Niche Marketing Strategy and Export Performance in SMEs

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The candidate confirms that the work submitted is his own and that appropriate credit has been given where reference has been made to the work of others.

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DEDICATION

I dedicate this thesis to my family for their love and support.

ACKNOWLEDGEMENT

ABSTRACT

Building on the stepping stone of the KBV and incorporating building blocks from dynamic capabilities and the competitive strategy perspective, this thesis extends previous research on export marketing by developing a theory-based model to examine the relationships of export market knowledge, international experience, and specialized marketing capabilities with niche marketing strategy, which in turn leads to export performance.

Using data from 201 UK exporting SMEs, this study shows that specialized marketing capabilities play an important role in enhancing export venture business strategy. The theoretical model and results show that export market knowledge and aspects of international experiential knowledge (i.e. psychic dispersion, duration, multinationality) influence specialized marketing capabilities differently. The direct influence of export psychic dispersion on specialized marketing capabilities is positive, while the results indicate that there is a negative effect of export duration on specialized marketing capabilities. Further, the results do not support the relationship between multinationality and specialized marketing capabilities. The study finds that a high level of export niche strategy would strengthen the association between export differentiation strategy and export performance. Export niche strategy has no moderating influence on export cost leadership strategy and export performance nexus. Finally, implications for managers and public policy makers of these findings are discussed and useful future research avenues are proposed.

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CHAPTER 1

INTRODUCTION

1.1. Introduction To Research Background

Small and medium-sized enterprises (SMEs) differ from large, multinational enterprises (MNEs). These differences generally associate with such defining SMEs characteristics as resource scarcity, fire-fighting mentality, reactive, and flexible structures (Qian and Li, 2003; Terziovski, 2010). SMEs have been important creators of wealth and jobs in home economies. Moreover, a number of studies reveal that exporting SMEs display higher productivity and sales growth than non-exporting ones (e.g., Cassiman and Golovko, 2011; Golovko and Valentini, 2011).

Prosperous exporting activity is of great importance to firms as it helps to enhance their chances of survival and safeguard their market positions (Leonidou, Katsikeas, and Samiee, 2002; Morgan, Katsikeas, and Vorhies, 2012). In line with the increasing competitiveness of the internationalized marketplace, understanding the main factors influencing a firm's export performance and behavior is of great concern for both managers and policy makers (Morgan, Kaleka, and Katsikeas, 2004). Over the last five decades, marketing scholars have focused considerable attention on understanding the export performance construct (e.g., Wheeler, Ibeh, and Dimitratos, 2008; Leonidou and Katsikeas, 2010) and its drivers (e.g., Ibeh, 2005; Hultman, Robson, and Katsikeas, 2009; Boso, Cadogan, and Story, 2013; Lisboa, Skarmeas, and Lages, 2013). Specifically, exporting constitutes the fastest, easiest, and a relatively low risk way for SMEs to internationalize (Spyropoulou, Skarmeas, and Katsikeas, 2010; Sui and Baum, 2014).

SMEs have been increasingly active in international markets over the last two decades, and thus have boosted national economic growth during the same period (Deprey, Lloyd-Reason, and Ibeh, 2012). Marketing scholars have embraced this trend and determined SMEs' export success antecedents. For instance, Ibeh (2005) finds that experienced top managers, physical resources, and organizational capabilities (e.g., CRM capability) influence international success of small firms. Morgan, Zou, Vorhies, and Katsikeas (2003) argue that export marketing implementation capabilities are related to SMEs' adaptive performance. Solberg and Durrieu (2008) find that generic strategies are important

determinants of export success. Moreover, Spyropoulou, Skarmeas, and Katsikeas (2011) argue that export experiential and financial resources and effective marketing communication capabilities play important roles in export venture performance. Similarly, Raymond and St-Pierre (2011) find that SMEs' capabilities (e.g., product development) are significant drivers of export performance. Beleska-Spasova, Glaister, and Stride (2012) argue that export knowledge and experience are positively associated with export performance. Furthermore, the study of Theodosiou and Katsikea (2013) supports the critical role of export information system in the success of exporting SMEs. Naldi and Davidsson (2014) argue that international knowledge acquisition is positively associated with small firms' growth.

Within this rich research stream, studies have highlighted that SMEs' export performance is a promising field of international marketing research and is highly dependent on firms' knowledge capacity, capabilities, and strategies. Irrespective that SMEs' export performance has received a great deal of research attention, the existing literature is limited in a number of respects, which are discussed subsequently.

1.2. Discussion of Gaps in the Literature

Firms wishing to succeed in competitive markets must develop strategies that enable them to take advantage of their resource portfolios and create advantages relative to their competitors (Sirmon, Hitt, Ireland, and Gilbert, 2011). Bryce and Dyer (2007) pointed out that smart companies use three strategies to be successful in today's hyper-competitive markets. First, they leverage their existing resources. Second, companies reconfigure their value chains. Third, they create niches. According to these authors, successful exporting companies should develop at least two out of the three strategies simultaneously to break into profitable markets. In addition, Collis and Rukstad (2008) argue that in order to develop the creative strategy (indeed, a sweet spot), a firm must align its capabilities with customer needs in a way that rivals cannot compete with.

Accordingly, exporting companies are increasingly required to develop and implement niche strategies in order to deal with harsh export market conditions. To this point, the marketing literature suggests that small firms usually tend to operate in narrow segments, since they endure a scarcity of tangible resources (e.g., Leonidou, Katsikeas, Palinhawadana, and Spyropoulou, 2007; Efrat and Shoham, 2012; Hooley, Piercy, and

Nicoulaud, 2012). With this in mind, marketing scholars have examined the antecedents and performance outcomes of export marketing strategy for almost forty years (e.g., Leonidou, Katsikeas, and Samiee, 2002; Lages, Jap, and Griffith, 2008; Morgan et al., 2012). Yet the literature shows generally limited insight into the implementation of niche strategy as an important driver of the internationalization strategy of SMEs.

Sirmon and Hitt (2009) argue that each business strategy requires different levels and types of resources for effective implementation resulting in competitive advantages and superior performance. The knowledge-based view (KBV) posits that superior performance is predicated on a firm's capacity to acquire pertinent knowledge (Nonaka, 1994; Hult, Ketchen, and Nichols, 2003). Indeed, the marketing literature suggests a firm that is able to obtain informational knowledge (i.e., know-what) and learn from its experiences (i.e., know-how) has a better chance of enhancing its performance (Slater and Narver 1995; Ramaswami, Srivastava, and Bhargava, 2009). Empirical exporting research from the standpoint of the KBV has concentrated primarily on either export informational knowledge (e.g., Souchon, Sy-Changco, and Dewsnap, 2012; Theodosiou and Katsikea, 2013) or international experiential knowledge (e.g., Cadogan, Kuivalainen, and Sundqvist, 2009; Hultman, Katsikeas, and Robson, 2011), but neglected how exporting firms employ both exporting know-what and know-how simultaneously.

The static characteristic of knowledge prompts it to evolve into a more dynamic perspective (e.g., dynamic capabilities) (Morgan et al., 2012). Accordingly, knowledge needs to be transformed into organizational capabilities to fully perform to its potential value (Grant, 1996; Morgan, Vorhies, and Mason, 2009). Recent research in marketing shows that marketing capabilities are pivotal drivers of firm performance (Krasnikov and Jayachandra, 2008). A review of the marketing literature reveals that specialized marketing capabilities have synergetic value-creating effects and are especially relevant to export venture performance (e.g., Morgan and Vorhies, 2005; Morgan et al., 2012). However, the literature on specialized marketing capabilities as an important driver of export business strategy is scant (Vorhies, Morgan, and Autry, 2009).

1.3. Research Objectives and Contributions

The thesis aims to synthesize strategic management, marketing, and exporting literatures to explore how exporting SMEs can develop and actually implement niche marketing strategies using their knowledge-based resources and marketing capabilities in order to deal with export markets.

The study aims to contribute to the body of existing knowledge by: (1) presenting factors that underlie an exporting SME's choice of niche marketing strategy; and (2) investigating the relationship between export niche marketing strategy and the exporting SME's performance. (3) The study also aims to provide guidelines for researchers, export managers and policy makers concerning how to develop and implement successful niche strategy to increase total export revenue and profit.

This thesis addresses three important gaps in existing literature and provides three contributions to the international marketing and marketing strategy literature.

First, this thesis enhances current knowledge by examining multiple components of a firm's knowledge base. Drawing on the KBV, it can be argued that different dimensions of a firm's knowledge-based resources create specific variance in organizational processes (Grant, 1996). Moreover, since exporting is a complex and multitasking activity (Chung, 2012), understanding how exporting firms utilize both exporting know-what and know-how simultaneously to succeed in export markets is of great importance. To this end, this study investigates the extent to which a firm's export informational knowledge (i.e., export business knowledge and export institutional knowledge) and international experience (i.e., psychic dispersion, duration, and multinationality) drive specialized marketing capabilities.

Second, a review of the exporting literature suggests the field has shown a tendency to be theoretical. Indeed, Leonidou, Katsikeas, and Coudounaris (2010) call for the injection of new theoretical notions into exporting research from other disciplines such as knowledge management and organizational learning. This thesis responds to this call by integrating insights from knowledge management, international business, and marketing literatures. The study draws insights from the KBV, dynamic capabilities, and the competitive strategy perspectives to conceptualize a theory-based model in order to investigate the relationships

of export market knowledge, international experience, and specialized marketing capabilities with niche marketing strategy, which in turn leads to export performance.

Third, this thesis presents a novel attempt to house niche marketing strategy within a study of export performance antecedents. Moreover, unlike prior studies (e.g., Morgan et al., 2004; Vorhies et al., 2009) the study posits that examining moderating effects of niche strategy bridges the gap in the exporting and strategic management literature concerning the boundary conditions of the cost leadership strategy–performance and differentiation strategy–performance relationships.

1.4. State of UK Exports and SMEs

Conducting the present study among UK SME exporters is justifiable on the basis of the essential statistics concerning the scale of such business activity. Worldwide export sales volume reached US$18.81 trillion in 2013 and is estimated to continue growing by 4.7% in 2014. In the particular case of the United Kingdom (UK), total export values reached US$541.6 billion in 2013 alone (WTO International Trade and Market Access Data, 2013). The UK remains one of the largest trading partners for major economies in the world, including the United States, China, India and the European Union (EU). Figure 1.1 displays UK's top 20 export markets.

The 2012 Business Population Estimates calculated that there were 4,794,105 businesses in the UK private sector. Of all SME employers, 83% had between 1 and 9 employees and were classified as micros. 14% had between 10 and 49 employees and were classified as small businesses, and 2% had between 50 and 249 employees and were classified as medium-sized businesses. The mean turnover of an SME employer is £1,033,000. Turnover varies greatly according to employment size. The mean turnover for a 'micro' was £408,000, £2,712,000 for a small business and £11,451,000 for a medium-sized business. The most populous SME sectors is retail / wholesale (19%), professional / scientific (13%), construction (12%) and food / accommodation (10%) (BIS Economics Report, 2012).

Figure 1.1: UK's Top 20 Export Markets

Where UK's exports go

UK exports to top 20 trading partners

— Exports, year to date 2011

▼▲ % change on same period 2010/11

Russia £3.8bn — 43.1
Sweden £5.1bn — 13.3
Japan £3.6bn — 6.5
China £7bn — 20.8
Canada £4.1bn — 19.8
Hong Kong £3.5bn — 18.9
Singapore £2.8bn — 4.3
US £31.7bn — 2.7
Australia £3.3bn — 29.5
Ireland £14bn — 5.7
UK exports
Spain £7.9bn — -1.5
Poland £3.6bn — 21.9
UAE £3.8bn — 23.9
India £4.6bn — 44.9
France £18.9bn — 14.3
Switzerland £4.4bn — 8.3
Italy £8.2bn — 15.2
Belgium £12.9bn — 19.5
Netherlands £18.8bn — 9.5
Germany £27.5bn — 17.2

What we sell

Top 10 products

■ Exports, year to date 2009/10 ▼▲ % change on same period 2010/11

Product	Value	% change
Nuclear reactors and parts thereof	£34.8bn	13
Mineral fuels and products of their distillation	£33.4bn	22
Cars	£23.5bn	20
Electrical machinery	£17.2bn	3
Pharmaceutical products	£16.9bn	-6
Gemstones, precious metals	£12.3bn	40
Optical, photographic, medical and surgical instruments	£9.1bn	9
Organic chemicals	£9.0bn	15
Aircraft and spacecraft	£8.0bn	13
Plastics and plastic products	£6.7bn	13

SOURCE: HM REVENUE AND CUSTOMS

1.5. Thesis Outline

In order to achieve the research objectives presented above, the thesis is divided into six chapters, each representing a different stage in the research process.

- Chapter 1 - Research problem and the context of the study are provided.
- Chapter 2 - The pertinent literature relating to the research purpose is reviewed.
- Chapter 3 - Develops the conceptual model and form relevant hypotheses.
- Chapter 4 - Focuses on the research design and the methodology employed to test the hypotheses.
- Chapter 5 - Provides the analysis of the data and presents the results of the study by recounting the descriptive findings and testing the hypotheses.
- Chapter 6 - the results are discussed critically relative to the relevant background, conclusions are drawn from the research findings, and implications for managers and policy makers are identified, including study limitation and future research avenues.

The order of presentation in the thesis is depicted in Table 1.1.

Table 1.1: The Thesis Layout

Chapters	Research Activities
Chapter 1	Introduction
Chapter 2	Literature Review
Chapter 3	Hypotheses
Chapter 4	Research Methodology
Chapter 5	Analysis and Results
Chapter 6	Discussion and Conclusion

1.6. Chapter Summary

In this chapter, the research problem and the context of the study have been explained. As the purpose of the study has now been clarified and contextualized, the next chapter provides an overview of theories and review of previous studies relevant to the stated research purpose.

CHAPTER 2

LITERATURE REVIEW

The first chapter of this thesis ended with the statement of a research purpose relating to the connection between niche marketing strategy and export performance. This chapter has two main objectives. The first objective is to present some of the core concepts underlying exporting and export performance in general. The second objective is to review the literature that is more related to the purpose of the study, i.e., constructs, concepts, and theories that underpin the study's research model. As such, the chapter covers issues pertaining to knowledge base of exporting SMEs, specialized marketing capabilities, niche marketing strategy, and export performance.

2.1. Internationalization of SMEs

In order to establish a conceptual clarity in the thesis, this section aims to explain the underlying rationale for internationalization of SMEs by reviewing the leading internationalization theories and investigating exporting as a foreign market entry mode of SMEs.

2.1.1. Internationalization Theories

A review of the literature shows that internationalization of SMEs has been investigated through five main theoretical approaches (Leonidou and Katsikeas, 1996; Coviello and McAuley, 1999; Gankema et al., 2000; Westhead et al., 2001; Lu and Beamish, 2001; Zou et al., 2003; Ruzzier et al., 2006; Javalgi et al., 2011; Kamakura et al., 2012; Sandberg, 2013): (1) the economic approach, (2) the behavioral approach, (3) the network approach, (4) the resource-based approach, and (5) the international entrepreneurship approach. In the following sub-sections all five perspectives will be presented and reviewed in terms of appropriateness for the current study. Table 2.1 presents a summary of the empirical studies on SMEs in international markets.

Table 2.1: Empirical Studies on SMEs in International Markets

Study (Year)	Theory	Sample	Analytical approach	Major findings
Autio et al. (2000)	IE and KBV	77 Finnish exporters	Regression	▪ Export duration is negatively related to international sales growth. ▪ Knowledge intensity is positively related to international sales growth.
Gankema et al. (2000)	I-model	144 European exporting manufacturers	DEL analysis	▪ Cavusgil's stage model holds for SMEs.
Knight (2000)	IE and IO	216 Exporting manufacturers	Regression	▪ SMEs perform better by applying innovative marketing, emphasizing quality, acquiring new technology, and differentiating their offerings through product specialization.
Ibeh and Young (2001)	IE	78 Nigerian manufacturers	Regression	▪ High export-entrepreneurial firms are innovative, have proactive motivation for exporting, and are able to adopt to the export markets. ▪ Top management support, planning orientation, ability to develop new markets and export information system are presented as antecedents of entrepreneurial orientation.
Qian (2002)	IO	71 Manufacturing SMEs	Regression	▪ Multinationality and product diversification have curvilinear relationships with profitability.
Lu and Beamish (2001)	IE and U-model	164 Japanese exporting firms	Regression	▪ Exporting has a negative and linear relationship with performance. ▪ There is a saucer-shaped curve relationship between FDI and SMEs performance ▪ Level of alliance with local partners is positively related to SME's performance.
Dhanaraj and Beamish (2003)	RBV	157 USA and Canadian SMEs	SEM	▪ Firm size and enterprise of firm are positively related to technological intensity and degree of internationalization. ▪ Technological intensity is positively related to degree of internationalization. ▪ Performance is positively and significantly associated with internationalization of a firm.
Ghauri et al. (2003)	Network	5 developing countries	Case study	▪ Networks help SMEs to overcome export marketing problems in developing countries.

Table 2.1(continued)

Study (Year)	Theory	Sample	Analytical approach	Major findings
Morgan et al. (2003)	KBV	243 UK and 198 Chinese exporters	SEM	▪ The individual and export venture experiential knowledge of export venture personnel are positively related to the venture's marketing planning and marketing implementation capabilities. ▪ Export venture market information knowledge is positively related to the venture's marketing planning capabilities and the venture's marketing implementation capabilities. ▪ Export venture marketing implementation capabilities are positively related to the venture's adaptive performance.
Williams (2003)	U-model	193 UK SMEs	SEM	▪ Export information acquisition is positively related to export performance.
Leonidou (2004)	Review paper	32 Empirical studies	Review paper	▪ Export barriers are classified into internal and external categories.
Knight and Cavusgil (2004)	IE	203 USA manufacturers	SEM	▪ Products development is a function of international market and entrepreneurial orientations in born-global firm ▪ Quality focus is a function of international market and entrepreneurial orientations in born-global firm ▪ Leveraging foreign distributor competence is a function of international market and entrepreneurial orientations in born-global firm
Li et al. (2004)	Hybrid model	68 USA exporters	SEM	▪ A hybrid model of internationalization process for SMEs was developed based on Yip *et al.* (2000) data.
Brouthers and Nakos (2005)	U-model and IE	112 Creek exporters	Regression	▪ International experience is negatively related to export performance. ▪ Scope of export is negatively related to export performance.
George et al. (2005)	Eclectic paradigm	889 Swedish SMEs	Regression	▪ Scale of SME internationalization increases with institutional and venture capitalist ownership but at a faster rate for those with a higher level of CEO ownership.
Haahti et al. (2005)	KBV	166 Finnish and Norwegian exporting manufacturers	SEM	▪ Knowledge intensity mediates the relationship between cooperate strategy and export performance.

Table 2.1 (continued)

Study (Year)	Theory	Sample	Analytical approach	Major findings
Ibeh (2005)	IE and RBV	7 UK small firms	Qualitative	▪ Niche differentiation strategy is adopted by successful small firms ▪ Small firms gain superior performance using experienced top managers, physical resources, organizational resources (product/service capability and CRM capabilities), and relational resources.
Prater and Ghosh (2005)	U-model and Network	104 USA exporting SMEs	Exploratory analysis	▪ Access to the new markets is the main export driver of US exporting SMEs. ▪ Cultural and language differences are the main entry barriers for US exporting SMEs. ▪ Using local distributors are the main entry strategies.
Rasheed (2005)	Transaction costs and IO	123 USA manufacturers	Regression	▪ Domestic munificence moderates the relationship between foreign market entry modes and international revenue growth. ▪ Domestic volatility moderates the relationship between foreign market entry modes and international revenue growth. ▪ Foreign market risk moderates the relationship between foreign market entry modes and international revenue growth.
Chetty et al. (2006)	U-model	101 Swedish and Danish SMEs	SEM	▪ There is a positive relationship between ongoing business experience and perceived importance of institutional knowledge in the ongoing business. ▪ There is a positive relationship between the host country experience and perceived importance of institutional knowledge in the ongoing business. ▪ There is a positive relationship between international experience and perceived importance of institutional knowledge in the ongoing business.
Lu and Beamish (2006)	IE and RBV	1117 International joint ventures established in 43 countries by 614 Japanese SMEs	Regression	▪ SMEs knowledge moderates the relationship between the use of local partner(s) and the longevity of SMEs' IJVs. ▪ The equity ownership of home country partner(s) moderates the relationship between the size of home country partner(s) and profitability of SMEs' IJVs.

Table 2.1 (continued)

Study (Year)	Theory	Sample	Analytical approach	Major findings
Wolff and Pett (2006)	U-model, RBV, and I-model	192 US SMEs	SEM	▪ SME product improvement orientation has greater influence on profit and growth than process improvement orientation. ▪ Internationalization is positively related to new product and process improvement. ▪ Internationalization and product improvement have positive effects on SMEs growth.
Leonidou et al. (2007)	Review paper	Review paper	Review paper	▪ Forty export stimuli are systematically identified from the extant empirical literature.
Ojala and Tyrväinen (2007)	U-model and IE	165 Finnish software manufacturers	Regression	▪ Cultural distance and Geographic distance are negatively related to country selection of SMEs.
Pinho (2007)	U-model, RBV, and transaction costs theory	87 Portuguese exporters	Regression	▪ International experience is positively associated with SMEs mode of entry. ▪ Ability to innovate is a significant predictor of equity mode of entry. ▪ Market specific knowledge is positively related to the SME propensity for selecting an equity mode of entry.
Zhao and Hsu (2007)	Social capital theory and RBV	173 Taiwanese exporters	Regression	▪ Social ties are significantly associated with foreign market entry decisions in terms of both the timing of entry and resource commitments.
Martin-Armario et al. (2008)	Stage-based models, RBV, and IE	112 Spanish SMEs	SEM	▪ Market orientation is positively related to foreign market performance. ▪ Market orientation is positively related to foreign market knowledge acquisition. ▪ Foreign market knowledge acquisition is positively related to foreign market commitment. ▪ Foreign market knowledge acquisition is positively related to foreign market performance. ▪ Foreign market commitment is positively related to foreign market performance

Table 2.1 (continued)

Study (Year)	Theory	Sample	Analytical approach	Major findings
Moen et al. (2008)	RBV and Network	635 Danish and Norwegian SMEs	SEM	▪ Using ICT is positively related to the new market knowledge. ▪ There is no significant relationship between the use of ICT and SME's international performance.
Pangarkar (2008)	RBV	94 SMEs in Singapore	Regression	▪ Degree of internationalization has a positive effect on SMEs performance.
Solberg and Durrieu (2008)	IO	213 UK SMEs	SEM	▪ Porter's generic strategies have direct and indirect effects through international marketing strategies on performance.
Brouthers et al. (2009)	U-model and OL	119 Greek and 83 Caribbean exporters	Regression	▪ Scope of export is negatively related to export performance. ▪ Export intensity is positively associated with export performance.
O'Cass and Weerawardena (2009)	I-model and IE	302 Australian firms	PLS	▪ International entrepreneurship is positively related to organizational innovation intensity. ▪ Firm size has positive effects on organizational innovation intensity and SMEs' propensity to engage in exporting. ▪ International entrepreneurship is positively related to SMEs' propensity to engage in exporting. ▪ International entrepreneurship is positively associated with performance.
Arteaga-Ortiz and Fernández-Ortiz (2010)	RBV	478 Spanish exporters	SEM	▪ Four dimensions of export barriers (Knowledge, Resources, Procedure, and Exogenous) are defined.
Beleska-Spasova and Glaister (2010)	U-model and RBV	356 UK exporters	Regression	▪ There is an insignificant relationship between the firm's size and Geographic diversification. ▪ UK SMEs are multi-regional and global. ▪ Geographic diversification is positively related to export performance. ▪ International experience has a positive relationship with the firm's international spread.

