMO definition, they defined EMO using three dimensions namely export intelligence generation, dissemination and responsiveness.

Export intelligence generation includes the activities that are used to create export market intelligence (Racela et al., 2007). These include collecting information relating to trends, changes from the export environment, the forces that influence export customers' needs and wants, and the measurement of export customer satisfaction. Further, Souchon and Diamantopoulos (1996) mentioned that organize the creation of Export Market intelligence and which are motivated in the direction of export customers, competitors or the related environmental changes.

Export market intelligence dissemination is defined as the activities connecting the sharing of export market intelligence of Export customers, competitors or the interrelated environmental changes (Cadogan et al., 1999, p. 692). Responsiveness denotes the formulation and implementation of all responsiveness in the direction of the export intelligence which has been gathered and disseminated. Responsiveness is focused to export customers, competitors or the interrelated environmental changes (Diamantopoulos and Cadogan, 1996). This model which is developed based on Cadogan et al., (2001, 2002, and 2009) is associated with superior export performance. Framework which is developed by Cadogan et al was used for number of export marketing research in the literature (Yousra Asaad, T.C. Melewar, Geraldine Cohen, John M.T. Balmer, 2013). Therefore, this study also used to the well-known framework of EMO to measure the export market orientation level of export manufacturing firms.

Antecedents of Export market orientation

Export market oriented companies can use research finds to identify the factors that may influence the degree of export market orientation. Significant antecedents of export market orientation are essential to recognize correctly to raise the degree of export market orientation within the business organizations. Kirca et.al (2005) conducted a meta-analysis and identified seven antecedents of export market orientation namely top management emphasis, interdepartmental connectedness, interdepartmental conflicts, centralization, formalization, market based reward systems, and market oriented trainings. Moreover, they sorted out selected antecedents of export market orientation under three labels namely

top management factors, interdepartmental factors, and organizational factors. Morgan et al. (2004) conducted the study on antecedents of Export Venture Performance and examined the influence of several antecedents of EMO. Racela, Chawit, & Amonrat, (2007) the degree of knowledge available about export markets or foreign markets (Navarro, Acedo, Robson, Ruz, & Losada, 2010), export coordination (Cadogan et al., 2001) and environmental turbulence (Nemkova, Souchon, & Hughes, 2012) identified as the antecedents of EMO. Moreover, export literature mention that innovation activities are an important driver behind the EMO (Hult et.al 2004) and have been identified as a key antecedent of EMO. Innovation can take the form of totally original products (innovative to the local or foreign) or upgrading of present products. In 2007, Racela et al. find that the export market orientation is able to encourage private relationships between exporters and foreign importers in worldwide distribution channels.

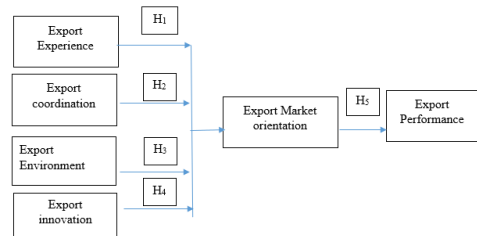
Export performance and export market orientation

Yeoh and Jeong (1995) argued that the three key antecedents of performance in the exporting setting are export channel structure, strategic orientation, and external environment. Since strategic planners of an export firm should give their attention to developing export market orientation strategies because recent researchers mention that market orientation capabilities are particularly significant within the setting of exporting. Because market orientation supports firm to learn about the external market and change company strategies and products of companies to better confirm to foreign market demand (Julian et al.,2014, He, X., Brouthers, K. and Filatotchev, I., 2018). Base on the literature review Figure number 01 was developed.

Conceptual framework and hypotheses

According to literature and discussion of experts in the field, researcher identified four independent factors that may influence export market orientation. The second part of the model explained the influence of export market orientation on export performance. Based figure 01 relationships developed five hypotheses.

Figure 1: Conceptual model for the research



H1: Export experience is positively influenced on Export market orientation of BOI registered companies in Sri Lanka

H2: Export coordination is positively influenced on Export market orientation of BOI registered companies in Sri Lanka

H3: Export Environment is positively influenced on Export market orientation of BOI registered companies in Sri Lanka

H4: Export innovation is positively influenced on the Export orientation of BOI registered companies in Sri Lanka

H5: Export orientation is positively influenced on the Export performance of BOI registered companies in Sri Lanka

