Abstract: The relationship between market orientation and performance, in a domestic and export context, has generated considerable debate amongst researchers about the significance of the relationship. An export market orientation is the application of a market oriented strategy in the export environment. The purpose of this research was to determine the relationship between export market oriented behaviour and export performance for Australian based exporters. A quantitative method was employed utilizing a questionnaire administered through email. The data analysis consisted of Factor Analysis and Two-Stage Least Squares regression conducted on 115 responses from Australian based exporters. A positive and significant relationship was identified between export market oriented behaviour and export performance. The results from this study imply that Australian based exporters who exhibit export market oriented behaviours will experience positive export performance outcomes.

Author Address: cdodd@csu.edu.au

http://researchoutput.csu.edu.au/R/-?func=dbin-jump-full&amp;object_id=7033&amp;local_base=GEN01-CSU01

CRO identification number: 7033
Export Market Orientation And Performance:  
An Analysis Of Australian Exporters

Catherine Dodd, Charles Sturt University

Abstract

The relationship between market orientation and performance, in a domestic and export context, has generated considerable debate amongst researchers about the significance of the relationship. An export market orientation is the application of a market oriented strategy in the export environment. The purpose of this research was to determine the relationship between export market oriented behaviour and export performance for Australian based exporters. A quantitative method was employed utilizing a questionnaire administered through email. The data analysis consisted of Factor Analysis and Two-Stage Least Squares regression conducted on 115 responses from Australian based exporters. A positive and significant relationship was identified between export market oriented behaviour and export performance. The results from this study imply that Australian based exporters who exhibit export market oriented behaviours will experience positive export performance outcomes.

Introduction

The marketing concept and the related construct of market orientation have been important components of marketing study and practice for several decades (Narver and Slater, 1990; Jaworski and Kohli, 1993; Kohli, Jaworski and Kumar, 1993; Pitt, Caruana and Berthon, 1996). Organisations that adopt the marketing concept and implement a market orientation seek to serve customer needs in order to meet their own organisational requirements for achieving their objectives and profit expectations (Pitt, Caruana and Berthon, 1996). The application of a market oriented strategy in the export environment is an export market orientation. The purpose of this study is to examine the relationship between an export market orientation and export performance for Australian based exporters. The justification for this research is that adopting higher levels of market orientation, in an export context, requires considerable resource commitments (Slater and Narver, 1994). Therefore, it is necessary to substantiate whether increased levels of export market orientation do, in fact, result in higher levels of export performance across different national settings and business sectors. The theory underlying this analysis is grounded in the culturally based behavioural perspective and the market intelligence perspective developed by Narver and Slater (1990) and Kohli and Jaworski (1990) respectively.

The Market Orientation Construct

There are a number of similarities and differences, identified by Mavondo and Farrell (2000), between the culturally based behavioural and market intelligence perspectives of market orientation. The similarities are that both studies focus on the central role of the customer, recognise the importance of responding to the customer and recognise stakeholder interests shape the needs and expectations of the customer. A common feature of both conceptualisations is that market orientation is based on behavioural concepts (Appiah-Adu and Blankson, 1998; Akyol and Akehurst, 2003). In contrast, the differences are significant; firstly, Narver and Slater (1990) consider the behavioural elements underlying market oriented activities whereas Kohli and Jaworski (1990) emphasise the ongoing behavioural elements that underlie the generation and dissemination of information and the firm’s responsiveness. Second, information generation is considered vital for a customer and competitor orientation but it cannot be considered an orientation unto itself. Finally, a case
can be made that the definition by Narver and Slater (1990) raises market orientation to a level of strategy whereas Kohli and Jaworski (1990) place it at the operational or tactical level.

Despite these differences the intrinsic value of each study is that they define market orientation in terms of the specific activities that organisations should undertake (Pulendran, Speed and Wilding II, 2000). From a theoretical perspective both scales have considerable validity and market orientation is considered by researchers to be a multi-dimensional construct, although they are not in agreement as to the number or nature of the dimensions (Raju, Gupta and Ziegler, 2000).

The Market Orientation – Business Performance Relationship

Research into the role of market orientation has been channelled into the two streams. The first stream examines the market orientation-business performance relationship whereas the second stream has sought to better identify characteristics that might distinguish market oriented firms from the norm (Pulendran, Speed and Widing II, 2003). The focus of the current study is to examine the relationship between market orientation and performance for Australian based exporters.

The proposition for this stream of literature is that market oriented firms achieve better performance outcomes than less market oriented firms. Recently, the link between market orientation and performance has been established in several national environments (United States (Kohli, Jaworski and Kumar, 1993), Israel (Shoham and Rose, 2001), Australia (Pulendran, Speed and Widing II, 2003)) and a variety of business contexts (manufacturing (Narver and Slater, 1990), textiles (Akyol and Akehurst, 2003), services (Raju, Lonial and Gupta, 1995)). Conversely, it has been stated that market oriented firms in their pursuit of information about their served markets may come to ignore emergent markets and underestimate threats from non-traditional competitors (Uncles, 2000). This is because a market orientation has the potential to severally limit a company’s focus (Hamel and Prahalad, 1991) and may not encourage sufficient willingness to take risks (Slater and Narver, 1995). Despite the ongoing debate, a market orientation has been found to be beneficial for organisations, and companies seeking to become and remain competitive should increase their levels of market orientation.