Table 2.1 (continued)

Study (Year)	Theory	Sample	Analytical approach	Major findings
Camison and Villar-Lopez (2010)	RBV	394 Spanish firms	SEM	▪ Intangible assets mediate the relationship between international experience and differentiation strategy. ▪ Differentiation strategy mediates the relationship between intangible assets and economic performance.
Hughes et al. (2010)	RBV and IO	260 Mexican INVs	SEM	▪ Hybrid strategy is negatively related to marketing differentiation advantage. ▪ Innovation ambidexterity codetermines both cost leadership and differentiation advantages.
Navarro et al. (2010)	RBV	150 Spanish SMEs	SEM	▪ Experiential resources, specific export capabilities, and export market orientation have positive effects on export commitment. ▪ Experience and informational knowledge foster the development of export capabilities. ▪ Export market orientation has a positive impact on marketing adaptation.
Spyropoulou et al. (2010)	RBV	311 Greek manufacturers	SEM	▪ Relationship management capability and financial resources are positively related to corporate image advantage. ▪ Corporate image advantage is positively related to export venture performance
Stoian and Criado (2010)	KBV and IE	4 Spanish exporting SMEs	Case study	▪ Managerial characteristics and perceptions positively influence the export involvement and development of SMEs.
Zhou et al. (2010)	IE and OL	436 Chinese INVs	SEM	▪ The positive relationship between entrepreneurial proclivity and international performance of newness is mediated by knowledge and network capabilities.
Cassiman and Golovko (2011)	I-model	a panel of Spanish manufacturing SMEs	Regression	▪ Product innovation moderates the positive relationship between exports and productivity.
Golovko and Valentini (2011)	I-model	a panel of Spanish manufacturing SMEs	Regression	▪ Exports and innovation are complementary activities for SMEs' sales growth.

Table 2.1 (continued)

Study (Year)	Theory	Sample	Analytical approach	Major findings
Higón and Driffield (2011)	I-model	3731 UK SMEs	Regression	▪ There is a causal relationship between product innovation and exports (product innovation causes exporting). ▪ Process innovation does not enhance the probability of SMEs to export.
Ibeh and Kasem (2011)	IE and Network	6 Software B2B SMEs from Syria	Case study	▪ Decision maker's international experience facilitates the firm's internationalization process. ▪ Relational factors have effects on the international market selection and internationalization speed.
Javalgi and Todd (2011)	IE and RBV	150 Indian SMEs	Regression	▪ Human capital is positively associated with the degree of internationalization. ▪ Positive association between the management commitment and the degree of internationalization. ▪ Entrepreneurial orientation is positively related to the degree of internationalization. ▪ The relationship between entrepreneurial orientation and the degree of internationalization is moderated by market turbulence.
Raymond and St-Pierre (2011)	RBV	79 French and 213 Canadian exporters	Regression	▪ Exporting SMEs gain superior performance using product development and market development capabilities.
Spyropoulou et al. (2011)	RBV	311 Greek manufacturers	SEM	▪ Experiential and financial resources and communication capabilities are positively related to the export venture branding advantage, which in turn is positively associated with export venture performance.
Beleska-Spasova et al. (2012)	RBV	356 UK exporters	SEM	▪ Export knowledge and Export experience are positively associated with export performance. ▪ Export strategy mediates the relationship between firm's resources and export performance.
Bojica and Fuentes (2012)	KBV	203 Spanish SMEs	Regression	▪ Corporate entrepreneurship and knowledge acquisition are positively related to performance. ▪ Knowledge acquisition moderates the relationship between corporate entrepreneurship and performance.

Table 2.1 (continued)

Study (Year)	Theory	Sample	Analytical approach	Major findings
Boso et al. (2012)	IE and RBV	212 UK exporters	SEM	▪ Export market-orientated behaviour moderates the relationship between export entrepreneurial-oriented behaviour and export new product performance. ▪ Competitive intensity moderates the moderation effect of Export market-orientated behaviour on the relationship between export entrepreneurial-oriented behaviour and export new product performance. ▪ Financial capital moderates the moderation effect of Export market-orientated behaviour on the relationship between export entrepreneurial-oriented behaviour and export new product performance.
Efrat and Shoham (2012)	Organizational capabilities (OC)	107 Israeli SMEs	Regression	▪ Short-term performance is affected mostly by external (environmental) factors, while internal factors play a crucial role in long-term performance of small firms.
Kamakura et al. (2012)	RBV, Network, and U-model	1100 Spanish SMEs	Hidden Markov Model (HMM)	▪ Four latent internationalization stages are defined: domestic, early stages, advanced stages, and global.
Souchon et al. (2012)	OL and U-model	345 Philippines exporters	SEM	▪ There is a quadratic (U-shaped) relationship between export information and export growth. ▪ Export memory moderates the relationship between export information and export growth.
Boso et al. (2013)	IE and RBV	164 Ghanaian exporters	SEM	▪ Export market-orientated behaviour moderates the relationship between export entrepreneurial-oriented behaviour and export product innovation success. ▪ Export market-orientated behaviour is positively associated with export product innovation success. ▪ Export entrepreneurial-oriented behaviour is positively associated with export product innovation success. ▪ Market dynamism moderates the relationship between export entrepreneurial-oriented behaviour and export product innovation success. ▪ Market dynamism moderates the relationship between Export market-orientated behaviour and export product innovation success.

Table 2.1 (continued)

Study (Year)	Theory	Sample	Analytical approach	Major findings
Lopez-Navarro et al. (2013)	RBV	70 Spanish JVs	PLS	▪ Long-term orientation is positively associated with partners' commitment. ▪ Trust among partners has a positive impact on long-term orientation. ▪ Complementarity of resources is positively related to trust among partners in export JVs.
Sandberg (2013)	Network	197 Swedish SMEs	ANOVA	▪ Four entry strategies are presented for SMEs: triad from home market, triad from host market, dyad from home market, and dyad at host market
Theodosiou and Katsikea (2013)	U-model	160 UK SMEs	SEM	▪ The findings support the critical role of export information system in the success of exporting SMEs.
Dai et al. (2014)	IE	500 US SMEs	Regression	▪ The relationship between innovativeness and firm international scope is U-shaped. ▪ The relationship between proactiveness and firm international scope is U-shaped. ▪ The relationship between risk-taking and firm international scope is inverse U-shaped.
Hilmersson (2014)	U-model	180 Swedish SMEs	Regression	▪ There is no significant relationship between scale of internationalization and performance. ▪ Scope of internationalization has a positive effect on performance. ▪ Speed of internationalization has a positive effect on performance.
Ibeh and Kasem (2014)	OL and KBV	96 Syrian Firm	SEM	▪ International scope, external social capital, and perceived gap in marketing knowledge are positively related to marketing learning.
Naldi and Davidsson (2014)	IE and KBV	138 Swedish SMEs	Regression	▪ Firm age negatively moderates the relationship between international knowledge acquisition and entrepreneurial growth. ▪ International knowledge acquisition is positively associated with entrepreneurial growth.
Sui and Baum (2014)	RBV	1959 Canadian SMEs	Regression	▪ Internationalization strategy moderates the relationship between slack and innovation resources and SMEs' survival abroad.

2.1.1.1.The Economic Approach

The classical theories of international trade such as absolute advantage, comparative advantage, and factor proportions, form the foundation of this approach (Cavusgil et al., 2012; Sandberg, 2013). The starting-point of internationalization research in the late 1950s and 1960s concentrated on large multinational firms and their international operations; this is often called the economic approach. The leading theories on the internationalization of multinational enterprises (MNEs) include: the internalization theory, the transaction cost theory, the eclectic paradigm, and the monopolistic advantage theory. The aforementioned theories are the main approaches in MNE research and will be discussed in brief since the core of this thesis concerns SMEs. According to these theories, the internationalization process is mainly based on the assumption of bounded rationality. Both transaction cost theory and eclectic paradigm are used to define foreign entry mode decisions based on the location, ownership, and internalization advantage of a firm (Anderson and Gatignon, 1986; Agarwal and Ramaswami, 1992).

The transaction cost economics (TCE) view has been broadly utilized to examine firms' overseas investment operations, including their entry modes (Javalgi et al., 2011). In the subject of international entry mode decisions, TCE studies identify three main transaction costs: control, asset specificity, and investment (Brouthers et al., 2008; Zhao et al., 2004).

For more than three decades, the eclectic model (OLI) has remained the dominant paradigm for accommodating a variety of economic theories of the determinants of foreign activities of MNEs and foreign direct investment (Dunning, 2000). It was developed to explain foreign direct investment operations by ownership specific advantages (O), location-specific advantages (L), and internalization advantages (I). Ownership advantages are characterized as firm's particular resources or capabilities; location specific advantages apply to the institutional factors available in a specific market/country. The internalization advantages refer to the firm's capacity to organize and manage overseas activities (Dunning, 1995; Javalgi et al., 2011).

Monopolistic advantage theory argues that MNEs exist because a firm has unique sources of superiority (e.g., business knowledge and differentiated products) and can exploit these

advantages overseas at virtually no additional cost (McDougall et al., 1994). Scholars who study internationalization using foreign direct investment (FDI) theory describe this approach as the firm's choice of desired structure and location for each stage of production to minimize the cost of economic transactions. Transactions perceived to demand high resource commitments and have high risks are normally internalized within the organizational structure (Buckley and Casson, 1993; Coviello and McAuley, 1999; Kamakura et al., 2012).

Since most of the theories in the economic approach are relatively resource demanding, they tend to be less employed by SMEs that are resource constrained (Sandberg, 2013).

2.1.1.2.The Behavioral Approach

The behavioral approach, also known as the stage models, builds on the behavioral theory of the firm (Cyert and March, 1963). The most popular model of internationalization is the Uppsala internationalization model, also known as the U-model (Johanson and Vahlne, 1990, 2013). The U-model proposes the internationalization process of the firm as a "gradual acquisition, integration, and use of knowledge about foreign markets and operations, and on its successively increasing commitment to foreign markets" (Johanson and Vahlne, 1977, p. 23). Owing to the limited knowledge of foreign markets and limited organizational resources, firms initially become involved in overseas activities via indirect methods (e.g. trading companies) to markets that are psychically close. As the firm becomes more engaged in international trade, it acquires more market knowledge and extends its commitments to foreign markets (Coviello and McAuley, 1999). Usually, as international sales grows, firms replace the trading companies / agents with their own sales department, and as sales growth continues the firms start manufacturing in the host countries to overcome the trade barriers. Johanson and Vahlne (2009) label this pattern of internationalization as the *establish chain*. According to Kamakura et al. (2012), this dynamic model has three specifications: (1) the outcome from one stage creates the inputs for the next stage, (2) internationalization of the firm is the result of experiential knowledge acquisition, in particular market-specific knowledge, (3) market knowledge and commitments influence the allocation of current resources and the way decisions are executed.

The second school of thought is the innovation-related models, also known as the I-models, because internationalization is viewed as an act of innovation (Andersen, 1993; Gankema et al., 2000). Bilkey and Tesar (1977), Cavusgil (1980), and Reid (1981) propose stages (i.e., domestic marketing, pre-export, experimental involvement, active involvement, and committed involvement) through which a firm could progress towards overseas markets, varying by the degree of engagement and the amount of control the company exercises over international operations. According to Andersen (1993), the I-models are all much the same and the differences only tend to be in the number of stages (from three to five stages) and terminology used. For instance, while Bilkey and Tesar (1977) and Reid (1981) restrict their models to managing export activities, Cavusgil (1980) presents other entry modes as well.

The Uppsala internationalization model and the innovation-related models are dynamic in nature. They have been influential on a considerable amount of research concentrating on the internationalization of firms. As a result, numerous studies have been conducted to examine and improve the ideas (e.g., Leonidou and Katsikeas, 1996; Morgan and Katsikeas, 1997; Clark et al., 1997; Eriksson et al., 2000; Peng, 2001; Chetty et al., 2006; Nadolska and Barkema, 2007). In spite of the fact that empirical research has presented some support for the process models (e.g., Gankema et al., 2000; Chetty et al., 2006) some criticisms have emerged. Andersen (1993) noted that the Uppsala model is deterministic and does not consider particular phases. Forsgren (2002) in his critical review of the Uppsala model argues that non-experiential learning (i.e., acquisition, imitation, and search) also speeds up the internationalization process. Meyer and Gelbuda (2006) discuss that the stage models are not suitable for the emerging markets. Oviatt and McDougall (1994, 2005) provide the main criticism; they argue that the stage-based models do not hold for new firms that are international from inception.

Although some studies have cited mixed situations in which the stage model may not apply, it has been used by export policy makers and firm managers as a guide to internationalization (Leonidou and Katsikeas, 1996; Johanson and Vahlne, 2009).

2.1.1.3.The Network Approach

The network approach builds on social exchange and resource dependency theories (Kamakura et al., 2012). It considers markets as an interrelated web of relationships between competitors, suppliers, customers, public and private sectors. This approach goes beyond the stage-based models by proposing that the firm's strategy is affected by a range of network relationships (Coviello and Munro, 1997; Pinho, 2007). According to Johanson and Mattson (1993), the emphasis of the network model is on gradual learning and the development of market knowledge through interaction within networks. They define four stages of internationalization considering both indirect (firm-to-network) and direct (firm-to-firm) relationships. The network approach acknowledges that firms are not isolated entities, but rather actors in international markets (Ibeh and Kasem, 2011). A number of scholars have indicated the role of business networks in the internationalization of firms. Coviello and Munro (1997) found that network relationships have an influence on foreign market entry mode and international market selection. Other studies have examined networks in the export barrier context (Ghauri et al., 2003), SMEs internationalization (Prater and Ghosh, 2005; Kamakura et al., 2012), internationalization of firms from developing countries (Ibeh and Kasem, 2011), and SME entry strategies (Sandberg, 2013). The network approach has been criticized for being too holistic and ignoring the internationalization pattern of firms (Chetty and Blankenburg Holm, 2000). In order to overcome this weak point, the network approach is increasingly being synthesized with stage-based theory to understand and define the rapid internationalization of the firm (Johanson and Vahlne, 2003).

2.1.1.4.The Resource Based Approach

The resource based view (RBV) is one of the prominent and most accepted theories for understanding, explaining and predicting superior performance of firms (Wernerfelt, 1995 Newbert, 2007; Leiblein, 2011; Barney, 2011).

The RBV highlights the firm's resources and capabilities as important determinants of competitive advantage and performance. Resources are the firm's assets (tangible and intangible) that are used as inputs to organizational processes. Capabilities, in contrast,

refer to a firm's complex bundle of skills that enable the firm to make the best use of its resources (Amit and Shoemaker, 1993; Makadok, 2001).

Barney (1991) adopts two assumptions when analyzing sources of competitive advantage. First, firms within an industry may be heterogeneous with respect to the bundle of resources that they control. Second, since the resources are not perfectly mobile, heterogeneity may persist over time. According to Barney (1991), firms that possess valuable and rare resources would gain a competitive advantage in the short term, and in order to sustain long term competitive advantage firms must possess inimitable and non-substitutable resources. Therefore, the main tenet of RBV is that a firm can gain sustainable competitive advantage, and ultimately superior performance, if it obtains and controls valuable, rare, inimitable, and non-substitutable resources (VRIN), as well as the organization to employ them (Barney, 1991, 2011). Strategic management literature shows that the above argument is also shared by other views: the knowledge-based view (Grant, 1996), dynamic capabilities (Teece et al., 1997), and resource advantage theory (Hunt and Morgan, 1995, 1996). Table 2.2 depicts a summary of selected key papers in the development of RBV within the last 12 years. Though this is not a fully inclusive list of main papers, those listed are indicative of theoretical developments in the area.

Despite the fact that the RBV theory was initially developed in domestic markets, the export market subject proposes a fertile field for applying the RBV since it fulfils the theory's two core assumptions of immobility and heterogeneity of resources and capabilities (Morgan et al., 2006). Particularly, exporting firms are normally more heterogeneous than non-exporting firms as they operate in diverse environments and cultures. Besides, exporting firms' special capabilities are rooted in their intangible resources (e.g., experiential knowledge) which are hard and/or costly for other exporters to imitate (Spyropoulou, Skarmeas, and Katsikeas, 2010).

According to Barney et al. (2011), the RBV was prominent enough to attract critics by 2001 and most of the contributions to the 1991 issue were revised after 2001. In brief, the main critiques can be summarized in three categories: (1) Current empirical research reveals that VRIN model is neither adequate nor necessary to define sustainable competitive advantage (Newbert, 2007; Armstrong and Shimizu, 2007). (2) Lockett et al. (2009) in their critical appraisal of RBV argue that the value of a resource is too

undetermined to provide for practical theory. (3) The RBV is unable to define fundamental differences in how distinct categories of resources may contribute in a different way to a firm's sustainable competitive advantage (Priem and Bulter, 2001).

Table 2.2: Selected Key Articles of RBV

Study (Year)	Key Contribution
Barney (2001)	Argues the contribution of resource based view to organization theories.
Wright et al. (2001)	Debate the contribution of resource-based view to human resource management.
Makadok (2001)	Investigates the effect of resource based theory and dynamic capability on profit.
Priem and Bulter (2001)	Argue the contribution of resource based view to strategic management research.
Srivastava t al. (2001)	Instigate a framework of analysis for linking resource-based view and marketing.
Ireland et al. (2003)	Establish the effect of resource based perspective on strategic entrepreneurship in order to create a sustainable competitive advantage.
Winter (2003)	Clarifies dynamic capabilities.
Teece (2007)	Explains the nature and micro-foundation of capabilities necessary to sustain superior performance.
Sirmon et al. (2007)	Integrate resource based view, contingency theory, and organizational learning theory to form theoretical model of the resource management process.
Newbert (2007)	Evaluate and analyses empirical literature of the resource-based view.
Armestrong and Shimizi, (2007)	Review and Criticizes the research methods used in resource based studies.
Collis and Montgomery (2008)	Explain the strategically valuable resources.
Crook et al. (2008)	Evaluate and analyses empirical literature of the resource-based view.
Lockett et al. (2009)	A critical appraisal of RBV.
Sirmon and Hitt (2009)	Investigate the contingent nature of resource investment and deployment.
Kraaijenbrink et al. (2010)	Review the quality of critiques over resource-based theory.
Barney et al. (2011)	Introduce the future of resource-based theory
Wernerfelt (2014)	The role of the RBV in marketing

Despite the criticisms, a review of literature in export marketing reveals that a growing stream of studies employs RBV to investigate the effect of competitive advantage in export market operations (e.g., Morgan et al., 2006; Spyropoulou et al., 2011; Murray et al., 2011). Concurrent with the emerging importance of exporting, the past two decades have

witnessed an outbreak of interest in RBV among scholars studying SMEs performance (e.g., Autio et al., 2000; Dhanaraj and Beamish, 2003; Morgan et al., 2003; Haahti et al., 2005; Ibeh, 2005; Navarro et al., 2010; Raymond and St-Pierre, 2011; Beleska-Spasova et al., 2012; Lisboa et al., 2013).

2.1.1.5.The International Entrepreneurship Approach

Oviatt and McDougall (2005, p.540) define international entrepreneurship as "the discovery, enactment, evaluation, and exploitation of opportunities – across national borders – to create future goods and services". Their research of "international new venture" challenges the widely accepted stage-based model and illustrates how numerous new and young firms enter international markets early and dramatically. These firms are named as global Start-ups (Oviatt and McDougall, 1994), born-globals (Knight and Cavusgil, 2004), and international new ventures (Oviatt and McDougall, 1996). Such firms tend to follow a non-incremental process of internationalization and become international from institution through exceeding 25 percent export sales within three years of inception.

The international entrepreneurship approach emphasizes on the pivotal role of the entrepreneur as a driver of firm internationalization. This perspective argues that new ventures do not require organizational knowledge, routines, and capabilities to enter international markets. On the contrary, the individual foreign knowledge of founders or key managers can substitute for such organizational experiences (Oviatt and McDougall, 2005; Weerawardena et al., 2007).

A review of international entrepreneurship literature (e.g., Jones et al., 2011; De Clercq et al., 2012) reveals that one of the main arguments in internationalization research is whether the international entrepreneurship perspective is consistent with the stage-based model. On the surface, Johanson and Vahlne's model does specifically differ from Oviatt and McDougall's model of internationalization when it comes to the choice of entry modes. But in reality, the stage-based model emphasizes constraints to internationalization whereas international entrepreneurship model emphasizes enabling factors (Autio, 2005). Specifically, the former shows how a firm can gradually enter more risky markets but with potentially more beneficial and controllable operations (e.g., well-guarded market), whilst

the latter shows how new ventures can optimize mode choices depending on foreign opportunities and resource constraints.

In summary, a wealth of literature on SME internationalization (See Table 2.1) supports the fact that no single theoretical perspective is capable of fully explaining SMEs' internationalization behavior since it tends to be affected by a variety of factors.

As the main theoretical explanations of how SMEs engage in international business have now been argued. The next section provides more details about exporting as a foreign market entry mode.

2.1.2. Exporting as a Foreign Market Entry Mode

Notwithstanding the abovementioned differing perspectives on SME internationalization a general overview of internationalization literature reveals that firms typically move through different paths over their lifetime when engaging in international business, starting from exporting and advancing to wholly owned subsidiaries (Johanson and Vahlne, 2009; Cavusgil et al., 2012). Exporting is regarded as the first step of entering international markets and a platform for future international expansions (Lu and Beamish, 2001). Exporting is specifically an important foreign market entry mode for SMEs (Cassiman and Golovko, 2011). It is considered to be the quickest, easiest and most popular way for many SMEs since exporting (1) is a relatively straightforward way of internationalization, since a firm is able to use its existing production facilities to serve its foreign markets, (2) requires less commitment of firm resources and is a non-equity mode of market entry, (3) involves relatively low levels of business risk, and (4) creates greater flexibility of managerial actions (Ghauri et al., 2003; Zhang et al., 2003; Leonidou et al., 2010; Spyropoulou et al., 2011). Moreover, there are many internal stimuli (e.g., production, R&D) and external incentives (e.g., home and host governmental regulations) for SMEs to engage in exporting. Table 2.3 presents a classification of 40 export stimuli identified from extant literature.