Research Methodology

EMO dimensions were measured on a five-point scale (Strongly disagree to strongly agree) base on Cadogan et al. (1999) and Antecedents of EMO were measured using Cadogan et al., (2006). Business performance of business firms can be measured using two characteristics approaches revealed in marketing literature namely subjective or judgmental perspective and objective measures (Sin et al.,2005). Since the export performance was measured on a five-point scale (strongly dissatisfactory to strongly satisfactory). Questionnaire was included six demographic questions and forty one study variables related questions were included. Antecedents of EMO were measured using Cadogan et al., (2001, 2006) and EMO was measured based on Cadogan et al. (1999). Moreover, discussions were conducted with key persons of selected export organizations and academic experts in the marketing field and get their feedback to improve the questionnaires. The draft questionnaire was distributed among the 10 selected export companies' to find out shortcomings and obtaining their suggestions and developed the final questionnaire. The study used a mail survey method to collect the primary research

data from Sri Lankan Board of Investment resisted companies which were situated in the Western province. First and second started industrial zones and largest BOI Zones namely Katunayaka, Biyagama and Seethawaka were established within Western province. There are 179 BOI registered export companies in selected three zones as Katunayaka 90 factories, Biyagama 59 factories and Seethawaka 30 factories. The sample frame was mainly found from BOI register because this database was included all companies in the selected zones. The structured questionnaires were completed by the export marketing managers or the highest ranking staff member of the company. Respondents were enough knowledge of export matters in the world. All of the respondents hold key managerial decision making positions and responsible for their export related operations. Respondents were asked to reply for the questionnaire relating to their export operations in their EU host markets and their most important products. Seventy firms returned the questionnaire, which is a 39% response rate. This study adopts correlation and multiple regression analysis as the study key statistical analysis tools (Hair et al., 2010)

Result of data analysis

Seventy questionnaires collected from export companies and all questionnaires used to analyze the data. Fifty percent of the sample presents around 40-50 years and also the 2nd largest category of sample is the age between 30 -40 years in age. Eighty-two percent of respondents have more than five years' experience and the rest of the respondents have less than five years' experience. Moreover, respondents have decent educational qualifications such as diplomas, professional qualifications, bachelor and postgraduate degrees. Since answers given for those kinds of questions will depend on the educational qualifications and experience and comparisons of past factories' status. The researcher examined the reliability value of each dependent and independent variables all variables Cronbach's alphas of the variables higher than 0.70.

The first objective of the study is to measure the level of export market orientation BOI resisted companies. It was measured based on the mean value and its value was 3.50 which is

higher than the middle value. Since BOI companies show a positive sign towards this trend. The second objective of the study is to identify the antecedents of export market orientation of BOI registered companies in Sri Lanka. Table number 01 shows the model summary of the antecedents of export market orientation.

Table 1: Model summary of antecedents of export market orientation (EMO)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.699 ^a	.458	.449	.83254

a. Predictors: (Constant), Export market orientation

The model between the independent variables and the predictors of the model. In this study R value is 0 .599. Moreover R square value is 0.349, it means 35% explain selected independent variables that are influenced on the dependent variable.

Table 2: Antecedents of export market orientation.

Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	2.999	.227		13.184	.000
Export Experience	.212	.115	.761	1.845	.010
Export Environment	1.46	.126	1.742	1.263	.218
Export Innovation	.153	.118	.541	1.297	.039
Export Coordination	.401	.111	1.405	3.615	.001

Dependent Variable: Export Orientation

According to table 2 three alternative hypotheses namely H₁, H₂ and H₄ can accept. It means that export experience, export innovation, and export coordination show the positive significant influence on export orientation. Although, the export environment doesn't show the significant influence on EMO, since alternative hypotheses H₃ can't accept.

The third objective is to examine the effect of export market orientation on the export performances of BOI registered companies in Sri Lanka. Table number 3 shows the result of the influence of export orientation on business performance.

Table 3: Export market orientation and export performance

Model	Unstandardize d Coefficients		Standar dized Coeff icients	T	Sig.
	B	Std. Error	Beta		
(Constant)	-3.750	1.268		3.750	.004
1 Export_Ori entation	2.251	.371	.599	6.072	.000

Dependent Variable: Export Performance

According to table 3 export orientation significantly effects on export performance, since alternative hypothesis number 05 can accept.

Conclusion and recommendations

The level of export market orientation BOI resisted companies which are higher than the middle value. Even though, authorities must take necessary steps to improve the level of export market orientation because it directly influences on export performance. Moreover, the study examined the influence of selected four factors namely Export experience, export coordination, export environment, and export innovation on EMO and EMO impact on export performance. The result of the study revealed that export innovation, export coordination and export experience significantly influence on EMO. Even though, the export environment doesn't show a significant impact on export market orientation. The second part of the model examined export market orientation's influence on export performance. The result of the study has shown a positive significant influence on export performance. Therefore, the top management of export companies should take the necessary actions to improve the export market orientation within their organizations.

Top management of export orientation organizations should measure the level of

export market orientation and should take the necessary steps to improve the market orientation level. Further, the author recommends that export innovation, export coordination and export experience should increase to improve the level of export market orientation. Government organizations such as BOI, Export development board (EDB), the Central Bank of Sri Lanka be able to use the research results to design new programs to improve the level of export market orientation within export companies. Though this study has examined four antecedents of EMO, future researchers must observe additional factors that may influence on export market orientation. Moreover, the study limited to BOI registered companies in the western province in Sri Lanka and selected export companies without considering the industry specific characteristics. Future, researchers can do the same study covering other provinces of Sri Lanka, considering industry specifications and using different databases such as EDB, Sri Lanka Chamber of Commerce, etc.

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