Export Market Orientation

Export market orientation is the application of a market oriented strategy in the export environment. As such, it is expected that firms exhibiting high levels of export market orientation will have greater access to information about their export customers needs and wants. This will enable a better understanding of export competitors’ offerings and strategies and the firm will be better placed to respond to competitive actions than their counterparts (Akyol and Akehurst, 2003). However, as noted previously, there is growing evidence that a market orientation is not always beneficial in the domestic context and may have negative performance outcomes in certain situations (Lukas and Ferrell, 2000; Gray et al., 1999; Appiah-Adu, 1997). This is also relevant when applied to exporting firms, as there is a high level of cost associated with export market oriented behaviours. At the extreme, the cost of employing market oriented behaviours in exporting may outweigh the possible benefits to be gained by the firm. In this case the resource investments required to develop and maintain a high level of export market oriented behaviours would undoubtedly be better employed elsewhere (Cadogan and Cui, 2004). Therefore it is necessary to gain a better understanding
of the relationship between export market orientation and export performance across different business contexts and national settings.

The proposed model demonstrated in Figure 1 is based upon work conducted by Cadogan and Diamantopoulos (1995), Diamantopoulos and Cadogan (1996), Cadogan, Diamantopoulos and de Mortanges (1999), and Cadogan et al. (2001; 2002) which examines the relationship between market orientation and performance in an export context. Following previous attempts to adapt the market orientation concept into international constructs (Dalgic, 1994), Cadogan and Diamantopoulos (1995) observed that the intelligence generation, dissemination and responsiveness components of Kohli and Jaworski’s (1990) model might be integrated into a single, more comprehensive construct. The new construct contains customer and competitor orientations and is guided by the co-ordinating mechanism proposed by Narver and Slater (1990). Cadogan and Diamantopoulos (1995) conceptualised export market oriented behaviour to consist of export intelligence generation, export intelligence dissemination and the export organisations responsiveness.

**Figure 1** Proposed Model of the Relationship between Export Market Orientation and Export Performance

Export intelligence generation encompasses all activities undertaken by the firm in order to create export market intelligence. Export intelligence dissemination is the process and extent of export market information exchange within a given firm (Kohli, Jaworski and Kumar, 1993). Export organisation responsiveness encompasses the design and implementation of all responses to the export intelligence that has been generated and disseminated within the firm (Cadogan, Diamantopoulos and de Mortanges, 1999). Firms that effectively generate export intelligence, disseminate that export intelligence and respond to the export intelligence in a timely manner should experience better performance (sales, profit and efficiency) outcomes. Therefore, the following hypothesis is proposed.

**H:** Export market oriented behaviour is positively related to export performance (sales, profit, efficiency) outcomes for Australian based exporters.

**Research Method**

The assumptions underlying this research follow the positivist paradigm and require that a quantitative methodology is employed in order to answer the research question. The questionnaire developed by Cadogan et al., (2002) was utilised in this study as it is the most recent and significant attempt to measure the relationship between export market oriented behaviours and export performance. The intention of using survey research is to describe and explain statistically the variability of certain features of the relationship between export market oriented behaviours and export performance. The target population for this study was export sales personnel working for Australian based exporters with internet access from the...
state of New South Wales. The questionnaire was administered using email and SPSS for Windows statistical package was utilised for data analysis. The data analysis process consisted of Factor Analysis and Two-Stage Least Squares regression. An Exploratory Factor Analysis was undertaken to ensure that variables loaded appropriately onto their expected factors. A Confirmatory Factor Analysis was then undertaken to determine the goodness of fit of each factor. Two-Stage Least Squares regression were performed to determine whether a direct and significant relationship exists between export market oriented behaviour (combined information generation, dissemination and response) and export performance. The over-identifying restrictions test, the specifications error test and the heteroscedasticity test were then conducted to determine the goodness of fit of the model.

Results

The final questionnaire was sent to 202 firms and elicited 115 usable responses which correspond to a response rate of 57 percent. The respondents were all suitably qualified to answer the questionnaire and there were a proportionate number of small, medium and large businesses across the sample. Independent t-tests conducted between early and late respondents indicated an absence of significant difference between the means at the 0.05 level of significance. Thus, the sample does not appear to be affected by non-response bias. There were a large number of non-responses (20) for annual average export sales and also the average annual growth/decline in export sales. As a result these questions were not included in any subsequent analysis and the relationship between export market orientation and export efficiency performance was not tested. The reasoning behind the number of non-responses for this question may be attributed to the confidential nature of the information requested.