Table 2.3: A Classification of Export Stimuli

Export Stimuli	Internal	Human resource	Special managerial interest/urge (P) Utilization of special managerial talent/skills/time (P) Management trips overseas (P)
		Financial	Stagnation/decline in domestic sales/profits (R) Potential for extra sales/profits from exporting (P) Potential for extra growth from exporting (P) Possession of financial competitive advantage (P)
		Production	Accumulation of unsold inventory/overproduction (R) Achievement of economies of scale (P) Availability of unutilized production capacity (R) Smoothing production of a seasonal product (R)
		R&D	Possession of proprietary technical knowledge (P) Possession of a unique/patented product (P) Extending life-cycle of domestic products (P)
		Marketing	Possession of a marketing competitive advantage (P) Ability to easily adapt marketing for foreign markets (P)
	External	Domestic Market	Saturation/shrinkage of domestic market (R) Need to reduce dependence on and risk of domestic market (R) Possibility of reducing the power of domestic customers (P) Unfavorable state of domestic economy (R) Favorable foreign exchange rates (R)
		Foreign Market	Possession of exclusive information on foreign markets (P) Identification of better opportunities abroad (P) Close physical proximity to foreign markets (R)
		Home Government	Government export assistance/incentives (P) Ministry of Commerce/trade mission activity (R) Encouragement by government agencies (R)
		Foreign Government	Relaxation of foreign rules and regulations in certain foreign markets (R) Reduction of tariffs/non-tariffs in certain overseas countries (R)
		Intermediaries	Encouragement by industry, trade, and other associations (R) Encouragement by banks/financial institutions (R) Encouragement by brokers/agents/distributors (R)
		Competition	Intense domestic competition (R) Initiation of exports by domestic competitors (R) Entry of a foreign competitor in the home market (R) Gaining foreign expertise to improve domestic competitiveness (P)
		Customer	Receipt of unsolicited orders from foreign customers (R) Receipt of orders after participation in trade fairs (R)
		Miscellaneous	Proximity to international ports/airports (R) Patriotic duty of local firms (P)

Source: Synthesized from Leonidou et al. (2007) Note: (P) = Proactive and (R) = Reactive

Despite the benefits of exporting, researchers argue that exporting is not free from challenges. First, financial barriers; as exporting is a step towards internationalization, exporting firms need to acquire new capabilities and allocate their resources to the export markets, which may strain limited corporate capitals (Leonidou, 2004). Second, knowledge barriers; export managers have limited opportunity to learn about the specification of the venture markets (Arteaga-Ortiz and Fernández-Ortiz, 2010). Third, procedure barriers;

exporting is much more sensitive to non-tariff and tariff barriers than other entry modes (Morgan and Katsikeas, 1997). Fourth, the final group of obstacles is exogenous barriers, which arise from uncertainty in the export markets such as exchange rate and political instability (Leonidou, 2004; Arteaga-Ortiz and Fernández-Ortiz, 2010). Given the aforementioned barriers and benefits related to exporting, scholars consider exporting as a promising research context, and a number of studies have thus been conducted to investigate how firms could advance export success (Leonidou et al., 2010).

2.2. The Concept and Drivers of Export Performance

The past five decades have witnessed a dramatic increase of interest in understanding export performance and its drivers among marketing scholars (Sousa et al., 2008; Leonidou and Katsikeas, 2010). Some areas of interest have been: export marketing strategies (e.g., Leonidou et al., 2002; Hultman et al., 2009; Solberg and Durrieu, 2008; Hughes et al., 2010), export marketing capabilities (e.g., Zou et al., 2003; Morgan et al., 2004; Spyropoulou et al., 2010; Raymond and St-Pierre, 2011), export market orientation (e.g., Cadogan et al., 2002; Martin-Armario et al., 2008; Murray et al., 2011; Boso et al., 2012), firm characteristics (e.g., Dhanaraj and Beamish, 2003; Ibeh, 2005; Moen et al., 2008) export market learning (e.g., Morgan et al., 2003; Lisboa et al., 2013; Ibeh and Kasem 2014), and export barriers (e.g., Ghauri et al., 2003; Leonidou, 2004; Arteaga-Ortiz and Fernández-Ortiz, 2010). Although these studies have played key roles in expanding our exporting knowledge, the "injection of ideas from other disciplines into exporting, such as organizational learning, knowledge management, and innovation adaptation, would also help towards improving our understanding of exporting phenomena" (Leonidou, Katsikeas and Coudounaris, 2010, p.89). In order to address these gaps in the exporting literature properly, the drivers of export performance need to be reviewed. The following sections present the determinants of export performance.

Firm export performance is viewed as one of the main indicators of prosperity of a firm's export activities. The relationship between export performance and its determinants has been a dominant topic in the exporting research (Leonidou and Katsikeas, 2010).In line with this, a number of studies have concentrated on reviewing the key drivers of the export performance construct. In fact, Madsen (1987), Aaby and Slater (1989), Zou and Stan (1998), Katsikeas et al. (2000), and more recently Sousa et al. (2008) and Wheeler et al. (2008) represent distinctive attempts to summarize the export performance literature.

A review of the extant literature reveals that the determinants of export performance have been generally categorized into two main groups: internal organizational factors and external environmental determinants (Sousa et al., 2008; Wheeler et al., 2008). Studies assessing the internal factors are grounded in the RBV, which argues how competitive advantages can be achieved through the bundle of internal resources and capabilities. On the other hand, the industrial organization theory indicates that external environmental factors determine the firm's strategy, which in turn determines the firm's performance (Leonidou et al., 2002; Sousa et al., 2008; Wheeler et al., 2008).

2.2.1. External Environmental Factors

External environmental factors include elements that shape the characteristics of the markets in which the firm operates. These factors are beyond the control of the firm and highly depend on the political-legal, economic, socio-cultural and technological characteristics of the markets in question (Wheeler et al., 2008).

According to Sousa et al., (2008), the political and legal environment is the most frequently cited factor to have an effect on export performance. As a result, regulative forces and pressure from the host government can influence performance by decreasing or increasing firm capacity and effectiveness. This is consistent with the findings of Rasheed (2005), who reports that foreign market risk moderates the relationship between foreign market entry modes and SME export revenue growth.

In the literature, there is an assumption that socio-cultural similarity is positively associated with export performance. The logic behind this assumption is that similarities between home and host culture are easier for firms to manage than diversities. Thereby firms are

more likely to be successful in culturally similar markets (Lee, 1998; Sousa et al., 2008). This view of cultural similarity is consistent with the findings of Ojala and Tyrväinen (2007).

Wheeler et al. (2008) report that the level of technological intensity in an industry appears to be a predictor of export performance. Dhanaraj and Beamish (2003) found that technological intensity is positively associated with the degree of internationalization. Bell et al. (2004) view technological factors as an industry driver (high-tech versus low-tech). They claim that technology intensity is positively related to export performance for firms competing in the high technology sectors and may be less important for others operating in low-tech industries. In contrast, in a recent study, Boso et al. (2013) used industry type (service versus manufacturing) and found no significant relationship between industry and export performance.

Along with politico-legal, socio-cultural, and technological factors, competitive intensity has been recognized as a determinant of export performance. Competitive intensity refers to the degree of competition a firm faces in foreign markets (Tan and Sousa, 2013). However, a review of the literature reveals mixed results concerning the link between competitive intensity and export performance. For instance, O'Cass and Julian (2003) show that low levels of competitive intensity have a positive contribution to export performance. While, the findings of Morgan et al. (2004) present that competitive intensity is not significantly associated with export performance. In a more recent paper, Boso et al. (2012) found that high competitive intensity is positively associated with export success.

2.2.2. Internal Organizational Factors

In line with the approach used by Wheeler, Ibeh, and Dimitratos (2008), this study reviewed three categories of internal organizational factors, namely (1) managerial characteristics, (2) organizational characteristics, and (3) export marketing strategies.

2.2.2.1.Managerial Characteristics

Despite the lack of agreement among researchers regarding specific export dimensions affected by managers, it has been shown that certain supportive attitudes such as management perceptions and commitment to export operations have strong positive effects on the export profits and sales (Wheeler et al., 2008). For instance, Ibeh (2005) reports that manager's entrepreneurial and international orientation, and relevant experiential knowledge influence international success of small firms. More recently, Stoian and Criado (2010) argue that managerial characteristics and perceptions positively influence export involvement and development of SMEs.

Moreover, other studies have indicated that managers export orientation, decision makers' knowledge and skills, managers' confidence and attitude towards export risks, international financial expertise and knowledge of export procedures are positively associated with export performance (Leonidou et al., 1998; Peng, 2001; Cadogan et al., 2005; Zahra et al., 2006; Stoian and Criado, 2010). With regard to international experience of managers, studies provide contradictory results; Ibeh and Kasem (2011) demonstrate that manager's international experience facilitates the firm's internationalization process whereas Contractor, Hsu, and Kundu, (2005) found an insignificant relationship between international experience of managers and export performance.

2.2.2.2.Organizational Characteristics

Drawing on the RBV, the organizational resources determine firm export performance. The literature suggests three specific characteristics that have strong effects on export performance, including firm size, international experience, and firm capabilities (Sousa et al., 2008; Wheeler et al., 2008).

Firm size

The size of the firm and its relation to export performance has been extensively studied in the export marketing literature (Sousa et al., 2008; Tan and Sousa, 2013). According to Katsikeas et al. (1997), firm size has regularly been used as a proxy for availability of organizational resources. They argue that "larger companies possess more financial and human resources as well as production capacity, attain higher levels of economies of scale, and tend to perceive lower levels of risk about overseas markets and operations" (Katsikeas

et al., 1997, p.56). The relationship between firm size and export performance is a controversial issue. For instance, Balabanis and Katsikea (2003) found a strong relationship between firm size and export performance. Similarly, Majocchi et al. (2005) based on Italian SMEs support the positive relationship between firm size and export performance. Yet, Contractor et al. (2005) reported no significant relationship between the two variables. In a more recent study, Stoian et al. (2011) claim that firm size has no significant effect on export performance of SMEs. The mixed results may be grounded in use of different measures of firm size (e.g., number of employees or total assets) and the definition of terms "small", "medium", and "large" firms differs from country to country (Hoang, 1998; Sousa et al., 2008).

International experience

Decisions about export activities are characterized by substantial amounts of uncertainty (Leonidou et al., 2002). This uncertainty often stems from the lack of foreign market knowledge (Johanson and Vahlne, 1990; Cavusgil and Zou, 1994; Leonidou and Theodosiou, 2004). Chetty, Eriksson, and Lindberg (2006) argue that the understanding of opportunities seems to be more practical when derived from experiential learning. Moreover, the learning acquired through exporting "learning by doing" is generally viewed as a low-risk type of learning (Lages et al., 2008; Ozsomer and Gencturk, 2003). The market knowledge gap reduces as firms expand their internationalization activities. Hence, international experience is an intangible resource that enables exporting firms to better plan and implements export marketing strategies, and ultimately improve export performance.

Empirical studies linking international experience to export performance are mixed. While several studies show positive relationship between international experience and export performance (e.g., Dean et al., 2000; Lado et al., 2004; Pinho, 2007) some studies have reported a negative experience–performance relationship (e.g., Baldauf et al., 2000; Brouthers and Nakos, 2005).Recent exporting literature (e.g., Brouthers et al., 2009; Cadogan et al., 2009; Hultman et al., 2011) proposes that international experience consists of multiple theoretically distinct components (i.e., duration, multinationality, and psychic dispersion). Duration of exporting captures the number of years a firm has been exporting (Brouthers et al., 2005), multinationality refers to the scope of exporting operations in terms of number of foreign country-markets (Hultman et al., 2011). Psychic dispersion captures

the number of geographically distinct regions to which a firm is exporting (Cadogan et al., 2009). Qian and Delios (2008) explain that, since the three experience dimensions represent distinct parts of the exporter's international experience, it is important and vital to examine the international experience individually.

Likewise, the empirical evidence is surprisingly evasive. For instance, Brouthers et al. (2009) show that SMEs have better export performance when they concentrate exports in fewer markets. That is, they claim a negative relationship between multinationality and export performance. While in a recent study, Hilmersson (2014) found that scope of internationalization has a positive effect on SMEs performance.

In summary, international experience is a practical knowledge gained by conducting business in foreign markets. The more knowledge and experience exporters acquire, the less uncertainty they perceive. Hence, firms having greater international experience are able to estimate internationalization risk correctly and manage their international operations efficiently (Hultman, Katsikeas, and Robson, 2011).

Firm capabilities

Capabilities are the organizational value creation processes by which firm's resources are integrated and transformed into realized marketplace value offerings (Amit and Shoemaker, 1993; Day, 1994). Krasnikov and Jayachandran (2008) define capabilities as the "glue" that integrate and leverage the firm's resources in such a way that the firm achieves maximum advantages. Moreover, empirical studies show that in international operations firm capabilities are more pivotal in explaining the heterogeneous export performances than resources (Kaleka, 2002; Zou et al., 2003).

Concentrating on the drivers of export performance, a review of the empirical exporting literature shows that firm capabilities have emerged as one of the key determinants of export success (e.g., Zou et al., 2003; Morgan et al., 2004; Leonidou et al., 2011; Murray et al., 2011).

Zou et al. (2003) show that pricing, distribution, communication, and product development capabilities positively relate to export performance and claim that positional advantages mediate the relationship between capabilities and export performance. In a cross-national

study, Morgan et al. (2003) argue that ventures' organizational capabilities (i.e., marketing planning and implementation capabilities) influence export ventures' adaptive performance. The study of Morgan, Kaleka, and Katsikeas (2004), presents three important types of capabilities; (1) relationship-building capabilities (with customers, distributors and other partners in the export markets), (2) product development capabilities, and (3) informational capabilities. They claim that the availability of these key capabilities and positional advantage in the export markets enable exporters to gain above average export venture performance. Additionally Ibeh (2005) reports that small firms can gain superior performance through employing product, service, and customer relationship management (CRM) capabilities.

More recently, Raymond and St-Pierre (2011) state that exporting SMEs gain superior performance using product development and market development capabilities. Spyropoulou, Skarmeas, and Katsikeas (2011) highlighted the importance of experience and effective marketing communication in enabling an exporter to implement and develop a branding advantage, which in turn is associated with export venture performance. Furthermore, Murray et al. (2011) show that pricing, new product development, and marketing communication capabilities lead to competitive advantage and boost export performance. Drawing on the organizational capabilities paradigm (OC), Efrat and Shoham (2012) find that short-term performance is affected mostly by external (environmental) factors, while internal organizational capabilities (i.e., technology, market knowledge, marketing effectiveness, and management capabilities) play a crucial role in long-term performance of small firms. Finally, drawing on RBV and dynamic capabilities (DC), Morgan, Katsikeas, and Vorhies (2012) identify two types of high-order marketing capabilities that are particularly related to export venture performance; (1) *Architectural export marketing capabilities* which is "the process by which the exporting firm learns about its export venture market and uses this insight to make appropriate export marketing strategy decisions" (Morgan et al., 2012, p.273), and (2) *Specialized export marketing capabilities*, that "encompass the tactical marketing program-related process commonly needed to implement marketing strategy" (Morgan et al., 2012, p.275).

In summary, the weight of arguments in previous studies supports a positive relation between capabilities and export performance. While valuable, imitable, rare, and non-

substitutable resources are useful for exporting firms, they fail to consider the influence of export dynamic market environments. Dynamic capabilities (DC) theory suggests that firms also need complementary capabilities to combine and transform available resources in a way that they can adapt to the dynamic markets they are about to face. Such capabilities are more valuable and have a strong relationship with export performance; they enable the firm to implement and develop new marketing strategies which reflect changing market conditions (Morgan, 2012).

Export Marketing Strategy

Export marketing strategy appears to be the paramount driver of export performance and its factors have been the most cited antecedents in the literature (Cavusgil and Zou, 1994; Zou and Stan, 1998; Leonidou et al., 2002; Wheeler et al., 2008; Tan and Sousa, 2013).

Strategy is a multifaceted concept which makes it an extremely complex research context. Export marketing strategy is "the means by which a firm responds to the interplay of internal and external forces to meet the objectives of the export venture" (Cavusgil and Zou, 1994, p.4). Empirical studies on export marketing strategies can be categorized into two main groups.

First, *standardization/adaptation strategy*, the main consideration in this strategy is whether the elements of marketing program (i.e., price, product, promotion, and distribution) should be standardized or adapted to conditions of the export market (Cavusgil and Zou, 1994). This context is one of the hallmarks of international marketing and a number of studies have been devoted to examining performance outcome of this strategy (e.g., Griffith et al., 2003; Theodosiou and Leonidou, 2003; Katsikeas et al., 2006; Hultman et al., 2009; Li, 2010; Tan and Sousa, 2013). However, there is inconsistency and often contradiction in the empirical studies on the adaptation/standardization-performance connection. For instance, Cavusgil and Kirpalani (1993) report positive link, while Shoham (1999) shows no association, and Zou et al. (1997) find a negative relationship. Moreover, Lages et al. (2008) find no relationship between product adaptation and performance satisfaction but predict that product adaptation is positively associated with export performance. Drawing on the contingency theory, Hultman et al. (2009) argue that there is no optimal strategic choice for adaptation, which would explain the aforementioned

inconsistency results in this field. In addition, they reveal the importance of "fit-as-matching" to the research of export product strategy fit.

Second, *competitive strategies*, without a doubt generic competitive strategy is among the most influential and dominant contributions ever made to the study of strategic management in organizations (Campbell-Hunt, 2000). Sustainable competitive advantage is the main determinant of firm's performance in harsh competitive markets (Porter, 1998). In essence, generic strategy contains two components. First, a scheme for defining firm's competitive strategies regarding to its market scope (focused or broad) and second, its source of competitive advantage (differentiation or cost). Specifically, the two types of competitive advantage integrated with the scope of operations lead to three competitive strategies: differentiation, cost leadership, and niche (Porter, 1998). The differentiation and cost leadership strategies seek competitive advantage in a broad scope of industry segments, while niche strategies aim at differentiation advantage (differentiation niche) or cost advantage (cost niche) in a narrow segment.

Cost Leadership: firms following cost leadership strategy aim to obtain efficiency, cost, refinement, and execution advantages in the creation of value offerings to customers (Hughes et al., 2010). Cost leadership strategy is based on process innovation, economies of scale, learning curve benefits, and mass distribution. Moreover, this strategy is typically adopted by firms that have a great market share and business process reengineering activities (Parker and Helms, 1992; Porter, 1998; Aulakh et al., 2000). Since SMEs are resource constrained, small firms that implement this strategy are exposed to the price-cuts of local and multi-national companies, and spend less on marketing programs (Doole and Lowe, 2008).

Differentiation: This strategy aims to create a service or product that customers see as unique. This is usually achieved through such means as innovative products, superior brand image, and customer service (Porter, 1998; Aulakh et al., 2000; Hughes et al., 2010). This strategy typically requires systematic incremental innovation in order to provide continuous value to customers. Due to the fact that differentiation strategy demands more financial resources and R&D activities, SMEs require more resources to adopt this strategy than they generally possess (Doole and Lowe, 2008).

Niche: this is completely different from cost leadership and differentiation strategies as it concentrates on narrow competitive segments. The niche strategy has two variants, *cost niche* and *differentiation niche*.

In *cost niche*, a firm seeks cost advantage in its target segment. According to Knight and Cavusgil (2004, p.130) "Advances in production technologies facilitate low-cost, small-scale manufacturing that enable smaller-scale firms to efficiently serve the specialized needs of market niches worldwide".

Whereas in *differentiation niche*, a firm seeks differentiation advantage in its target segment (Porter, 1998). Unique product development, technological excellence, knowledge development, quality focus, and capabilities leveraging play a pivotal role in differentiating firms for international niche markets (Knight and Cavusgil, 2004).

Keegan and Green (2008) define a niche as a small market that is poorly served by competing products. Kotler and Keller (2006) define niche marketing as focusing on consumers with well-defined needs who will pay a premium to the firm that best satisfies their needs.

Niche strategy is especially appropriate where there is a profitable, distinct, but underserved segment within the total market, and the firm is able to create a new advantage (cost or differentiation) in serving that segment (Hooley et al., 2012). One of the primary advantages of niche marketing is that the firm focuses on a small group of customers. In fact, the company is able to keep track of customer preferences and satisfy their needs, which in turn leads to customer loyalty and return sales (Echols and Tsai, 2005).

Exporting studies examining the relationship between competitive strategies and performance have suggested both direct and contingency effects. For instance, Aulakh et al.'s (2000) findings suggest that cost leadership strategy increases export performance in developed countries and differentiation strategy improves export performance in developing country markets. Based on 287 export ventures, Morgan et al. (2004) support the positive relationship between export competitive advantages and export venture performance. However, their data does not support the predicted positive relationship between competitive advantages and export venture competitive strategies. In addition,

Ibeh (2005) indicates that differentiation niche is dominantly adopted by small exporters to enhance their performance success. Using 213 exporting SMEs, Solberg and Durrieu (2008) find that generic strategy has a direct effect on firms' export performance. Similarly, Camison and Villar-Lopez's (2010) study of exporting SMEs reveals that differentiation strategy has a positive relationship with economic performance. Hughes et al. (2010) examine the important role of ambidextrous innovation in the strategy-performance relationships of high-technology international new venture firms and find that competitive advantages mediate the relationship between cost leadership and differentiation strategies.

2.3.   Summary and Comments

Drawing on the RBV, DC theory, and structure-conduct-performance (SCP) paradigm, empirical studies on export performance can be classified into three major groups. The first group of researchers examines the direct effect of capabilities and/or resources on export performance (e.g., Morgan et al., 2003; Navarro et al., 2010; Souchon et al., 2012; Boso et al., 2013). The second set of studies explores an indirect effect of capabilities and/or resources on export performance. In these studies, capabilities and/or resources influence marketing strategies, and export performance is the outcome of marketing strategy implementation (e.g., Camison and Villar-Lopez 2010; Morgan et al., 2012; Beleska-Spasova et al., 2012). The third group of researchers considers links of resources and/or capabilities, marketing strategies, competitive advantage and export performance (e.g., Morgan et al., 2004; Leonidou et al., 2011).

Firms wishing to compete in competitive markets must develop strategies that enable them to take advantage of their resource portfolios and create advantages relative to their competitors (Sirmon et al., 2011). Since SMEs are resource constrained, they usually face problems in employing marketing adaptation strategy. As a matter of fact, the majority of small exporting firms prefer to focus only on segments that require minor product/service adjustments and are poorly served by competitors (Leonidou, Katsikeas, Palinhawadana, and Spyropoulou, 2007). Due to the unique characteristics of small firms, they usually tend to approach niche markets (Knight and Cavusgil, 2004). Small firms can reach a high share in export markets by adapting niche strategies and competing with MNEs in narrow segments, irrespective of harsh global market conditions (Efrat and Shoham, 2012).In line with literature reviews in the field (e.g., Zou and Stan, 1998; Leonidou et al., 2002;

Wheeler et al., 2008), a review of empirical studies on SMEs in international markets (See Table 2.1) reveals that the relationship between business strategy and export performance is not fully explored. In particular, the literature on niche strategy as an important driver of the internationalization strategy of SMEs is scant.

Having reviewed the determinants of export performance and discovered an opportunity for researching niche marketing among exporting SMEs, the following section explores the factors influencing niche marketing strategy.

2.4. The Factors Influencing Niche Marketing Strategy and Export Performance

Sirmon and Hitt (2009) uncover that each business strategy requires different levels and types of resources for effective implementation resulting in competitive advantages and superior performance. The key competitive strategy for SMEs is niche strategy, enabling them to achieve sustainable competitive advantage also with reference to large firms (Efrat and Shoham, 2012). Since a niche market is characterized by innovation, unique product, small-scale manufacturing and adaptation to customers' needs, SMEs require a competitive system based on intangible resources and dynamic capabilities (Weerawardena et al., 2007; Golovko and Valentini, 2011; Kuivalainen et al., 2012). Moreover, Collis and Montgomery (2008) suggest that superior performance is based on obtaining competitive valuable resources and employing them in a well-selected strategy.

As discussed earlier in this chapter, both the behavioral approach (section 2.1.1.2) and the network approach (section 2.1.1.3) view knowledge as a key to the firm's internationalization process, owing to the fact that knowledge decreases the liability of foreignness. Moreover, KBV of the firm has emerged in the strategic management literature and focuses on knowledge as the most strategically important resource (Grant, 1996). Empirical research shows that the processes by which knowledge is created and utilized in organizations are the inimitable resource that managers should recognize for the purpose of creating competitive advantage (Grant, 1996; Zollo and Winter, 2002). In essence, SMEs use their export market knowledge and dynamic capabilities to carve out specialized niches (Knight and Cavusgil, 2004; Efrat and Shoham, 2012).

2.4.1. The Knowledge Base of Exporting SMEs

According to Nonaka (1991), in a modern global economy where the only certainty that a firm could have is the uncertainty, acquisition of market knowledge is a key determinant of competitive advantage.

Autio et al. (2000, p.911) define an organization's knowledge as "its capacity to apprehend and use relationships among critical factors in such a way as to achieve intended ends."

Market knowledge has long been recognized as a key determinant of firm success (Slater and Narver, 1995; Li and Calantone, 1998; Ramaswami et al., 2009; Lisboa et al., 2013). According to organization learning theory, market knowledge is the outcome of learning, as the firm obtains previous experiences (negative or positive) and changes them into actionable behaviors (Lages et al., 2008). The exporting literature proposes two different components of knowledge. First, informational knowledge (i.e., know-what), is knowledge about export market knowledge including export customers, competitors, suppliers, channels and export external environment in the target market (e.g., Souchon and Diamantopoulos, 1996; Morgan et al., 2003). In very early work in this stream, Eriksson et al. (1997) classify foreign market knowledge into two aspects: foreign business knowledge and foreign institutional knowledge. The foreign business knowledge seeks to capture knowledge concerning customers, competitors, distribution channels and suppliers. On the other hand, foreign institutional knowledge aims to acquire macro-environmental information of the export market (Hadley and Wilson, 2003; Zhou, 2007; Zhou et al., 2010). Export market knowledge is a pivotal knowledge resource, as it provides information about value-adding activities (Morgan et al., 2003).

Second, experiential knowledge (i.e., Know-how), it is also known as international experience. As discussed earlier in this chapter, international experience is considered as one of the most valuable types of knowledge in the internationalization process of a firm, as it is related to the performance of exporting operations. As experiential knowledge is tacit, history-dependent, routine-based, and difficult to codify and transfer, it becomes an important driver of a firm's competitive advantage (Morgan et al., 2003). That is, given the suggestion by organizational learning theory, new market knowledge is a direct outcome of past experiences. Therefore, an exporting firm can perfect its export activities by having

greater experiences in exporting since continuous feedbacks from export market experiences can help enrich export managers' skills and competences (Lages et al., 2008; Souchon et al., 2012).

As discussed earlier in this chapter, the exporting literature suggests that international experience comprises of multiple theoretically distinct components. The current exporting literature (e.g., Brouthers et al., 2009; Cadogan et al., 2009; Hultman et al., 2011) uncovers that international experience is a multifaceted concept that often refers to various forms of duration, scope, and intensity of a firm's international operations. In essence, international experience is a function of an exporting firm's international psychic dispersion, duration, and multinationality, with the three dimensions together capturing a firm's distinct experience capacity.

KBV uncovers that these tacit and explicit knowledge are interrelated. Know-how knowledge (tacit) forms what information should be concerned and how it is interpreted in action plans, while know-what knowledge (explicit) concentrates on the selection and outcome of needed procedures (Morgan et al., 2003).

2.4.2. Specialized Export Marketing Capabilities

Organizational learning theory posits that learning and acquisition of appropriate information are key drivers of firm performance. In a broad sense, information acquisition can be defined "as the generation of information relevant for decision making" (Souchon and Diamantopoulos, 1999, p.145). However, acquisition of export information and knowledge does not lead to competitive advantage unless they are integrated and serve as a platform for decision making (Souchon et al., 2012). The KBV posits that in order to affect performance, the knowledge must be transformed into capabilities that enable the firm to gain superior performance (Grant, 1996; Morgan et al., 2009). Hence, the integration of knowledge is the essence of organizational capabilities (Nonaka, 1994; Hult and Ketchen, 2001).

Dynamic capability theory posits that the most vital and lasting source of competitive advantage is established by capabilities of firms to obtain, combine and deploy resources in ways that match the firm's markets (Morgan et al., 2009). Literature indicates that marketing capabilities in particular seem to be inimitable, immobile, and non-substitutable

value creation activities (Moorman and Rust, 1999; Vorhies and Morgan, 2005). Moreover, recent research in marketing has shown that marketing capabilities are pivotal drivers of firm performance. Marketing capabilities are "likely to be immune to competitive imitation and acquisition because of the distributed, tacit, and private nature of the underlying knowledge" (Krasnikov and Jayachandran, 2008, p3).

According to Grant (1996), firms utilize hierarchies of capabilities formed by the integration of appropriate knowledge. A review of exporting literature (e.g., Weerawardena et al., 2007; Navarro et al., 2010) uncovers the fact that small firms use specialized export marketing capabilities that allow them to formulate marketing mix processes, which in turn provide the ability to conform the products to the needs of the niche market.

The literature indicates that specialized export marketing capabilities encompass the tactical marketing programs concerned with export price and product management, post-sales service, distribution management and delivery, marketing communication, and selling processes (Morgan, 2012).

2.4.3. Export Performance

Although the export performance construct per se has remained one of the most researched areas, it is however, one of the "least understood and most contentious areas of international marketing" (Katsikeas, Leonidou and Morgan 2000, p.493).

Notwithstanding the number of studies that have been concentrated on export performance (e.g., Shoham 1998; Katsikeas et al., 2000; Sousa, 2004; Wheeler et al. 2008), there is still no unique accepted operationalization and conceptualization of export performance construct. In line with this context, a number of studies have emerged in the literature to develop and explore multi-item measures of export performance (e.g., Lages and Lages, 2004; Hult et al., 2008). In fact, export performance is a multifaceted concept and the utilization of single-item indicators is inadequate for reliable examination (Cavusgil and Zou, 1994; Sousa, 2004; Diamantopoulos and Kakkos, 2007).

According to literature reviews in the field (e.g., Katsikeas et al., 2000; Sousa, 2004; Wheeler et al. 2008), most distinctions can be made between methods of performance assessment (i.e., subjective or objective) and types of performance conceptualization (i.e.,

financial or non-financial). In terms of assessment, indicators that are based basically on absolute numerical values are classified as objective (e.g., export sales volume, export market share), while indicators that require attitudinal and perceptual input are categorized as subjective such as perceived export success and satisfaction with export profitability (Sousa, 2004; Lages et al., 2005).

A number of researchers specify that subjective indicators are usually suitable, especially in international studies (e.g., Robson et al., 2008; Hultman et al., 2009; Bello et al., 2010; Morgan et al., 2012), since formal firm financial statements rarely report domestic and export performance distinctively (Katsikeas et al., 2000). Moreover, managers might view certain financial data as sensitive information and therefore be unwilling to disclose such information (Leonidou et al., 2002; Lages et al., 2005). In addition, it is very difficult to capture the level of strategic goal achievement by objective numbers exclusively (Katsikeas et al., 2000).

There are two debates in the literature concerning the unit of analysis when assessing and conceptualizing export performance. Albeit export literature shows that most studies conducted before the new millennium conceptualized export performance at the firm level (Katsikeas et al., 2000), a number of marketing scholars (e.g., Cavusgil and Zou, 1994; Katsikeas et al., 2000; Morgan et al., 2004; Robson et al., 2008; Hultman et al., 2011) have strongly advocated that the proper unit of analysis in understanding firms' export performance is the export venture. The export venture refers to a single product or product line exported to a particular export market (Katsikeas et al., 2000). Firms typically operate in a range of markets/regions and their overall export performance is the aggregation of the performance of all export venture markets. Unlike firm level analyses, venture level analyses can resolve the problem of confounded findings caused by aggregating all venture markets (Morgan et al., 2004; Spyropoulou et al., 2011).

A review of the extant literature reveals that a proper way to measure export performance is to conceptualize performance according to the expected outcome of the export operations. According to this approach, a number of marketing scholars (e.g., Morgan et al., 2004; Robson et al., 2008; Hultman et al., 2009) argue that a proper way of conceptualizing performance depends on three dimensions: (1) the degrees to which organizational objectives are achieved (i.e., effectiveness), (2) the ratio of performance outcomes to the

resources employed to achieve the objectives (i.e., efficiency), and (3) the firm's ability to respond to changing conditions (i.e. adaptability).

Adopting the aforementioned approach to exporting SMEs uncovers that, effectiveness is to be assessed with market related indicators such as sales growth, market share, and new product sales (e.g., Haahti et al., 2005; Martin-Armario et al., 2008; Brouthers et al., 2009). Efficiency corresponds to financial performance measures, for instance: export profitability, return on investment, and profit margin (e.g., Beleska-Spasova et al., 2012). International marketing literature uses customer satisfaction indicators as adaptability dimension of performance (e.g., Katsikeas et al., 2006; Hultman et al., 2009). A review of exporting SMEs literature suggests that satisfaction as a performance indicator was not employed in any studies. With all these considerations taken together, in this thesis, export performance is conceptualized at venture level and measured with three dimensions: financial performance, market performance, and customer performance. Table 2.4 presents the study constructs and their definitions.

2.5.   Chapter Summary

This chapter has provided the theoretical framework for the present thesis and reviewed the pertinent literature relating to its purpose. To this end, the chapter initially reviewed the leading internationalization theories and why exporting is such an important market entry mode for SMEs. After this, the chapter focused on the determinants of export performance as one of the main indicators of a firm's export activities. The assessment covered both external factors such as political-legal, economic, socio-cultural, and technological characteristics, as well as internal factors including managerial, organizational characteristics, and export marketing strategies. The main conclusion drawn from the literature review is that the relationship between business strategy and export performance is not fully explored. In particular, the literature on niche strategy as an important driver of internationalization strategy of SMEs is scant. Finally, the core of this thesis was addressed when the concept of niche strategy and its knowledge base and specialized marketing drivers were reviewed in a comprehensive manner.

Table 2. 4: Research Constructs and Their Definitions

Construct	Conceptual Definition	Operational Definition
Export Business Knowledge	Knowledge about business partners and competitors in a market	A construct capturing knowledge about a chosen export venture's competitors, customers, distribution channels, suppliers
Export Institutional Knowledge	Knowledge about a market's macro environment	A construct capturing knowledge about a chosen export venture's macro environmental factors such as socio-cultural, political, economic, technological environments
Psychic Dispersion	A number of regions to which a firm exports	A construct capturing the number of regions in which a firm has exporting operations
Duration	The time a firm has been involved in exporting activities	A construct capturing the number of years a firm has been involved in exporting activities
Multinationality	A firm's number of export markets	A construct capturing the number of foreign markets in which a firm has exporting operations
Specialized Marketing Capabilities	The degree to which a firm defines its marketing capabilities in terms of pricing, product development, channel management, delivery management, post-sale service, marketing communication and selling	A construct capturing a chosen export venture's marketing capabilities in terms of pricing, product development, channel management, delivery management, post-sale service, marketing communication and selling
Cost Leadership Strategy	The degree to which a firm defines low cost as a source of competitive advantage in a market	A construct capturing the degree of cost of services, cost of material, economies of scale, production cost in a chosen export venture
Differentiation Strategy	The degree to which a firm defines differentiation as a source of competitive advantage in a market	A construct capturing the degree of product differentiation, service differentiation, product quality, and service quality in a chosen export venture
Niche Strategy	The degree to which a firm defines its scope of operation in a market	A construct capturing the degree of segment size, product quality, scope of operations and offerings in a chosen export venture
Competitive Intensity	The degree of rivalry between competitors in a market	A construct capturing competition related issues such as aggressiveness, new competitive moves, frequency of promotion wars and price competition
Export Performance	An export venture's performance in terms of market, financial, and customer	A construct capturing a chosen export venture's performance in terms of market, financial, and customer

CHAPTER 3

THEORETICAL BACKGROUND AND HYPOTHESES

With regards to the connection between export business strategy and export performance, the previous chapter uncovers that very limited research has been conducted on niche marketing strategy. With this as a backdrop, the current chapter will concentrate on the development of a comprehensive research model with accompanying hypotheses to outline the role of niche marketing strategy and its determinants in driving SMEs export success.

3.1. Research Question

Given that the thesis aims to synthesize the theories available in strategic management with insights available in marketing and exporting literatures to explore how exporting SMEs can develop and actually implement niche marketing strategy using their resources and capabilities, the main research purpose of this study can be defined as follows:

To evaluate resource/capability antecedents of niche strategy and its performance consequences among exporting SMEs.

Based on the posed research question, it becomes more apparent that the aim of the thesis is first to establish the main drivers of niche strategy and thereafter determine whether developing and implementing niche strategy generates export performance. Specifically, as noted previously, this thesis draws on the notions of the KBV, dynamic capabilities theory, and competitive strategy perspective to examine the relationships of export market knowledge, international experience, and specialized marketing capabilities with niche marketing strategy, which leads to export performance. The research model is outlined in figure 3.1.

Figure 3.1: Conceptual Model

	Hypothesized paths
	Control paths
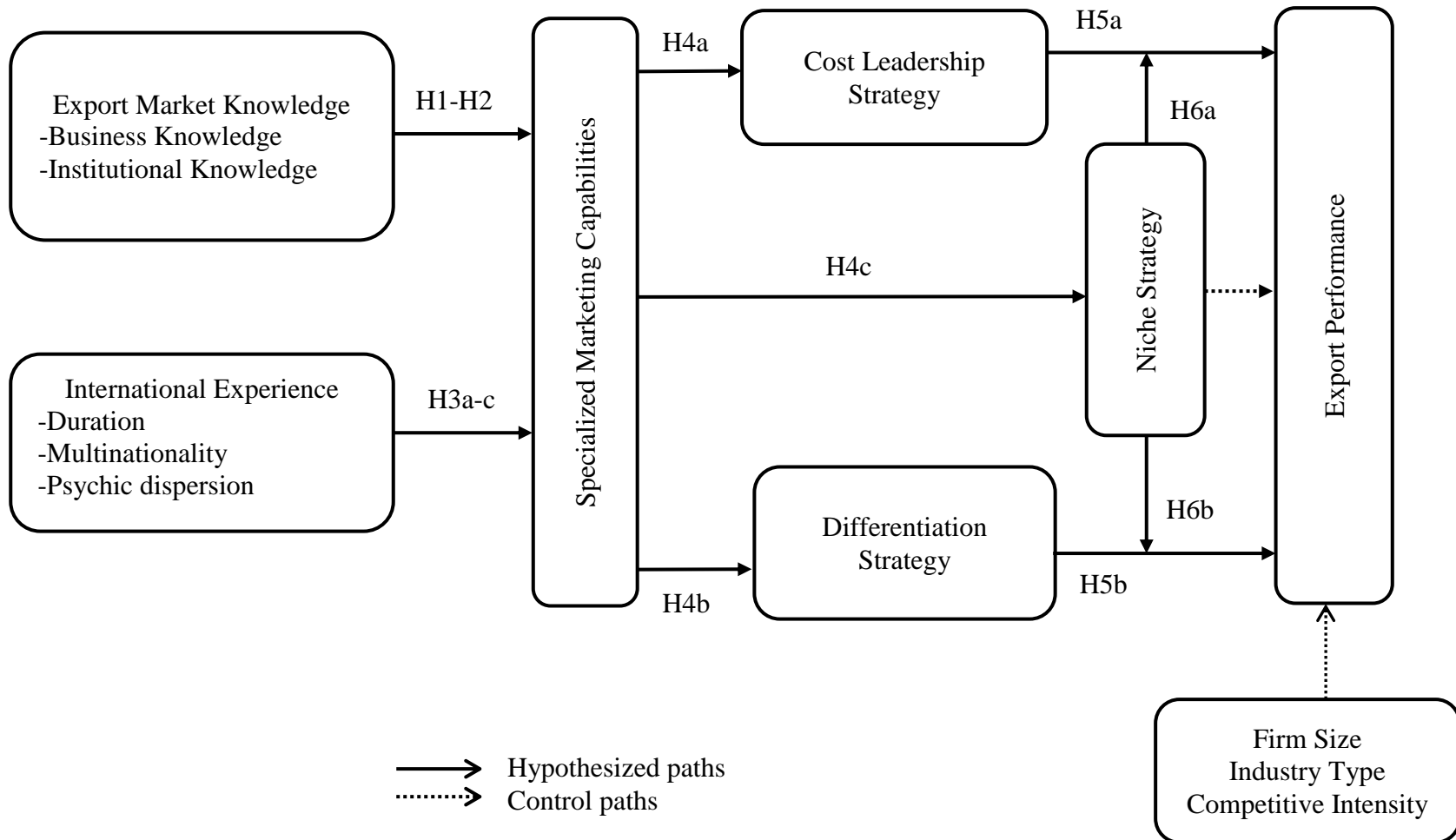
3.2. Unit of Analysis

As mentioned previously (section 2.4.3), the export venture has been recognized as the principal unit of analysis in assessing firms' export performance (Cavusgil and Zou, 1994; Morgan et al., 2004). Katsikeas (2000) suggests that assessing export performance at firm level causes confounded findings, since it disregards the variability of performance among firm's export ventures. Therefore according to the recommendations made by marketing scholars (e.g., Robson et al., 2008; Hultman et al., 2009; Morgan et al., 2012), the unit of analysis in this thesis is the export venture level.

3.3. Research Hypotheses

In the following sections, the rationale for each of the proposed relationships in the research model will be argued.

3.3.1. Export Market knowledge and Specialized Marketing Capabilities

Marketing literature shows that firms are able to obtain competitive advantages through the development and leveraging of imperfectly mobile and heterogeneous resources (Hunt and Morgan, 1995; Griffith et al., 2010). Moreover, Hult et al. (2005) uncover that the firm is in a position to gain superior outcomes when acquiring and employing resources that are pivotal to the development and implementation of sound marketing strategies. Grant (1996) argues that firms require harvesting and exploit knowledge in order to create competitive advantages. Owing to the fact that SMEs are resource constrained, their attainment of unique specialized knowledge is essential to their success in international activities (Haahti et al., 2005). Given that informational knowledge is viewed as the most important resource in a small firm's internationalization process, acquiring export market knowledge is a fundamental factor for the rapid growth of SMEs (Autio et al., 2000; Oviatt and McDougall, 2005). Further, export market knowledge decreases the liability of foreignness for SMEs (Johanson and Vahlne, 2009; Naldi and Davidsson, 2014). Moreover, export market knowledge is a pivotal knowledge resource, as it provides information about value-adding activities (Morgan et al., 2003). Literature suggests that export venture business knowledge together with export venture institutional knowledge shape the firm's export venture market knowledge capacity (Eriksson et.al., 2000; Hadley and Wilson, 2003; Morgan et al., 2003; Zhou et al., 2010). Empirical studies show that acquiring information

about competitors, customers, channels, and export venture macro environment can help decrease uncertainty in export marketing and enable efficacy in the implementation of export venture marketing activities such as pricing, product development, advertising and channel management (e.g., Morgan et al., 2004; Navarro et al., 2010; Souchon et al., 2012).

Moreover, Ozgen and Robert (2007) and Sheng et al. (2011) argue that acquiring knowledge from market participants (e.g., suppliers, competitors) boosts firm's business knowledge. This type of knowledge is generally established through ties or networks with the market participants. On the other hand, acquisition of institutional knowledge (macro environmental knowledge) comes about from ties with regulatory bodies or government officials.

The static characteristic of knowledge prompts it to evolve into a more dynamic perspective (e.g., dynamic capabilities) (Grant, 1996; Morgan et al., 2009). Accordingly, export market knowledge needs to be transformed into specialized capabilities to fully perform to its potential value. Thus:

Hypothesis 1: Export venture business knowledge is positively associated with export venture specialized marketing capabilities.

Hypothesis 2: Export venture institutional knowledge is positively associated with export venture specialized marketing capabilities.

3.3.2. International Experience and Specialized Marketing Capabilities

According to Johanson and Vahlne (2009), knowledge is a function of experience and experience is a fundamental source of learning. Learning and knowledge have been established as important determinants of firms' internationalization process in the extant literature (e.g., Johanson and Vahlne, 1990; Eriksson et al., 2000; Chetty et al., 2006).

The literature review revealed that international experience is a multidimensional concept. Three aspects of international experience are of special relevance to this thesis: international psychic dispersion, duration, and multinationality (Brouthers et al., 2009; Qian and Delios, 2008; Cadogan et al., 2009; Hultman et al., 2011). Duration is a consequence of past management decisions about when to start exporting. It refers to the number of years a firm has been exporting (Hultman et al., 2011). Multinationality taps

international diversity by taking the number of foreign markets into account (Cavusgil and Zou, 1994; Cadogan et al., 2009). Finally, Psychic dispersion refers to the number of geographically distinct regions to which a firm is exporting (Cadogan et al., 2009). These three dimensions together capture a firm's distinct international experience profile.