Through the Exploratory Factor Analysis four factors were extracted, export intelligence generation, export intelligence dissemination, export organisations response and export performance. The export performance factor combines both sales and profit performance. The results from the Confirmatory Factor Analysis are contained in table 1 and indicate that the fit indices for the factors were significant at the 0.05 level of significance (except for export organisations response which could not be calculated due to limited degrees of freedom).

Table 1  Means, Standard Deviations, Correlations and Measurement Properties of the Constructs used in this Study

<table>
<thead>
<tr>
<th>Factors</th>
<th>Mean</th>
<th>Std Dev.</th>
<th>V1</th>
<th>V2</th>
<th>V3</th>
<th>V4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Export Intelligence Generation</td>
<td>3.99</td>
<td>1.367</td>
<td>(.8088)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Export Intelligence Dissemination</td>
<td>5.28</td>
<td>1.187</td>
<td>.298**</td>
<td>(.8383)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Export Organisations Response</td>
<td>4.83</td>
<td>1.347</td>
<td>.335**</td>
<td>.406**</td>
<td>(.8022)</td>
<td></td>
</tr>
<tr>
<td>Export Performance</td>
<td>4.83</td>
<td>1.396</td>
<td>.156</td>
<td>.299**</td>
<td>.259**</td>
<td>(.8518)</td>
</tr>
</tbody>
</table>

Measurement Model Statistics

| X2        | 6.490 | 11.342  | -     | 68.465 |
| Df        | 2     | 5       | -     | 9      |
| p-level   | 0.031 | .045    | -     | .000   |
| K-M-O     | .753  | .824    | .701  | .753   |
| Bartletts test of sphericity        | 144.46| 206.44  | 106.76| 308.44 |
| Df      | 6     | 10      | 3     | 15     |
| Signif.  | .000  | .000    | .000  | .000   |
| Variance Extracted                  | 64    | .61     | .72   | .59    |

Note: Cronbach alpha’s in Parentheses.
** Correlation is significant at the 0.01 level (2-tailed) and
* Correlation is significant at the 0.05 level (2-tailed).

The reliability of each measure was tested using Cronbach’s alpha and all factors exceed the lower limit of 0.6 recommended by Hair et al., (1998). Convergent validity was demonstrated as the proportion of variance explained by the underlying factors is greater than 0.05, which suggests the variance captured by the latent construct is greater than the variance due to measurement error. Discriminant validity was observed as the variance shared among two factors (square root of the inter-correlation) is less than the variance in the items that is explained by each of these factors. This analysis of data provides strong evidence of both convergent and discriminant validity and resultantly construct validity.

The results obtained from the Two-Stage Least Squares regression are demonstrated in Table 2 and indicates that a positive and significant relationship exists between export market oriented behaviours and export performance. The goodness of fit tests conducted were insignificant (see Table 3) which indicates correct model specification, valid instruments, no omitted variables, trusted functional form and no heteroscedasticity. Therefore the hypothesis that export market oriented behaviour is positively related to export performance (sales, profit, efficiency) outcomes for Australian based exporters is supported.

**Table 2 Results from Two-Stage Least Square Regression**

<table>
<thead>
<tr>
<th>Significant Relationship</th>
<th>R2</th>
<th>F-value</th>
<th>Beta</th>
<th>t-value</th>
<th>Sig t</th>
</tr>
</thead>
<tbody>
<tr>
<td>Export Market Orientation and Export Performance</td>
<td>.0671</td>
<td>6.831*</td>
<td>.3404</td>
<td>2.614*</td>
<td>.0104</td>
</tr>
</tbody>
</table>

*Significant at the 0.05 level

**Table 3 Goodness of Fit Test Results**

<table>
<thead>
<tr>
<th>Significant Relationship</th>
<th>Over-identifying Restrictions Test</th>
<th>RESET Test</th>
<th>HET Test</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>X² value</td>
<td>Test Stat</td>
<td>t-value</td>
</tr>
<tr>
<td>Export Market Orientation and Export Performance</td>
<td>X² 0.05, 8df = 15.507</td>
<td>6.21</td>
<td>-.325</td>
</tr>
</tbody>
</table>

*Significant at the 0.05 level

**Significant at the 0.01 level

**Conclusions and Implications**

The findings from this research contribute to the extant literature by providing an examination of the relationship between export market oriented behaviours and export performance for Australian based exporters. The key implication for theory from this research is that export market oriented behaviours have positive export performance outcomes for Australian based exporters. This finding is consistent with prior research conducted across different national settings and business contexts (eg. Akyol and Akehurst, 2003; Cadogan et al., 2002). The limitations of this research relate to the email survey method which may have limited the sample size and affected the samples representativeness. Further, this research was conducted under significant time constraints and the budget was limited to resources freely available to the researcher. Considering the limitations, further research could be conducted utilising a different survey technique to elicit a better response rate and enhance the representativeness of the sample. In addition, the national character of the sample limits the comparability of findings to other national settings. As a result the study could be extended to an international context.


Dalgic, T., 1994. International marketing and market orientation: An early conceptual attempt at integration. Advances in International Marketing. 6, 69