International experience is practical knowledge gained by conducting business in foreign markets. The more knowledge and experience exporters acquire, the less uncertainty they perceive (Hultman et al., 2011). Moreover, firms having greater international experience are able to adapt to export environment and respond to export venture market requirements (Morgan et al., 2003; Yeoh, 2004; Petersen et al., 2008). It follows that international experience performs as a "springboard" for firm's ability to improve the export product offering and keep track of overseas customer preferences (Spyropoulou, Skarmeas, and Katsikeas, 2011). The logic for this lies in the fact that as a firm enters diverse export markets and expands its scope of international activities, it engages in exploratory learning and enhances its exporting know-how (Chetty et al., 2006; Ibeh and Kasem, 2014; Sui and Baum, 2014). Drawing on the KBV, market experiential knowledge is a prerequisite for marketing mix process. By capturing international experience through multiple dimensions, richer insights into market experiential knowledge relationship with specialized marketing capabilities will be achieved. On these grounds, it can be expected that greater duration, multinationality and psychic dispersion of exporting leads to increases in specialized marketing capacities. Put together, the following hypothesis can be posed:

Hypothesis 3: International experience is positively related to export venture specialized marketing capabilities, in such a way that, when (a) psychic dispersion, (b) duration of exporting, and (c) multinationality, are high, there are corresponding increases in the magnitude of export venture specialized marketing capabilities.

3.3.3. Export Venture Specialized Marketing Capabilities and Export Venture Business Strategy

Marketing capability is the outcome of a combined process designed to apply the collective resources, skills, and knowledge of the firm to the market-based requirements of the marketplace (Day, 1994; Weerawardena et al., 2007). Krasnikov and Jayachandra (2008, p.3) argue that "marketing capability is based on market knowledge about customer needs and past experience in forecasting and responding to these needs." Since marketing capability is a knowledge-based activity, it is difficult for rivals to copy and obtain it from the market (imperfect imitability and imperfect mobility).

Specialized marketing capabilities "have been viewed as encompassing the tactical marketing program-related processes commonly needed to implement marketing strategy" (Morgan, 2012, p.106) In fact, they are the specific functionally focused process utilized within the firm to integrate and transform specialized resources (Vorhies et al., 2009). They take the form of organizational processes such as delivery management, product development, and selling. Specifically, these capabilities are based on the "marketing mix" of activities focused on pricing, product, distribution and communications (Vorhies et al., 2009; Morgan 2012).

Previous marketing literature has indicated that segmentation-based strategies are highly related to the marketing capabilities of the firm (Campbell-Hunt, 2000; Sirvastava et al., 2001). Frei (2008) reiterates the same view, adding a few nuances. He claims that service firms are only able to remain prosperous in multi-segments markets with specialized marketing capabilities for each segment. Moreover, Vorhies et al. (2009) argue that specialized marketing capabilities enable the firm to develop marketing mix plans in order to satisfy the needs of the segments.

The exporting literature suggests that specialized marketing capabilities provide an important adaptive tactical mechanism commonly needed to implement export marketing strategies (Morgan et al., 2012). It can be expected that export knowledge-based resources are combined and leveraged with specialized export marketing mix activities in order to develop effective export competitive strategies.

Business strategy of firms influences the type of marketing capabilities they rely on (Murray et al., 2011). For instance, exporting firms pursuing a cost leadership strategy need the ability to match competitors' offerings at lower prices; as a result, pricing capability is of paramount importance to them when competing in export markets. In contrast, firms developing differentiation strategy depend more on marketing communication and product development capabilities to obtain success in the export market (Aulakh et al., 2000; Murray et al., 2011). Thus, the following hypothesis is constructed:

Hypothesis 4: Export venture specialized marketing capabilities are positively related to export venture (a) cost leadership strategy, (b) differentiation strategy, and (c) niche strategy.

3.3.4. Export Venture Business Strategy and Export Venture Performance

Competitive strategies (Porter, 1998) argue that firms can achieve above-average performance only by adopting one of the three generic strategies (i.e., cost leadership, differentiation, and niche). The generic strategy is recognized as the dominant paradigm of competitive advantage and a value creating strategy (Campbell-Hunt, 2000; Aulakh et al., 2000; Thorhill and White, 2007; Solberg and Durrieu, 2008; Vorhies et al. 2009; Hughes et al., 2010; Qi et al., 2011).

Competitive strategy adopts an "outside-in" perspective (Campbell-Hunt, 2000). Within this perspective, the firm is viewed as a bundle of strategic activities and firm performance as a function of industry effects. The resource-based perspective adopts an "inside-out" approach. This perspective assumes that firm is a bundle of unique resources and firm performance is a function of firm resources. Competitive strategy posits that strategy is an industry driver, whereas the resource-based approach specifies that strategy is defined by the firm's capabilities. Nevertheless, in reality competitive strategy perspective and resource-based approach complement each other in defining performance of a firm. In fact, they establish the two sides of the same coin. Specifically, the value creating potential of strategy, which is the firm's ability to gain above-average performance, remains the same in both perspectives (Barney, 1991; Porter, 1998; Spanos and Lioukas, 2001). SMEs literature shows that the sustainability and profitability of competitive strategy stem from its fit with firm's capabilities (e.g., Bell et al., 2004; Camison and Villar-lopez, 2010;

Naidoo, 2010). Therefore, it is feasible and, indeed, potentially desirable to combine the two theories to develop a more complete explanation of SMEs performance.

Firm's export success depends upon its capacity to develop and implement specific competitive strategy. A firm developing cost leadership strategy concentrates on mass production, mass distribution, and process innovation to create above-average performance. Whereas, a firm implementing differentiation strategy focuses on providing a unique product or service. Differentiation can be based on delivery system, product itself, and a broad range of other marketing mix factors. This strategy permits firm to charge premium price to capture market share. Moreover, firms utilizing differentiation strategy try to develop innovation and marketing capabilities that enable them to differentiate their products. (Aulakh et al., 2000; Sirmon and Hitt, 2009). Thus:

Hypothesis 5: Export venture (a) cost leadership strategy, and (b) differentiation strategy are positively related to export venture performance.

3.3.5. Moderating Effects of Niche Strategy on the Relationships between Cost Leadership Strategy, Differentiation Strategy, and Export Venture Performance

The Literature review identified that, in comparison with large firms, SMEs have limited availability of the production facilities, financial resources and employees that are vital to support their export activities. Since SMEs are resource constrained, they usually face problems in developing broad marketing strategies. As a matter of fact, the majority of exporting SMEs prefer to focus only on segments that are poorly served by competitors (Leonidou et al., 2007; Doole and Lowe, 2008; Efrat and Shoham, 2012). Due to unique characteristics of SMEs, they usually tend to approach niche markets (Knight and Cavusgil, 2004). According to Porter (1998), narrow segmentation itself does not create above-average performance. Therefore, by taking inspiration from successful SMEs in the foreign markets, exporting SMEs should benefit more from adapting their cost leadership and differentiation strategies to narrow markets (i.e., cost niche and differentiation niche).

Niche strategy provides firm a platform to specialize in understanding and responding to the needs and expectations of a narrow and homogenous segment of target export markets (Doole and Lowe, 2008), such that in cultivating and maintaining close relationship with

customers, firms are able to gain relative advantage over competitors in terms of repeated sales.

Given that both differentiation and cost leadership strategies have broad and focused variants, it can be expected that any SME that develops and implements cost niche or differentiation niche strategies for its export venture markets is likely to be more successful than SMEs implementing broad strategies. Thus:

Hypothesis 6: The positive effects of export venture (a) cost leadership strategy and (b) differentiation strategy on export venture performance are stronger when levels of export venture niche strategy are higher.

3.4. Chapter Summary

This chapter has presented a discussion of the research model and hypotheses development. The KBV, dynamic capabilities theory, and competitive strategy perspective of the firm have been employed as key theoretical underpinnings for the research model. The next chapter will continue to build on what has now been established by explaining the methodology that was utilized for collecting data and testing the hypothesized relationships.

CHAPTER 4

RESEARCH METHODOLOGY

This chapter addresses the methodology and methods employed for testing the conceptual framework and hypotheses. Accordingly, the chapter starts with methodology issues such as research approach, research design and research strategy, and thereafter moves to more practical considerations and methods, including data collection method, questionnaire design, sampling, and survey response. Finally, data analysis techniques applied to this thesis are described and argued.

4.1. Research Philosophy

There are two primary models of the relationship between philosophy and the social sciences. In one view, philosophy furnishes 'foundation' for the research conducted in the specific scientific specialisms. This is called the 'master-scientist' view of the philosophy (Benton and Craib, 2011). The alternative view of the relationship is called the 'underlabourer' view. In this view, knowledge comes from observation, practical experience, and systematic experimentation. Specifically, armchair speculation about the social sciences could not provide reliable knowledge. Therefore, social scientists do not need to wait for philosophers to provide them what they should think (Benton and Craib, 2011). In this study, the second perspective was employed in order to refine the method of investigation. According to Saunders et al. (2009, p.108) "The research philosophy you adopt contains important assumptions about the way in which you view the world. These assumptions will underpin your research strategy and the methods you choose as part of that strategy." There are basically four research philosophies including positivism, realism, interpretivism, and pragmatism (Saunders et al., 2009). Table 4.1 summarizes the comparison between four research philosophies in business research. Based on the nature of the study, the philosophy of positivism was employed. Specifically, current research prefers to work with an observable social reality and the outcomes of the study would be law-like generalizations similar to those created by the natural and physical scientists (Remenyi et al., 1998; Saunders et al., 2009).

Table 4.1: Comparison of Four Research Philosophies in Management Research

	Positivism	Realism	Interpretivism	Pragmatism
Ontology: *the researcher's view of the nature of reality or being*	External, objective and independent of social actors	Is objective. Exists independently of human thoughts and beliefs or knowledge of their existence (realist), but is interpreted through social conditioning (critical realist)	Socially constructed, subjective, may change, multiple	External, multiple, view chosen to best enable answering of research question
Epistemology: *the researcher's view regarding what constitutes acceptable knowledge*	Only observable phenomena can provide credible data, facts. Focus on causality and law like generalisations, reducing phenomena to simplest elements	Observable phenomena provide credible data, facts. Insufficient data means inaccuracies in sensations (direct realism). Alternatively, phenomena create sensations which are open to misinterpretation (critical realism). Focus on explaining within a context or contexts	Subjective meanings and social phenomena. Focus upon the details of situation, a reality behind these details, subjective meanings motivating actions	Either or both observable phenomena and subjective meanings can provide acceptable knowledge dependent upon the research question. Focus on practical applied research, integrating different perspectives to help interpret the data
Axiology: *the researcher's view of the role of values in research*	Research is undertaken in a value-free way, the researcher is independent of the data and maintains an objective stance	Research is value laden; the researcher is biased by world views, cultural experiences and upbringing. These will impact on the research	Research is value bound, the researcher is part of what is being researched, cannot be separated and so will be subjective	Values play a large role in interpreting results, the researcher adopting both objective and subjective points of view
Data collection techniques most often used	Highly structured, large samples, measurement, quantitative, but can use qualitative	Methods chosen must fit the subject matter, quantitative or qualitative	Small samples, in-depth investigations, qualitative	Mixed or multiple method designs, quantitative and qualitative

Source: Saunders et al. (2003, p.119)

4.2. Research Approach

Social research methods are composed of two main groups: quantitative and qualitative. Data collected in the quantitative approach is either in the form of numbers or statistics that makes the statistical analysis of data possible. The research process in the quantitative research follows standard methods and procedures. Quantitative method approaches the research problem from a broad perspective and is highly controlled by the person conducting the investigation. The objective of the quantitative method is to make

generalizations based on the processed results of the research. Therefore, in this research method few variables from a large number of entities are usually examined (Bryman, 2012; Neuman, 2014).

In contrast to the quantitative method, the qualitative method refers to the observation and analysis of data that is not predetermined by the researcher. The qualitative method is less formalized than quantitative research and the goal of this method is to make descriptions of conditions as a whole. The main purpose of qualitative approach is to help comprehend the social phenomena in the same way as the participants experience it. Therefore, a large amount of information can be collected from a number of variables, but normally from limited entities. The main concern of qualitative method is with individual judgments, whereas the quantitative method predominantly focuses on testing hypotheses and established procedures (Bryman, 2012; Neuman, 2014).

According to Bryman (2012), qualitative research can be characterized as inductive. The inductive approach concentrates on the development of theory. In this approach, the researcher starts collecting information from the participants, after which the obtained information is analyzed and developed into theories. Accordingly, the goal of qualitative research is to generate theories.

On the contrary, quantitative research is mainly characterized by the deductive approach. The researcher, "on the basis of what is known about in a particular domain and of theoretical consideration in relation to that domain, deduces a hypothesis (or hypotheses) that must then be subjected to empirical scrutiny" (Bryman, 2012, p.24).

Taking into consideration the following two reasons, the nature of the thesis would be deductive and quantitative: First, since the empirical work is guided by models and hypotheses that have been derived from preexisting theories, the research in this thesis can be classified as deductive in type. Second, as previous research on marketing strategy and export performance reviewed in chapter two provided adequate initial understanding of the research problem, which enables construction of a conceptual framework and research hypotheses, it would be logical to acquire the views of as many exporters as possible to provide generalizable results. Consequently, this study should be considered as a quantitative research.

Based on the above conclusion about the nature of the thesis and the fact that the study is grounded on a deductive and quantitative research approach, the next section presents the thesis' research design.

4.3. Research Design

Research design provides the fundamental framework for data collection and analysis of a study; it provides a comprehensive guide on the methods and procedures required for collecting and analyzing the necessary information (Nachmias and Nachmias, 2008). The right selection of research design becomes vital since it influences a large number of subsequent research activities.

Although there are several ways to classify research designs, a widely accepted method to categorize a research design is according to its purpose (research questions) or function (Saunders et al., 2009). The most common categorization of research design used in the literature is the threefold one of exploratory, descriptive and explanatory (Zikmund, 2003; Churchill and Iacobucci, 2006; Saunders et al., 2009).

Exploratory research is a useful approach in situations where you want to clarify your understanding of a problem and basically is designed for a particular topic within a problem area. Therefore, exploratory research is useful in splitting extensive and ambiguous research problems into smaller sub-research sets; it can be conducted in three ways: literature searches, expert interviews, and focus groups (Churchill and Iacobucci, 2006; Saunders et al., 2009).

Explanatory research also known as causal research is useful for studying cause-and-effect relationships among variables. Explanatory research attempts to construct that when one thing occurs others will follow. In this type of research it is essential to have an expectation of the relationship to be defined. Explanatory research demands a high level of control and can only be conducted when there is a distinct explanation of a problem (Zikmund, 2003).

Descriptive research, as the term implies, aims to explain characteristics of a phenomenon. Descriptive research is appropriate when there is a clear view of the research problem and it is usually based on some previous understanding of the research problem's nature (Zikmund, 2003; Saunders et al., 2009). This type of research design can be executed in

two ways: cross-sectional or longitudinal. Cross-sectional research involves a measurement of a particular sample's characteristics at defined periods. In contrast, longitudinal research involves a constant sample which is measured over an extended period (Churchill and Iacobucci, 2006).

According to Churchill and Iacobucci (2006), descriptive research design is the main form of research design often used in marketing research. Besides, Rindfleisch et al. (2008) note that cross-sectional research design represents the typical form of research design in many marketing studies. A review of literature shows that existing international marketing research has substantially used cross-sectional research design for collecting data (e.g. Skarmeas et al., 2002; Morgan et al., 2004; Robson et al., 2008; Hultman et al., 2011; Leonidou et al., 2011; Boso et al., 2013; Ibeh and Kasem, 2014). Moreover "longitudinal studies raise several potential problems, such as confounds due to intervening events and a reduction in sample size due to respondent attrition" (Rindfleisch et al., 2008, p.262). Due to limitations associated with longitudinal design (e.g. time and financial constraints), the adoption of longitudinal design was impossible for this research. Given the nature of this research and sufficient availability of evidence to formulate hypothesized relationships, cross-sectional design was selected to examine the relationships in the mentioned conceptual model.

4.4. Research Strategy

Saunders et al. (2009) have identified seven research strategies: experiment, survey, case study, action research, grounded theory, ethnography, and archival research. Yin (2003) classifies research strategy into five categories by considering three distinct conditions: (1) the type of research question posed, (2) the extent of control an investigator has over the actual behavioral events, and (3) the degree of focus on contemporary as opposed to historical events. Table 4.1 exhibits how each condition associates with the five alternative research strategies.

Table 4.2: Relevant Situation for Different Research Strategies

Research Strategy	Form of Research Question	Requires Control of Behavioral Events	Focuses on Contemporary Events
Experiment	How, Why	Yes	Yes
Survey	Who, What, Where, How many, How much	No	Yes
Archival analysis	Who, What, Where, How many, How much	No	Yes / No
History	How, Why	No	No
Case study	How, Why	No	Yes

Source: Yin (2003, p.5)

Due to the nature of this study, it was impossible to gain control of behavioral events and therefore, this research focused on contemporary events instead. Thus, experiment and history research strategies were eliminated from the applicable strategies. Moreover, case study and archival strategies were also excluded since this study was quantitative in nature and primary sources of data were essential for testing this study's hypotheses. Therefore, survey strategy became the research strategy for the current study.

4.5. Data Collection Method

Having opted for a cross-sectional research design and the survey method, the next step of the research involved selecting a feasible data collection method. Zikmund (2003, p.66) notes that "a survey is a research technique in which information is gathered from a sample of people using a questionnaire." Types of survey-based data collection methods differ according to the amount of contact needed with the respondents and how the design of questionnaire is administrated (Saunders et al., 2009). Two types of questionnaire are available including (1) self-administrated questionnaires (i.e., online questionnaires, mail questionnaires, and hand delivery questionnaires), and (2) interview-administrated questionnaires (i.e., telephone interviews and personal interviews) (Zikmund, 2003; Saunders et al., 2009). According to the research objectives, the aforementioned methods were weighted for their advantages and flaws.

Although the response rates and the amount of information that can be gained through personal interviews are much greater than the alternative methods, it is considered as an unsuitable method in terms of cost and time. Specifically, this research required collecting

data from exporting SMEs across the United Kingdom, and therefore it would have been too expressive to utilize face-to-face interviews (Yin, 2003; Churchill and Iacobucci, 2006; Saunders et al., 2009).

Given the nature of the current study, data collection through telephone interviews also had a number of major limitations. First, the sensitive characteristics of data that needed to be collected (e.g., sales and profit figures), could make respondents feel uncomfortable to revealing confidential information over the phone. Second, telephone interviews are inferior and may create inaccurate data when the interview is lengthy, especially with the 8-page questionnaire instrument used for the current study (Churchill and Iacobucci, 2006; Saunders et al., 2009).

Self-administrated questionnaires can be distributed both in paper format and electronically (e.g., email and online). A number of advantages associated with Self-administrated data collection methods have been brought forth. First, compared to interview-administrated data collection, this method is much cheaper, specifically if respondents are geographically spread (Bryman, 2004). Second, the method is less time constrained and allows respondents to collaborate at their own pace (Churchill and Iacobucci, 2006). Third, large numbers of respondents can be reached by self-administrated data collection methods, especially if the questionnaire is distributed electronically (Dillman, 2000). Fourth, the researcher can control potential perception bias between interviewer and interviewee through this method (Churchill and Iacobucci, 2006). Fifth, questionnaires conducted through the internet are more interactive. The researcher can utilize visual appeal (e.g. color, sound, and animation) to increase the respondent's cooperation and willingness to devote more time answering the questionnaires (Zikmund, 2003).

The main disadvantages of self-administrated questionnaires lie in low response rates and non-response bias (Rindfleisch et al., 2008; Churchill and Iacobucci, 2006). There are a number of methodological techniques and statistical procedures available in the literature to control theses pitfalls (e.g., Armstrong and Overton, 1977; Faria, and Dickinson, 1992; Dillman, 2000; Frohlich, 2002).

Moreover, this study required large data set to attain generalizable results and external validity, and the hypotheses presented in the previous chapter also required a highly structured questionnaire with standardized answers.

Given the problems associated with interview-administrated questionnaires and abovementioned requirements, the self-administrated method was chosen for the current study. According to Dillman et al. (2014), multiple modes of communication (i.e., paper-based and online questionnaires) were utilized in the current study to gain more opportunities to decrease research costs, to collect responses more quickly, to provide more dynamic communication with respondents, and to build trust. Following individual key informant preferences, a mail packet or a formal email with a questionnaire link was sent to each of the informants.

4.6. Questionnaire Design

Having proposed a plan for data collection, the next step was to design an appropriate questionnaire. Designing a questionnaire is one of the most important stages in the survey process. The response rate and accuracy of the collected data highly depend on the design of the questionnaire (Zikmund, 2003; Saunders et al., 2009). Although there is no unique process for designing an efficient and effective questionnaire, a review of the literature shows that professional scholars follow five key principles, including type of information sought, question wording, question sequencing, physical questionnaire design, and pretesting (e.g. Zikmund, 2003; Hair et al., 2006; Churchill and Iacobucci, 2006; Saunders et al., 2009). The following section describes these principles in detail.

4.6.1. Type of Information Sought

In order to empirically examine the research model, the constructs were translated into measurable items. This so-called operationalization included specifying empirical indicators for the measurement of each construct (Zikmund, 2003). At this stage, the existing literature was reviewed to locate proper indicators, preferably those that have been empirically tested before and reported in top academic journals. According to the research objectives, a structured questionnaire with standardized answers were utilized; open questions were only used when theoretically necessary (e.g. control variables). Although some nominal scales (e.g. type of product, export country) and several ratio scales (e.g.

number of export markets, number of years exporting) were employed, the majority of scales in this study were interval type. In order to ensure high content validity and create variation among responses, a 7-point numerical scale was used. Besides, a review of the current literature shows that the same type of scale has been employed by researchers in international marketing (e.g. Katsikeas et al., 2009; Hultman et al., 2009; Spyropoulou et al., 2010; Morgan et al., 2011; Leonidou et al., 2011). The initial constructs were refined and pretested using face-to-face interviews with export managers. More information about the pretesting procedure is provided in section 4.6.5.

The following section presents the constructs and items that were utilized in the study.

4.6.1.1. Knowledge Base of Export Ventures

The first group of examined variables consisted of the knowledge factors that create the knowledge base of export ventures. In line with the exporting literature as discussed in chapter two, export venture market knowledge and international experience are viewed as important elements of the knowledge base of export ventures.

Export Market Knowledge

Export venture market knowledge was represented by export venture business knowledge and export venture institutional knowledge. To measure the export venture business knowledge, items were adopted from Morgan et al. (2003) and Zhou et al. (2010). In order to examine export venture institutional knowledge, new measures were developed. Specifically, this study used Eriksson et al. (1997), Hadley and Wilson (2003), and Zhou et al.'s (2010) works on foreign market knowledge as a guiding framework to develop the export venture institutional knowledge construct. The existing constructs tend to measure limited external-macroenvironmental factors (i.e., language and norms, regulations and government agencies), whereas literature shows that the international marketing macroenvironment can be examined through five sub-environments (also known as SLEPT or PESTL approach): social, legal, economic, political and technological (Doole and Lowe, 2008; Hooley et al., 2012). The study fieldwork interviews also indicated that SLEPT factors are viewed by managers as pivotal export venture knowledge resources that enable export managers to better understand the competitive environment of the export markets.

For instance during the face-to-face interview, a marketing director mentioned the following:

"*…we use DPM [Directional Policy Matrix] as a competitive weapon in our export markets and in order to define market attractiveness we run SLEPT analysis…*"

Therefore, there were four new items in this construct that were developed based on fieldwork interviews and the SLEPT approach (Doole and Lowe, 2008; Hooley et al., 2012), and three items adopted from Eriksson et al. (1997) and Zhou et al. (2010). All items were utilized a seven-point Likert scale, with anchors at 1 = "much worse" and 7 = "much better". The question pertaining to these constructs was posed as "Please rate your firm's export market knowledge in the following areas compared to your major competitors in the export venture market." Table 4.2 shows the variables used.

Table 4.3: Measurement of Construct Relating to the Export Venture Market Knowledge Factors

Construct/Variable	Items used	Adapted from
Export venture business knowledge	1. The export market competitors 2. The export market customers 3. The export market distribution channels 4. The export market suppliers 5. Effective marketing in this export market	Morgan et al. (2003); Zhou et al. (2010)
Export venture institutional knowledge	1. The export market social environment 2. The export market political environment 3. The export market economic conditions 4. The export market technological conditions 5. The export market language and norms 6. The export market laws and regulations 7. The export market government agencies	Eriksson et al. (1997); Zhou et al. (2010); field interviews

International Experience

The literature review established that international experience is a function of an exporting firm's international psychic dispersion, duration, and multinationality, with the three dimensions together capturing a firm's distinct experience profile (Cadogan et al., 2009; Hultman et al., 2011). As for the international experience components this study measured

duration of exporting on the basis of the natural logarithm of the number of years the firm has been involved in exporting activities (Cavusgil et al., 1993; Hultman et al., 2011). Multinationality was captured as the logarithmic transformation of the number of countries to which the firm currently exports (Cavusgil et al., 1993; Hultman et al., 2011). To measure psychic dispersion, respondents were asked to indicate the number of distinct regions to which their firms currently exports (Sullivan, 1994; Cadogan et al., 2009). More information about the constructs is provided in Table 4.3.

Table 4.4: Measurement of Construct Relating to the International Experience Factors

Construct/Variable	Items used	Adapted from
Duration	Please indicate the (approximate) number of years your firm has been exporting:	Cavusgil et al., 1993; Hultman et al., 2011
Multinationality	Please indicate the (approximate) number of countries to which your firm currently exports.	Cavusgil et al., 1993; Hultman et al., 2011
Psychic dispersion	Please select the regions to which your firm currently exports: Western Europe (including Scandinavia), Russia and Baltic countries, Eastern Europe, Africa, North America, South/Central, America, Middle East, Asia and Australia and New Zealand	Sullivan, 1994; Cadogan et al., 2009

4.6.1.2. Specialized Marketing Capabilities

Specialized marketing capabilities were operationally defined in this study as a multidimensional construct including pricing, product development, channel management, delivery management, post-sale service, marketing communication and selling. Consequently, seven individual constructs relating to each of the marketing capabilities factors were developed and 29 items adopted from Morgan et al. (2012). In this study, specialized marketing capabilities was measured as a second-order construct with seven dimensions.

All items were measured on a seven-point Likert scale, with anchors at 1 = "much worse" and 7 = "much better". The question pertaining to these constructs was posed as "With the selected export venture in mind, please rate your firm's export marketing capabilities in the

following areas compared to your major competitors". Table 4.4 shows more details on the variables used to capture the concept of specialized marketing capabilities.

Table 4.5: Measurement of Construct Relating to the Specialized Marketing Capabilities Factors

Construct/Variable	Items used	Adapted from
Pricing	1. Doing an effective job of pricing the export venture products 2. Using pricing skills to respond quickly to any customer need changes 3. Communicating pricing structure and levels to customers 4. Being creative in "bundling" pricing deals	Morgan et al. (2012)
Product development	1. Managing new export venture products 2. Developing new export venture products to exploit R&D investment 3. Ensuring that product development efforts are responsive to customer needs in this export market 4. Ability to develop new export venture products 5. Speedily developing and launching new export venture products	Morgan et al. (2012)
Channel management	1. Attracting and retaining the best distributors in this export market 2. Satisfying the needs of distributors in this export market 3. Closeness in working with distributors/retailers in this export market 4. Adding value to our distributor's businesses in this export market	Morgan et al. (2012)
Delivery management	1. Quickly delivering products once they are ordered 2. Shipping products overseas on time 3. Making it easy for products to be returned 4. Meeting delivery promises to foreign customers	Morgan et al. (2012)
Post-sale service	1. Delivering high quality after-sale service overseas 2. Attracting and retaining after-sale service personnel 3. Training after-sale service personnel 4. Responding quickly to service requests of export customers	Morgan et al. (2012)
Marketing communication	1. Developing effective export advertising and promotion programs 2. Using advertising and promotion creativity 3. Skillfully using marketing communications 4. Effectively managing marketing communications programs overseas	Morgan et al. (2012)
Selling	1. The selling skills of salespeople 2. Retaining good export salespeople and sales managers 3. Providing effective sales support to the sales force and distributors 4. Export sales management skills	Morgan et al. (2012)

4.6.1.3. Export Business Strategy

As argued in the literature review, the business strategy scales used in this study were based on Porter's (1980) three generic strategies: cost leadership, differentiation, and niche. To identify proper indicators for each construct, a substantial literature review was undertaken. This resulted in four items relating to cost leadership, four items connected to differentiation and seven items relating to niche.

Seven-point Likert scales were used. These were anchored at 1 = "strongly disagree" to 7 = "strongly agree". A complete list of the items used to assess the export venture business strategy construct is presented in Table 4.5.

Table 4.6: Measurement of Construct Relating to the Export Business Strategy Factors

Construct/Variable	Items used	Adapted from
Cost leadership strategy	1. Providing low cost services 2. Pursuing cost advantage of raw material procurement 3. Pursuing economies of scale 4. Finding ways to reduce costs of production	Vorhies et al. (2009); Qi et al. (2011)
Differentiation strategy	1. Differentiating our products from our competitors 2. Maintaining higher quality standard for our products 3. Providing unique services 4. Offering highly differentiated services	Aulakh et al. (2000); Yarbrough et al. (2011)
Niche strategy	1. Focusing on a small segment / target market where there are few competitors 2. Producing so specialized products that competitors have difficulties entering our niche 3. Focusing on a particular type of customer or geographic area 4. Offering a broader range of products /services than our competitors (R)* 5. Serving more diverse sets of customers than our competitors (R)* 6. Appealing to a specific "niche" in the marketplace 7. Developing specific market niches	Solberg and Durrieu (2008); Vorhies et al. (2009); Yarbrough et al. (2011)

* Reverse coded

4.6.1.4. Export Performance

Although a review of exporting literature indicates that there is no consistent and widely accepted measure of export performance, the general agreement is that multiple dimensions should be employed to capture all the intricacies of a multifaceted construct (Katsikeas et al., 2000; Lages and Lages, 2004; Sousa, 2004; Lages et al., 2005; Sousa et al., 2008; Hult et al., 2008; Wheeler et al., 2008).

Consistent with previous studies (e.g., Hultman et al., 2009; Bello et al., 2010; Morgan et al., 2012), perceptual performance measures were used in this study because (1) field interviews indicated that managers are usually unwilling to reveal objective performance data, (2) firm financial statements do not report financial data at the venture level (Katsikeas et al., 2000), (3) managerial decisions are mainly driven by perceptions of firm performance (Day, 1994; Morgan et al., 2004), (4) some objective measures (e.g., profitability) are contingent on internal accounting operations such as overhead allocation and depreciation (Morgan et al., 2012), and (5) a number of studies (e.g., Hart and Banbury, 1994: Ketokivi and Schroder, 2004; Morgan et al., 2004) report high correlation between perceptual and objective performance.

Since two competitive strategies (i.e., cost niche and differentiation niche) were conceptualized as immediate precursors to a firm's export performance (Day, 1994; Morgan, 2012), three different aspects of export performance (i.e., customer, market, and financial) were employed in this study to measure the competitive strategy outcomes properly.

Moreover, the field interviews indicated that SMEs export strategy goals are usually set in terms of market (e.g., export sales growth, market share), customer (e.g., customer satisfaction, customer service) and financial (e.g., export profitability, export sales) criteria.

Therefore, in this study export performance was measured as a second-order construct with three dimensions: financial performance, market performance, and customer performance.

All items were measured on a seven-point Likert scale, with anchors at 1 = "much worse" and 7 = "much better". The question pertaining to these constructs was posed as "Please evaluate the performance of your export venture over the past year relative to your major

competitors". Table 4.6 shows more details on the variables used to capture the concept of export performance.

Table 4.7: Measurement of Construct Relating to the Export Performance Factors

Construct/Variable	Items used	Adapted from
Market performance	1. Cash flows 2. Sales volume 3. Sales growth 4. New product sales 5. Market share 6. Market share growth	Hultman et al., 2011; Morgan et al., 2012; field interviews
Financial performance	1. Export venture profitability 2. Return on investment (ROI) 3. Export venture profit margin 4. Reaching export venture financial goals 5. Return on export sales	Hultman et al., 2011; Morgan et al., 2012; field interviews
Customer performance	1. Customer satisfaction 2. Customer retention 3. New customer generation 4. Customer service 5. Customer referral	Morgan et al., 2004; Hultman et al., 2011; field interviews

4.6.1.5.Control Variables

In line with the literature (e.g., Morgan et al., 2003; Ibeh and Kasem, 2014), three control variables were tested: competitive intensity, firm size, and industry type. To control for industry and firm heterogeneity effects on performance, an industry dummy variable (service or manufacturing), and a logarithmic transformation of total number of employees as an indicator of firm size were included (Morgan et al., 2009; Boso et al., 2013). In addition, competitive intensity in the export market was used to control for potential difference across export market conditions (Morgan et al., 2012). Competitive intensity was measured on a seven-point Likert scale, with anchors at 1 = "strongly disagree" to 7 = "strongly agree". The question posed for this construct was "Please indicate how much you agree or disagree with the following statements concerning the competitive environment in your export venture market". More details about the competitive intensity construct are presented in Table 4.7.

Table 4.8: Measurement of Construct Relating to the Competitive Intensity Factors

Construct/Variable	Items used	Adapted from
Competitive intensity	1. Competition in this export market is cut-throat 2. There are many "promotion" wars in this export market 3. Anything that one competitor can offer others can match easily 4. Price competition is a hallmark of this export market 5. One hears of a new competitive move in this export market almost every day 6. Firms in the export market aggressively fight to hold onto their share of the market	Murray et al., 2011; Morgan et al., 2012; field interviews

4.6.2. Question Wording

In view of the fact that the means of data collection for the current study was self-administered questionnaires, the question format and question phrasing became vitally important. In order to phrase the questions clearly and concisely, some guidelines recommended by scholars (e.g., Zikmund, 2003; Hair et al., 2006; Churchill and Iacobucci, 2006; Saunders et al., 2009) were employed to prevent the common mistakes in question wording. Specifically, generalizations, double-barreled questions, implicit alternatives, assumptions, and leading wordings were avoided.

Moreover, clear instructions, including precise definitions examples of export ventures were provided at the beginning of the questionnaire. In addition, the questions were numbered appropriately and consistently spaced to increase the clarity and simplicity of the questionnaire.

4.6.3. Question Sequencing

According to Zikmund (2003), sequence of questions in a questionnaire can have a significant effect on respondents' cooperation and willingness to take part in a study. Some scholars advise that the questions should be set in a logical order from the respondent's point of view (Hair et al., 2006; Churchill and Iacobucci, 2006; Saunders et al., 2009). In this study, the questionnaire was divided into eleven sections and clear instructions were included at the beginning of each section to assist the informants in completing the questions properly. The questionnaire started with broader and simple questions and

eventually narrowed down to specific and classificatory questions (Zikmund, 2003; Hair et al., 2006; Churchill and Iacobucci, 2006; Saunders et al., 2009).

4.6.4. Physical Questionnaire Design

The physical layout of the questionnaire also plays a critical role in attracting respondents' attention which consequently influences response rate (Churchill and Iacobucci, 2006). In line with many researchers (e.g., Hultman et al., 2009; Morgan et al., 2012, Boso et al., 2013), the Tailored Design Method (TDM) was used to administer the survey effectively. The TDM is based upon consideration of social exchange theory and is in essence a system of interconnected procedures for generating high quality surveys (Dillman et al., 2014). TDM develops techniques that reduce four types of survey error (i.e., coverage, sampling, nonresponse, and measurement). The following TDM techniques were considered for the study at hand:

- The questionnaires were accompanied with professional cover letters that were printed on the University of Leeds letterhead (Appendix A).

- Paper-based questionnaires were printed on high quality office paper.

- Online questionnaire was created using Bristol Online Survey. The online questionnaire had the official University of Leeds web address so that the risk of being mistaken for junk email was minimized.

- The envelopes containing the survey packages or the emails containing survey link were individually addressed to the key informants that had been identified via prior phone calls.

- Prepaid and pre-addressed envelopes were accompanied with the survey packages.

4.6.5. Pretesting

It is recommended that the questionnaires are pretested before proceeding with the main data collection to ensure that there are no fundamental problems regarding clarity and instructions of the questions (Zikmund, 2003; Hair et al., 2006). According to Zikmund (2003), content validity must be tested before to any theory assessment. This is especially

important when new measures are employed and when existing measures are adapted to new contexts. Face validity can be confirmed by asking experts in the field to review the constructs and measurements. Moreover, pilot studies are recommended to test the clarity and relevance of each of the questions (Hair et al., 2006). Specifically, the study employed the aforementioned procedures to ascertain content validly of the measures. First, an initial version of the questionnaire was revised through in-depth discussions with five scholars familiar with research on learning processes, knowledge management, and exporting. Based on the panel feedback, some revisions were made to the questionnaire. Second, a revised questionnaire was reviewed by an academic researcher with profound knowledge of international marketing. This expert recommended further revisions in terms of the questionnaire layout and replacement of some items. Third, in addition to the recommendations from academic experts, five face-to-face interviews with British export managers were conducted. As a result of these interviews, some items were reworded due to their overly academic tone. Fourth, in accordance with Churchill and Iacobucci (2006), a pilot study was conducted to find any administration problems, and also to reveal an indication of the response rate for the main study. The pilot survey was performed targeting 40 export managers out of which 14 completed questionnaires were received (all excluded from the final sample). In order to get optimum results, the pilot study used the same sampling frame as the main study. Following the pretest, psychometric analysis was performed to evaluate and to refine the measures.

Since the pretest disclosed no major problems with wording, clarity, and questionnaire design, it was decided to proceed to the next phase of the survey.

4.7. Sampling Frame

In consistent with Zikmund (2003) and Saunders et al. (2009), it is nearly impossible to collect and analyze all available data in a population due to limitations in time, money, and accessibility. They argue that a sample can be used as long as it represents the underlying population. The population of interest for this thesis was exporting SMEs located in the UK. Due to the fact that there are more than 63,000 exporting SMEs operating in the UK (Small Business Survey 2012), a sample investigation was more appropriate for the study.

Although several business directories were available which provided company lists, only four directories supplied accurate information, namely: Dun & Bradstreet, Financial Times Business List, FAME, and Queen's Awards for International trade directory. These sampling frames were thoroughly investigated to identify the most appropriate directory. Based on the requirements of the study and practical reasons, Dun & Bradstreet and Queen's Awards for International trade directories were eventually selected. The Queen's Awards press books (2008-2013) were ordered specifically for the current study form the Queen's Awards office in London.

4.7.1. Sample Selection

On the basis of the classification developed by the EU for SMEs, this study selected firms with 10 to 249 employees. Given the aim of enhancing understanding of SMEs' international competitiveness in general, and to enhance observed variance and generalizability, this research employed a multi-industry sample (Bello and Gilliland, 1997; Samiee and Anckar, 1998; Morgan et. al., 2004; Murray et. al., 2011). This generated a list of 1040 firms and these were used for both the pilot study (40 firms) and main survey studies (1000 firms).

The main study sample were initially contacted by phone to (1) evaluate the eligibility of firms, (2) verify their contact details, (3) find key informants, (4) prenotify the informant of the execution and objectives of the study, and (5) to determine whether the informant preferred a mail packet or an online version of the questionnaire. Consequently, following a series of telephone calls, a list of 658 exporting SMEs remained. The residual firms were dropped from the sample because firms had ceased exporting (31 firms), key informants could not be reached (49 firms), research topic was not related to their business (16 firms), informants were unwilling to take part in the survey (28 firms), the firm had less than 10 or more than 250 employees (197 firms), or the company had a policy of not participating in external surveys (21 firms). The reasons for exclusion from the sample are presented in Table 4.8.

Table 4.9: The Reasons for Exclusion from the Sample after Phone Contact

Reasons for being deleted	Frequency
No longer exporting	31
Unavailable contact details	49
Not related	16
Not interested	28
Large company	197
Company policy	21
Sum	**342**

4.8. Survey Response

According to individual key informant preferences, a mail packet or a formal email with a questionnaire link was sent to each of the remaining 658 informants. Following two additional phone calls, two follow-up letters and emails, 224 questionnaires were received. Owing to extensive missing data, 16 questionnaires were excluded and 7 more questionnaires were removed because they failed the post-hoc key informant quality test (discussed subsequently). Therefore, 201 completed and usable questionnaires remained for an effective response rate of 31%, which is in line with previous research in the field (e.g., Morgan et al., 2012).

The above mentioned post-hoc test consisted of three questions at the end of the questionnaire evaluating informant knowledge of the export venture activity, responsibility for the firm activity in the export market, and confidence in completing the questionnaire. All questions were posed with seven-point scales anchored by (1) "very low" and (7) "very high". According to Kumar et al. (1993), all questionnaires with a rating lower than 4 on one of the above items were removed. The mean composite rating after removal was 6.26, providing that informants were highly qualified for the study. Key respondent characteristics are presented in Table 4.9.

Table 4.10: Key Informant Characteristics

Respondents' position	Frequency	Percent
CEO	93	46%
Sales director/manager	35	17%
Export manager	34	17%
Marketing director/manager	12	6%
International sales director/manager	11	5%
Commercial director/manager	9	4%
Business development manager	7	3%
General information	**Mean (S.D)**	**Median**
Number of years working at the firm	13.95 (10.3)	11
Number of years working with exporting	19.18 (10.9)	20

4.8.1. Nonresponse Bias

Non-response is a problem that can emerge from self-administrated surveys. It arises when respondents are dissimilar to non-respondents on the characteristics of interest (Malhotra and Birks, 2007). In this study, non-response bias was examined through the procedures suggested by Armstrong and Overton (1977). Late respondents were determined as those firms who responded after at least the first reminder whilst those respondents who replied after the first call were defined as early respondents. To evaluate non-response bias, first early and late respondents were compared in terms of study constructs. As presented in Table 4.10, there were no significant differences between early and late respondents. Second, since objective data (e.g., export sales turnover and number of employees) were also collected for the current and future studies, these objective data were used to compare the 201 participants and a group of 41 randomly selected non-participant firms. The t-test (Table 4.11) revealed no significant differences between participant and non-participant firms in terms of number of fulltime employees and annual export sales. Thus, non-response bias did not appear to be a problem in this study.

Table 4.11: Early and Late Response Bias Assessment

Variables	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference
Competitive intensity	-1.44	199	.15	-.27	.19
Export performance (composite measure)	-.15	199	.88	-.02	.15
Export venture institutional knowledge	.15	199	.88	.02	.14
Export venture business knowledge	-.89	199	.38	-.13	.14
Marketing capabilities (composite measure)	-.60	199	.55	-.07	.12
Multinationality	-1.47	199	.14	-.20	.14
Duration	-.74	199	.46	-.08	.10

Table 4.12: Response and Non-Response Bias Assessment

Variables	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference
Number of employees	.16	240	.87	2.01	12.20
Export sales turnover	1.4	240	.16	5433267.69	3845973.12

4.8.2. Common Methods Bias

Common methods bias (CMB) can affect a study when dependent and independent variables are provided by a single respondent (Podsakoff et al., 2003). To avoid potential common method bias, *ex ante* procedural remedies recommended by Podsakoff et al. (2003) were incorporated in this study, such as using simple and specific measures, mixing construct items, and using multiple data sources. Moreover, although the unit of analysis (venture level) did not allow the study to collect objective performance data, objective total export sales was collected at firm level for each participant firm from multiple secondary sources such as FAME and ICC Plum databases. The objective total export sales was correlated against the subjective total export sales obtained from the questionnaire, where a significant correlation would imply some measure validity and absence of common methods bias (Rindfleisch et al., 2008). The correlation analysis showed a very high correlation of 0.91 ($p < 0.01$) between the objective and subjective export sales data. Thus, the correlation analysis supported the aforementioned assumption.

In addition to the *ex ante* procedural remedies and the correlation test, an *ex post* analysis of Harman's (1967) single-factor test through confirmatory factor analysis (CFA) was also performed (Podsakoff et al., 2003). The results revealed unsatisfactory model fit ($\chi^2_{(499)}$=23983.93, NFI = .69, NNFI = .68, CFI = .70, RMSEA = .48). Thus, the combined efforts and analyses strongly indicated that CMB did not pose a problem in this study.

4.9. Data Analysis Techniques

This thesis employed a number of different statistical methods to analyze the collected data. The main statistical packages employed for the thesis were SPSS (version 19) and EQS (version 6.2).

4.9.1. Data Examination and Descriptive Statistics

Since the research model examined more than one relationship between two variables, it is necessary to use multivariate data analysis (Hair et al., 2010). Multivariate analysis "refers to all statistical techniques that simultaneously analyze multiple measurements on individuals or objects under investigation" (Hair et al., 2010, p.4). Before conducting multivariate techniques, descriptive statistics were used to transform raw data into a form that makes it easier to analyze and interpret, such as measures for frequency distribution, central tendency, and dispersion (standard deviation, skewness, and kurtosis). In addition, the data were also checked in terms of normality and outliers since these can potentially have an effect on the study's results. The data analysis and results are available in the subsequent chapter.

4.9.2. Measure Development Procedures

A fundamental task before any attempt to test hypotheses is to assess the reliability and validity of the measures used in the study. Hence, this section explains the recommended psychometric procedures that were utilized in developing measures for this thesis following guidelines from the literature (e.g., Fornell and Larcker, 1981; Anderson and Gerbing, 1988; Hair et al., 2007; Bagozzi and Yi, 2012; DeVellis, 2012).

4.9.2.1.Reliability Assessment

According to DeVellis (2012), item analysis helps to examine the homogeneity of the items within a scale. Construct reliability refers to the degree to which measures are free from

random error and therefore capable of creating results that are consistent (Zikmund, 2003). To this end, each item and scale were first analyzed using Cronbach's (1951) alpha technique provided in SPSS Second, the internal consistency of the measurement scales were examined by performing item-to-total correlation analysis. Third, composite reliability (CR) was calculated to further assess scale reliability. In the latter, it is recommended that a value of minimum 0.7 should be achieved (Bagozzi and Yi, 1988). Fourth, average variance extracted (AVE) was calculated for all constructs included in the conceptual model. According to Fornell and Larcker (1981), AVEs of 0.5 or above are acceptable. CR and AVE were calculated using the following equations (Hair et al., 2010):

$$CR = \frac{(\sum_{i=1}^{n} \lambda_i)^2}{(\sum_{i=1}^{n} \lambda_i)^2 + (\sum_{i=1}^{n} \delta_i)}$$

Where:

λ = the standardized factor loading

δ = the error variance term

i = the number of items in the construct

$$AVE = \frac{\sum_{i=1}^{n} \lambda_i^2}{n}$$

Where:

λ = the standardized factor loading

i = the number of items in the construct

4.9.2.2. Validity Assessment

Hair et al. (2010) define validity as the extent to which the instruments completely and accurately measure the constructs that they are planned to measure. For the current thesis three types of validity were assessed: (1) face validity (content validity), (2) construct validity, and (3) criterion validity (nomological validity).

Face validity refers to the extent to which a construct is subjectively presented as covering the concept it is assigned to measure (Hair et al., 2007). The content validity was assessed

during the questionnaire pretesting phase where the draft questionnaire was reviewed and pretested by both scholars and managers (section 4.6.5).

Construct validity refers to "the extent to which indicators of a construct measure what they are purported to measure" (Bagozzi and Yi, 2012, p.18). According to Bagozzi et al. (1991), two aspects of construct validity were examined in this thesis: (1) discriminant validity and (2) convergent validity. Specifically, "a measure of a theoretical concept has convergent validity when it is highly correlated with different measures of similar constructs. A measure has discriminant validity when it has a low correlation with measure of dissimilar concepts" (Zikmund, 2003, p.304).

The current thesis examined the discriminant validity in two ways. First, Fornell and Larcker's (1981) procedure was applied by comparing the AVEs for each construct with the shared variances between pairs of constructs. Second, in line with Anderson and Gerbing (1988), a series of chi-square difference tests were conducted.

Convergent validity was assessed through confirmatory factor analysis (CFA); the principle for acceptable convergent validity was that all items in a certain scale, load strongly on its intended factor with the recommended standard of at least 0.5 and preferably 0.7 or higher (Gerbing and Anderson, 1988). Furthermore, CR and AVE for each latent construct should exceed the recommended thresholds of 0.7 and 0.5 respectively (Bagozzi and Yi, 2012).

Criterion validity refers to the degree to which a construct is able to predict or estimate other constructs, and assess whether a measure performs as expected in relation to other variables (Blumberg et al., 2005). The criterion validity in this study was assessed through the hypothesis testing.

4.9.2.3.Measurement Model Assessment

Factor analysis is the oldest and most prominent statistical procedure for assessing the relationship between sets of latent variables (Byrne, 2006). Two types of factor analysis are generally used: exploratory factor analysis (EFA) and confirmatory factor analyses (CFA). Byrne (2006, p.6) defines EFA and CFA: "EFA is designed for the situation in which links between the observed and latent variables are unknown or uncertain. In contrast CFA is appropriately used when the researcher has some knowledge of the underlying latent

variable structure". Moreover, EFA fails to distinguish between set of items that are presented separately but are correlated factors (Gerbing and Anderson, 1988; Bagozzi and Yi, 2012).

CFA was utilized for assessing the empirical validation of each measure used in this study, since all latent variables and their observed indicators had been determined in advance based on relevant theory and empirical research.

According to Ping (2004), CFA provides an appropriate analytical technique to ensure that the constructs constituting a framework are well established and validated. Briefly, CFA assesses the unique error terms related to the items included in the model, their inter-correlation, and their effects on the observed item scores. The results of the CFA indicate whether the hypothesized model adequately reflects the underlying data (Byrne, 2006).

The statistical package employed for performing CFA was EQS (version 6.2). In each measurement model the elliptical reweighted least squares (ERLS) estimation method was used which provides unbiased parameter estimates for both multivariate non-normal and normal data (Sharma et al., 1989; Zou and Cavusgil, 2002). Besides, ERLS method has been used successfully in previous marketing studies (e.g., Morgan et al., 2004; Katsikeas et al., 2009; Bello et al., 2010).

Several goodness-of-fit and badness-of-fit indices have been recommended in the psychometric literature (e.g., Hu and Bentler, 1998; Barrett, 2007; Hair et al., 2010; Bagozzi and Yi, 2012) and a number of them have been applied widely in the marketing studies (e.g., Katsikeas et al., 2009; Bello et al., 2010; Lisboa et al., 2013). To assess model fit both absolute (e.g., chi-square and RMSEA) and relative (e.g., NFI, NNFI, and CFI) fit indices were used in this study (Hair et al., 2010). Table 4.12 presents a summary of the fit indices that were used for assessing fit in this thesis.

Table 4.13: Summary of Fit Indices

Index	Recommended Threshold values
Chi-Square (χ^2)	≥ 0.05
Normed Fit Index (NFI)	≥ 0.90
Non-Normed Fit Index (NNFI)	≥ 0.95
Comparative Fit Index (CFI)	≥ 0.95
Root Mean square Error of Approximation (RMSEA)	≤ 0.08

Source: Adopted from Bagozzi and Yi (2012)

4.9.3. Hypothesis Testing

The structural equation modeling (SEM) approach was used to test the hypotheses. The use of SEM provides benefits, which are impossible to achieve with first-generation statistical methods (e.g., ANOVA, multiple regressions). Specifically, measurement error in indicators of latent variables can be assessed explicitly (Bagozzi and Yi, 2012). Moreover, SEM incorporates both observed and unobserved (i.e., latent) variables whilst former methods are only based on observed measurements (Byrne, 2006). In addition, SEM enables researchers with a comprehensive tool for examining and amending theoretical models (Gerbing and Anderson, 1988). Finally, there is no other easily and widely applied alternative procedure for testing interval indirect effects (Byrne, 2006; Hair et al., 2006).

4.10. Chapter Summary

This chapter addressed the methodology used for examining the conceptual framework and hypotheses. Specifically, it was discussed that a cross-sectional design was appropriate for the study. Questionnaire-based postal and online survey methods were selected as they ensured faster and more reliable responses. Regarding the sample, 658 eligible exporting firms were contacted and 201 usable responses were received providing a 31% effective response rate. The combined efforts and analyses strongly indicated that nonresponse and CMB did not pose a problem in this study. Finally, scale development strategies and hypothesis testing method were presented.

CHAPTER 5

ANALYSIS AND RESULTS

The aim of this chapter is to present and analyze the results of the empirical investigation that was conducted for this thesis. Accordingly, this chapter is divided into four sections. First, the general characteristics of the firms provided information for the study are presented in section 5.1. Then, the descriptive findings of the data are examined and explained in section 5.2. The subsequent section presents the measure development procedures in preparation for the hypothesis testing. Finally, section 5.4 reports and discusses the results of hypothesis testing.

5.1. Profile of the Firms

This section describes the general characteristics of the exporting firms that provided data for the research. This information is important because it develops a basic understanding of the context that was explored and generates a primary impression of the research sample.

As can be seen in Table 5.1, on average the firms studied employed 79 full-time employees, and have been in business for 43 years out of which an average of 26 years have been committed to export operations. The firms have exported to 40 countries and on average have operated in 5 continents. In addition, the firms have average total annual sales of GBP17.23 Million with 61% accounted for by export sales (i.e. GBP 10.55 Million). Moreover, 84% of the exporting firms in the sample were manufacturers while 16% concentrated on exporting services to the foreign markets. In terms of the type of products served by the firms, 171 firms (85%) reported that they dealt with other business firms in the export markets (e.g., local suppliers) and 15% (30 firms) indicated that they sold directly to consumers in the export markets. The table presents some key demographic characteristics of the firms. It shows that the great majority of firms appear to export primarily to Asian and European markets with more than 70% of the products ending up in Asia and Europe. These markets were followed by America (19%), Africa (6%), and Australia and New Zealand (3%). Despite the fact that the UK is part of the EU market; the table reveals that only 36% of the firms exported to culturally close markets.

Table 5.1: Firm Characteristics

General information	Min	Max	Mean	Median	SD
Number of full-time employees	10	250	78.60	53	72.21
Firm age (Year)	4	230	42.57	30	39.23
Years exporting	3	150	25.63	20	21.17
Number of export markets	1	170	39.55	30	31.14
Number of export regions	1	7	5.35	6	1.75
Annual sales (GBP* Millions)	0.2	128.42	17.23	8.43	21.76
Annual export sales (GBP Millions)	0.05	122	10.55	4.89	17.24
Export venture markets	**Frequency**			**Percent**	
Asia	72			36%	
Europe	72			36%	
America	38			19%	
Africa	13			6%	
Australia and New Zealand	6			3%	
Product Category					
Industrial products (B2B)	171			85%	
Consumer products (B2C)	30			15%	
Business Type					
Manufacturers	169			84%	
Services	32			16%	

*GBP = Great Britain Pound

5.2. Descriptive Analysis and Data Examination

The purpose of this section is to outline the descriptive findings generated from the empirical examination. This analysis was performed to obtain a basic understanding of the data and make sure that each construct was accurate for hypotheses testing. Specifically, it involves presenting measures for frequency distributions, central tendency (mean and median), and dispersion (standard deviation, skewness, and kurtosis). In addition, the data were also examined in terms of normality. Normality can be examined by analyzing the skewness and kurtosis of each variable. According to Hair et al. (2007), if the data presents a skewness value outside the range of -1 to +1 and a kurtosis value above +3 and below -3, it could be regarded as substantially skewed and non-normal data. The statistics will be presented in the order of the conceptual model depicted in chapter three. Table 5.2 presents the descriptive results for the study scales.

Table 5.2: Descriptive Statistics for the Study Scales

	Mean	Median	SD	Skewness	Kurtosis
Export Institutional Knowledge	4.71	5	0.97	-0.36	0.06
Export Business Knowledge	4.92	5	1.00	-0.44	0.51
Multinationality	39.55	30	31.14	1.31	1.71
Duration	25.63	20	21.17	2.44	8.23
Psychic Dispersion	5.35	6	1.75	-0.88	-0.16
Pricing Capability	5.14	5	1.08	-0.33	-0.38
Product Development Capability	4.80	5	1.21	-0.61	0.54
Channel Management Capability	4.89	5	1.34	-0.51	0.16
Delivery Management Capability	5.18	6	1.11	-0.52	-0.09
Post-Sale Service Capability	5.15	5	1.09	-0.26	-0.39
Marketing Communication Capability	4.24	4	1.29	0.03	-0.50
Selling Capability	5.23	5	1.10	-0.69	0.56
Specialized Marketing Capabilities (aggregated)	4.95	5	0.86	-0.37	0.30
Cost Leadership Strategy	4.31	5	1.47	-0.39	-0.52
Differentiation Strategy	5.61	6	1.12	-1.03	1.25
Niche Strategy	4.92	5	1.07	-0.40	-0.02
Market Performance	4.60	5	1.12	-0.33	0.10
Financial Performance	4.54	5	1.15	-0.08	-0.08
Customer Performance	5.17	5	1.07	-0.47	0.44
Export Performance (aggregated)	4.77	5	0.99	-0.31	0.43
Competitive Intensity	3.69	4	1.21	0.18	-0.40
Firm size	78.60	53	72.21	1.29	0.46

5.2.1. Export Market Knowledge

As previously discussed, export venture market knowledge was represented by two constructs, namely, export venture institutional knowledge and export venture business knowledge. Figures 5.1 and 5.2 present the histogram for the constructs. When attending to the survey, the respondents were asked to compare the chosen export venture's market knowledge to that of their main competitors in the selected export market. As shown in Table 5.2, the mean and median scores for both institutional and business knowledge (mean = 4.71 and 4.92; median = 5 and 5, respectively) appear to be above the midpoint (i.e. 4). In fact, it shows that a majority of the respondents perceives their export institutional knowledge and export business knowledge to be slightly better than that of their competitors in the export markets. According to Hair et al. (2007), the distribution of scales and low values for skewness (-0.36 and -0.44, respectively) and kurtosis (0.06 and 0.51, respectively) indicate that the data is normally distributed.

Figure 5.1: Export Institutional Knowledge Frequency Distribution
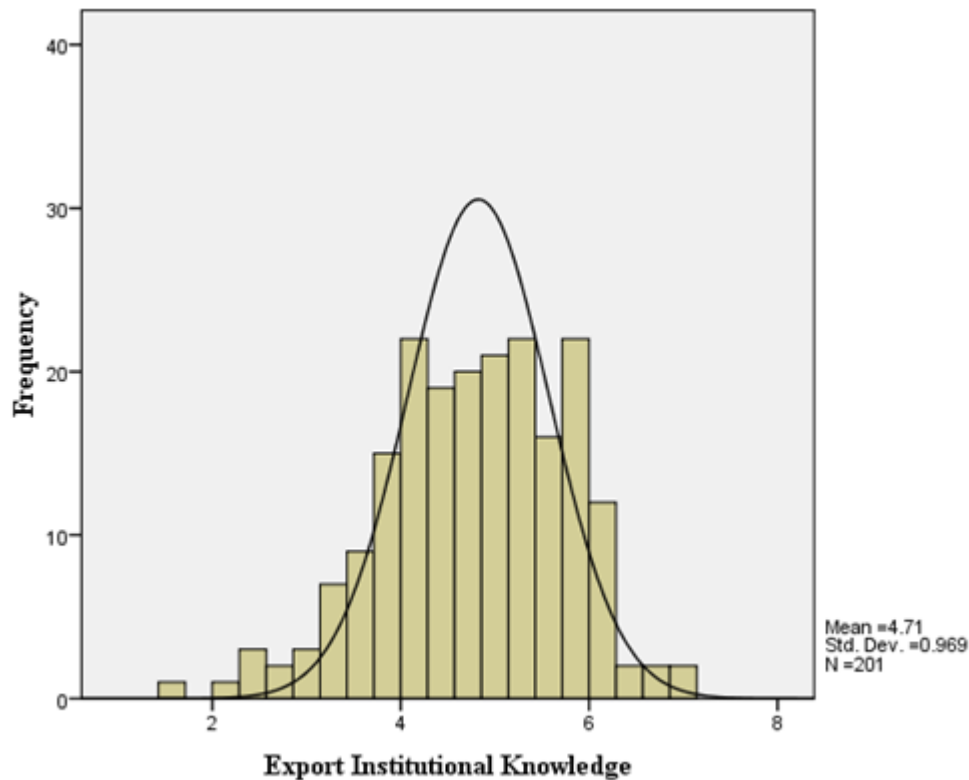
Figure 5.2: Export Business Knowledge Frequency Distribution

Mean =4.92
Std. Dev. =1.001
N =201
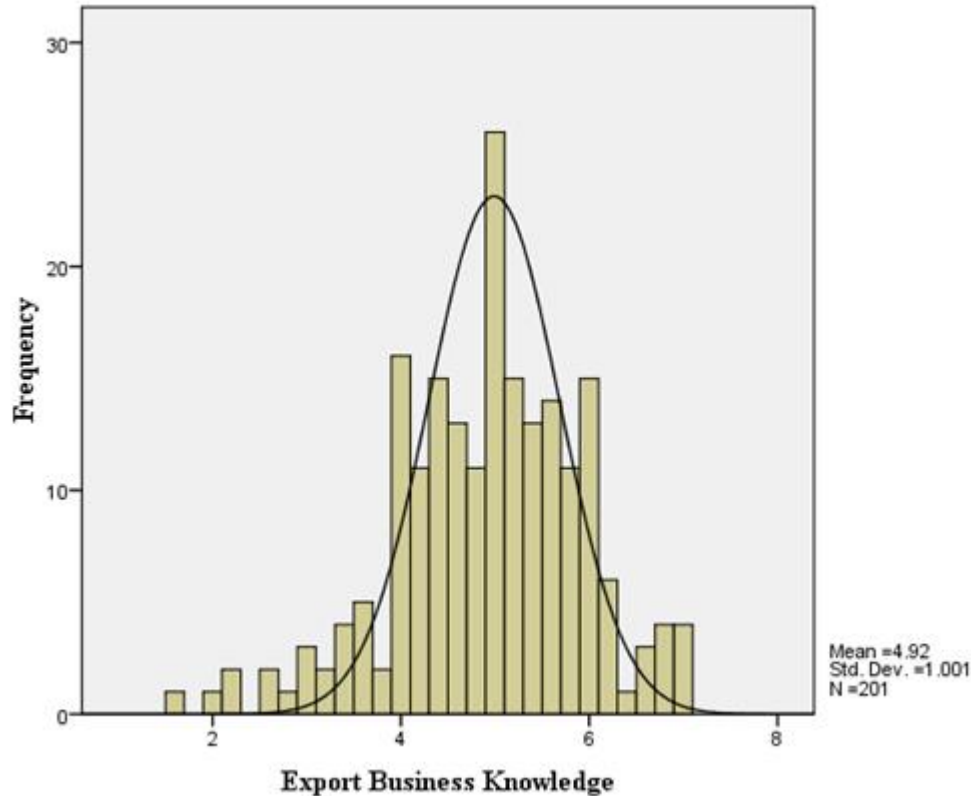
5.2.2. International Experience

The literature review established that international experience is a function of an exporting firm's international psychic dispersion, duration, and multinationality, with the three dimensions together capturing a firm's distinct international experience profile. The first construct was assessed by asking respondents to indicate the number of distinct regions to which their firms currently export. The other two constructs were assessed through ratio scales where the respondents were simply asked to indicate the number of years and countries in absolute numbers.

Figure 5.3 presents the histogram for psychic dispersion construct. As shown in Table 5.2, the mean and median scores for this scale (5.35 and 6, respectively) appear to be above the midpoint. In other words, it shows that the firms have operated in very diverse international regions on average. However, the standard deviation of 1.75 shows a high variation in the responses. As can be seen from figure 5.3, the distribution is slightly negatively skewed but it is normally distributed, as none of the thresholds for the dispersion statistics have been breached (skewness = -0.88 and kurtosis = -0.16).

Figure 5.3: Psychic Dispersion Frequency Distribution
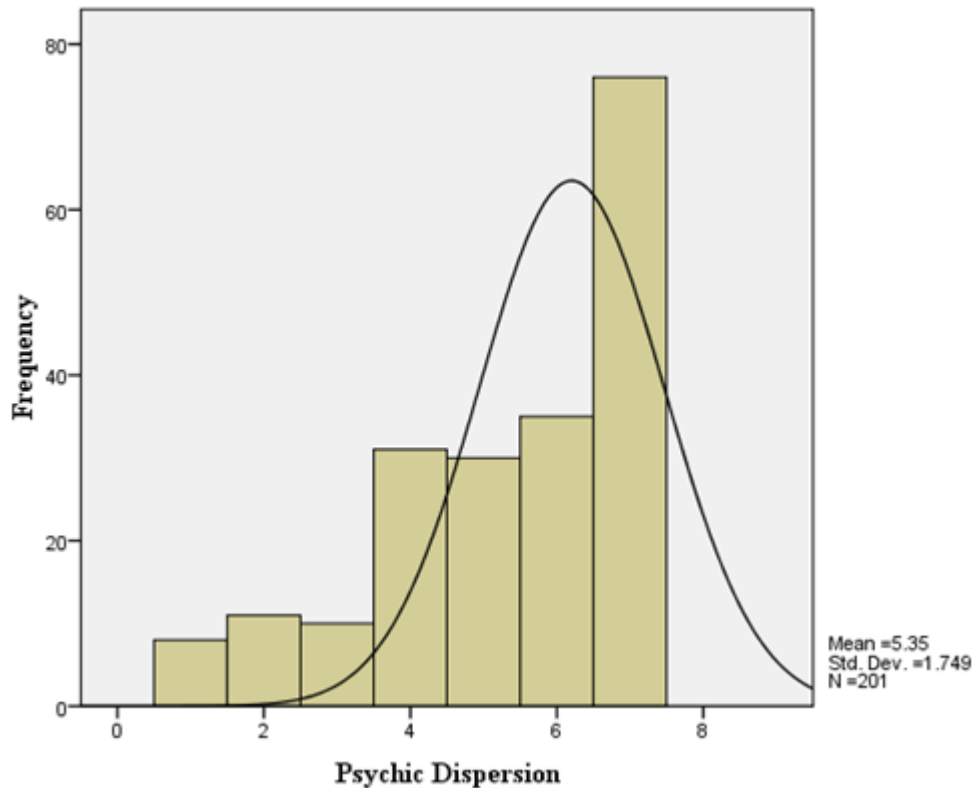
The central tendency statistics for export duration indicate that the firms have been committed to export operations for an average of 26 years (mean = 25.63; median = 20). It should be noted that there is high variation in the responses (standard deviation = 21.17), implying that the data is not normally distributed. Moreover, both the skewness and kurtosis values (2.44 and 8.23, respectively) exceed their respective thresholds of ±1 and ±3 (Hair et al., 2007). The descriptive statistics for multinationality also shows a similar pattern to duration with somewhat higher mean, median, and standard deviation values (39.55, 30, and 31.14, respectively). The skewness value (1.31) for this construct is also above the recommended thresholds of ±1.

Due the fact that the duration and multinationality had large and positive skewness and kurtosis values, there were indications that the measures included outliers. Consequently, these two measures were assessed statistically for outliers in SPSS. The examinations show that some firms had more than 120 export markets and had been in export operations for more than 100 years. In order to evaluate the outlier numbers, a comparison with secondary data was performed (e.g., firm's website and the Sunday Times HSBC international track reports). Since the evaluation confirmed the reported numbers, it was decided to retain the

outlying case. According to Hair et al. (2010), the outlier of that magnitude can distort the analysis. Therefore, in line with previous studies (e.g., Vorhies and Morgan 2005; Hultman et al., 2011), it was decided to transform the data by using the natural logarithm of measures. This procedure generated a more normal distribution while the difference between the values could still be discerned. Figures 5.4 and 5.5 display the histogram for the transformed scales. Table 5.3 presents the new descriptive statistics for duration and multinationality constructs.

Figure 5.4: Duration Frequency Distribution
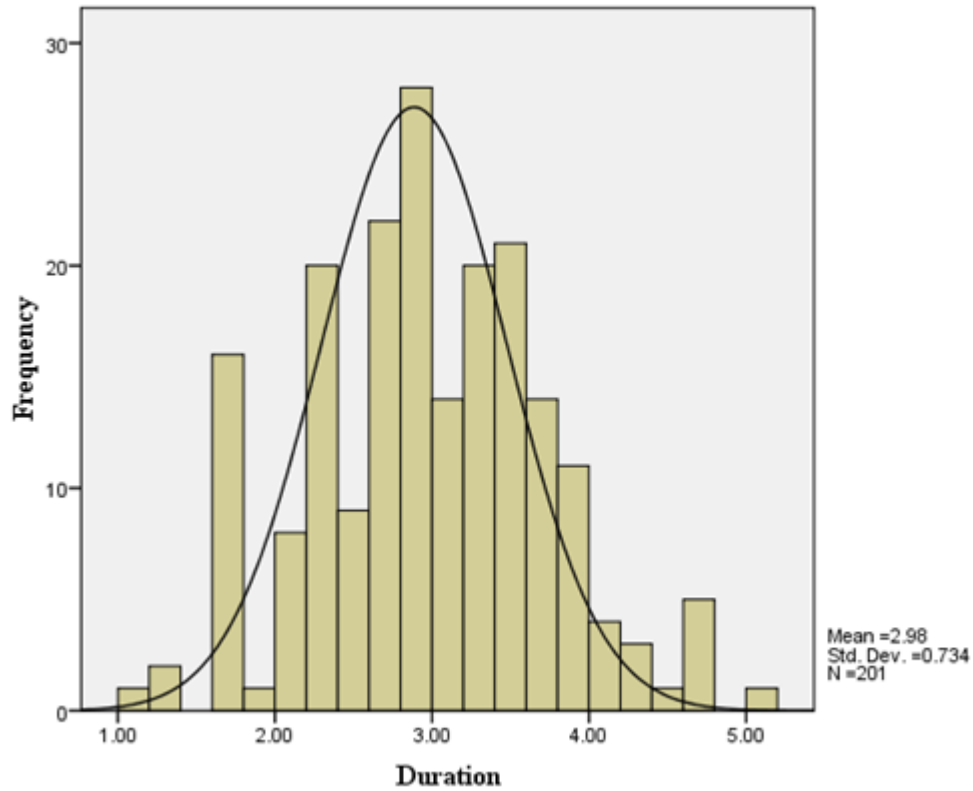
Figure 5.5: Multinationality Frequency Distribution
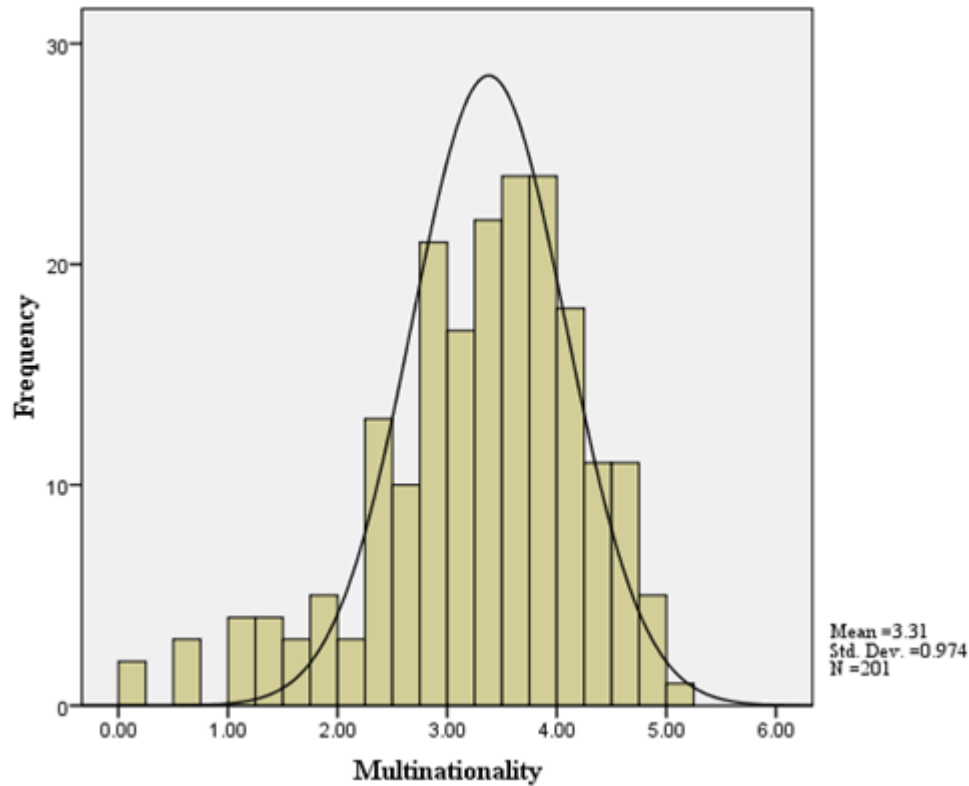
Table 5.3: Descriptive Statistics for Transformed Scales

	Mean	Median	SD	Skewness	Kurtosis
Duration	2.98	3	0.73	-0.01	-0.07
Multinationality	3.31	3	0.97	-0.91	0.95

5.2.3. Specialized Marketing Capabilities

As previously mentioned, specialized marketing capabilities were operationally defined in this study as a multidimensional construct including pricing, product development, channel management, delivery management, post-sale service, marketing communication and selling. The respondents were asked to compare the chosen export venture's marketing capability to that of their main competitors in the selected export market.

At first glance, the descriptive statistics in Table 5.2 reveal that the firms export marketing capabilities appear to be substantially better than their competitors in the export markets since all dimensions display a mean score above the scale's midpoint (pricing = 5.14,

product development = 4.80, channel management = 4.89, delivery management = 5.18, post-sale service = 5.15, marketing communication = 4.24 , and selling = 5.23). Moreover, all dimensions are normally distributed since the skewness and kurtosis measures are well within the recommended threshold values (c.f. Hair et al., 2007).

Figure 5.6 provides information on the frequency distribution of the specialized marketing capabilities (aggregated measure). Like its dimensions, its central tendency measures (mean = 4.95 and median = 5) are above the midpoint. The distribution of scale, low values for skewness (-0.37), and kurtosis (0.36) indicate that the data is normally distributed.

Figure 5.6: Specialized Marketing Capabilities Frequency Distribution
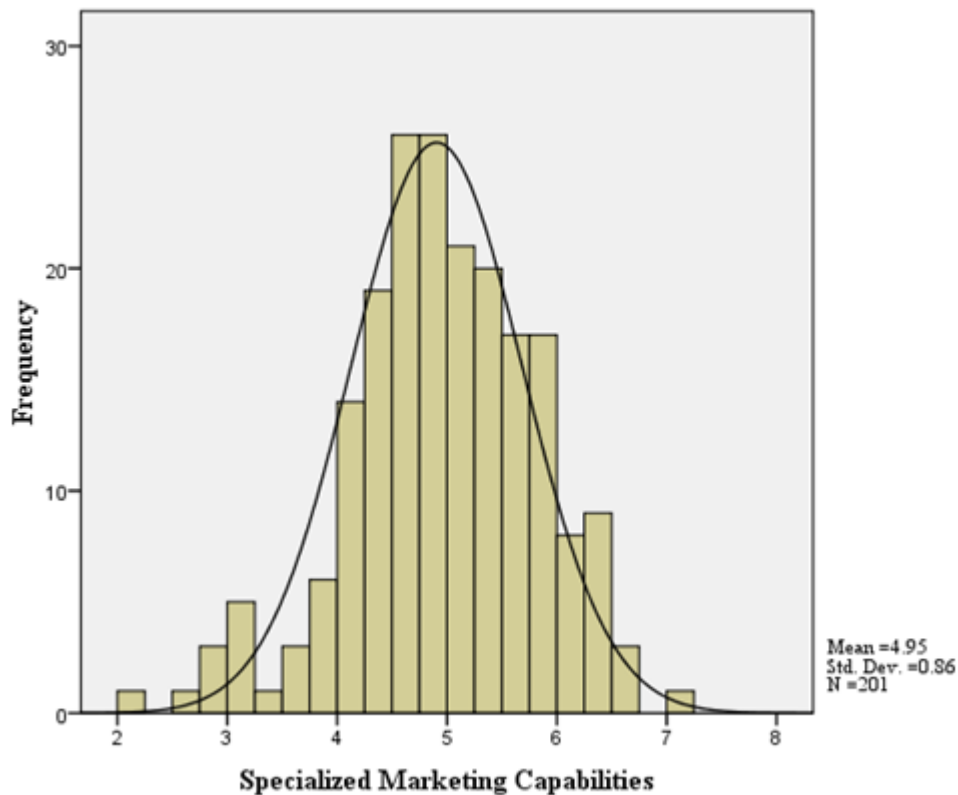
5.2.4. Export Business Strategies

As previously discussed, export business strategy scales used in this study were based on Porter's (1980) three generic strategies: cost leadership, differentiation, and niche. These three constructs were in turn operationalized with multiple items in the scale development process.

By analyzing individual strategy, it becomes clear that the firms adopted differentiation strategy as a source of competitive advantage, since the mean and median of differentiation strategies is substantially above the scale's midpoint (mean = 5.61; median = 6). However, the mean value of cost leadership strategy is also slightly above the midpoint (mean = 4.31), it should be noted that this strategy received the highest variation in the responses (standard deviation = 1.47). Moreover, descriptive statistics reveal that the firms seemed to concentrate on the narrow segments in the selected export markets since the mean and median values of niche strategy are both above the scale's midpoint (4.92 and 5 respectively).

Figures 5.7, 5.8, and 5.9 present the frequency distribution of these strategies. The distribution of scales and low values for skewness and kurtosis indicate that the data is normally distributed. However, the differentiation strategy distribution is slightly negatively skewed but it is normally distributed, as none of the thresholds for the dispersion statistics have been breached (skewness = -1.03 and kurtosis = 1.25).

Figure 5.7: Differentiation Strategy Frequency Distribution
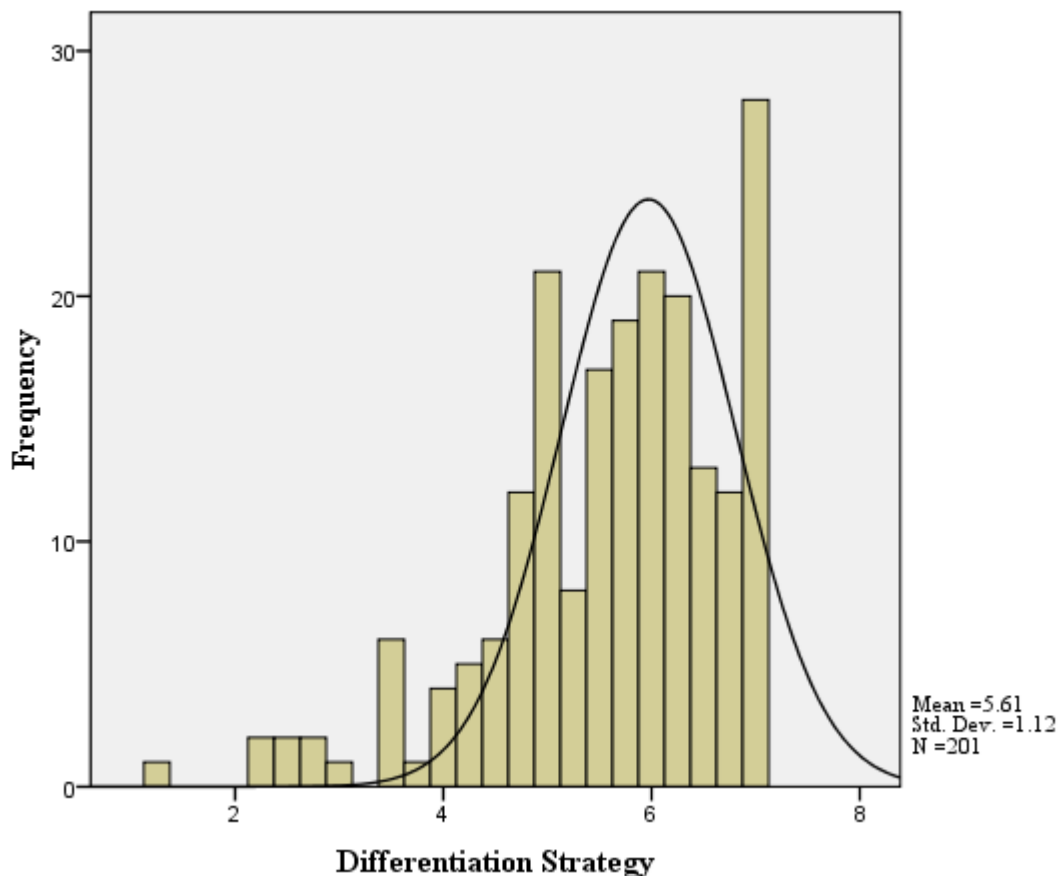
Figure 5.8: Cost Leadership Strategy Frequency Distribution

Mean =4.31
Std. Dev. =1.469
N =201
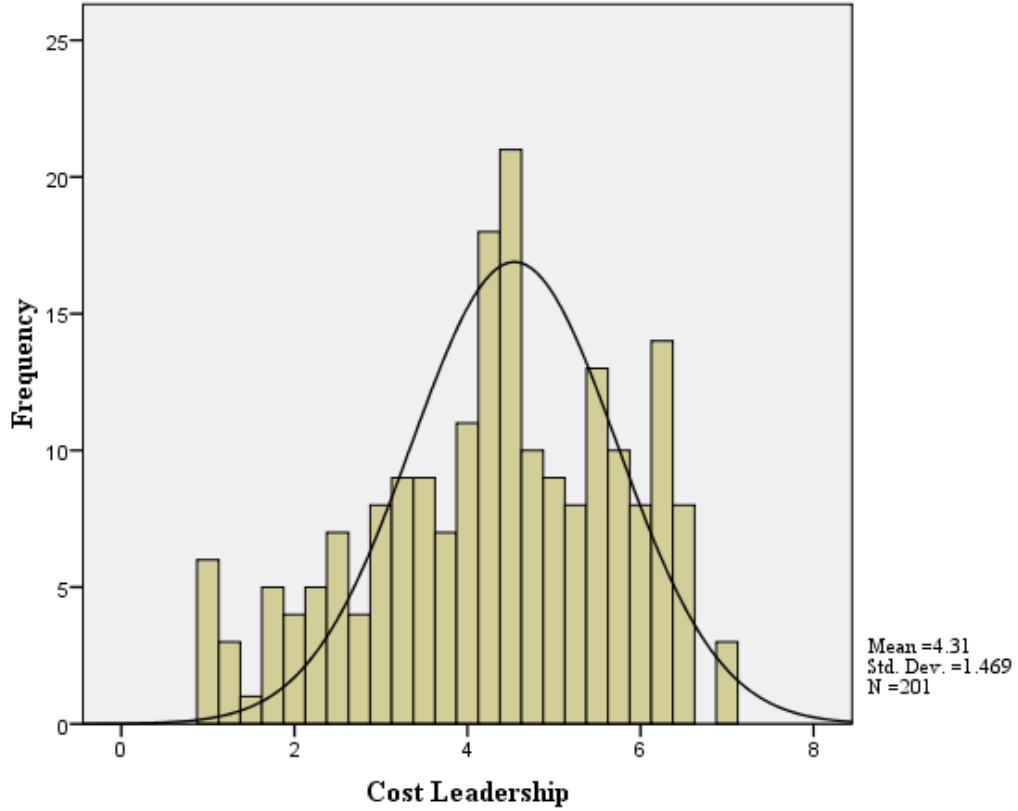
Figure 5.9: Niche Strategy Frequency Distribution

Mean =4.92
Std. Dev. =1.07
N =201
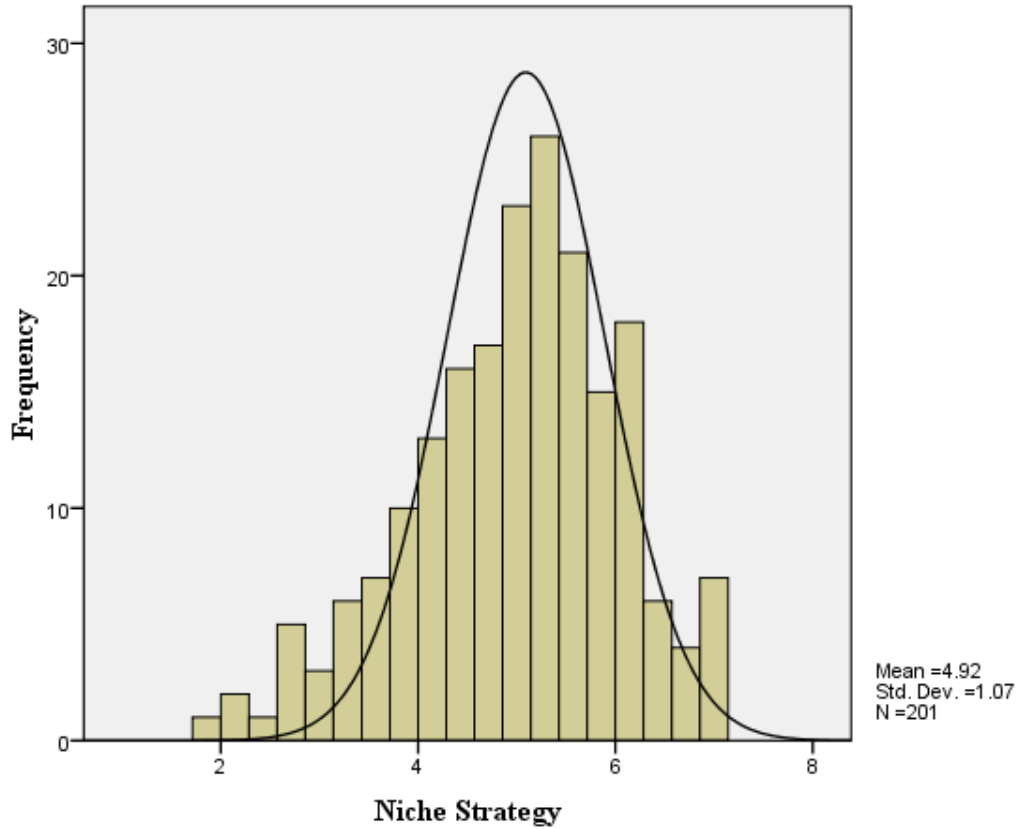
5.2.5. Export Performance

As argued in earlier chapters, export performance was conceptualized at the venture level as a multidimensional construct including financial, market, and customer performance. The respondents were asked to compare the selected export venture's performance to that of their main competitors in the export market.

By first looking at the three scales, it is clear that large number of respondents perceive their export performance to be slightly better than that of their rivals since all mean values place above the scale midpoint.

When examining individual export performance items, the firms appear to be substantially better at customer indicator (mean = 5.17), followed by market indicator (mean = 4.60), and the financial indicator (mean = 4.54).

On a general level, all dimensions are normally distributed, since the skewness and kurtosis measures are well within the recommended threshold values (c.f. Hair et al., 2007). Figure 5.10 provides information on the frequency distribution of the export performance (aggregated measure). Like its dimensions, its central tendency measures (mean = 4.77 and median = 5) are above the midpoint. The distribution of scale, low values for skewness (-0.31), and kurtosis (0.43) indicate that the data is normally distributed.

Figure 5.10: Export Performance Frequency Distribution
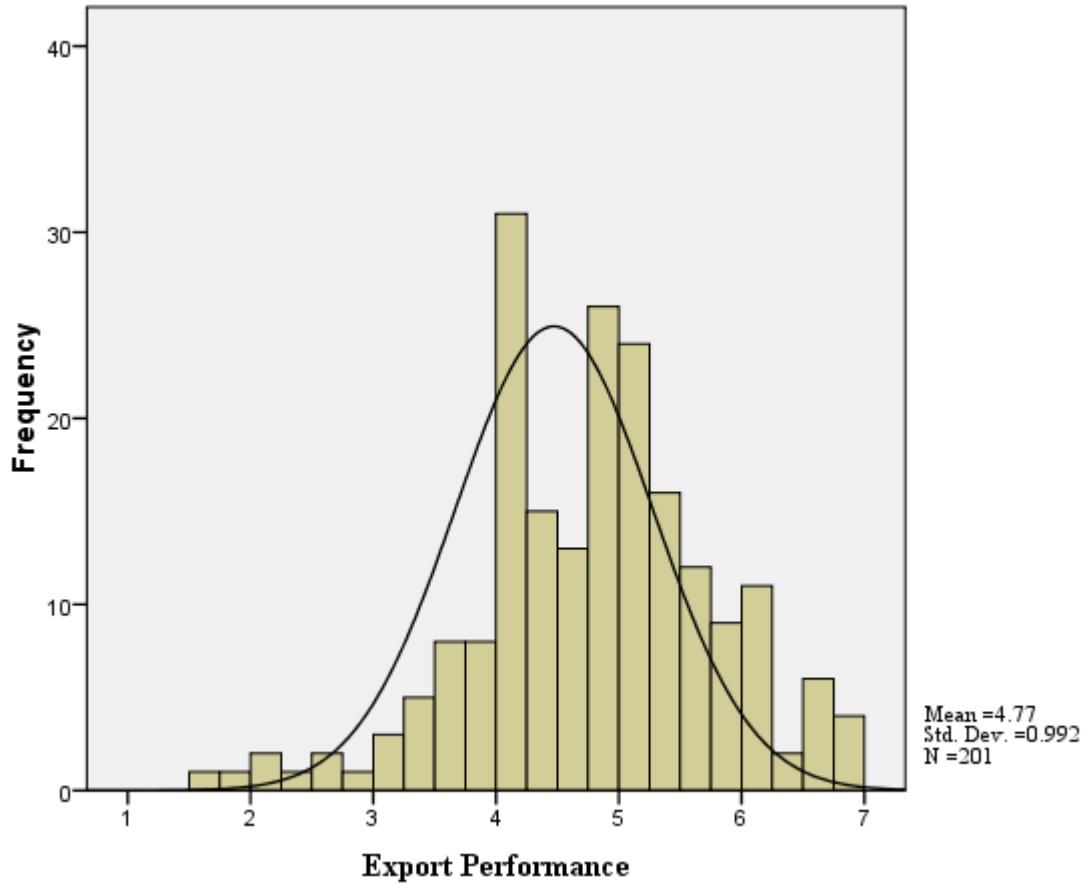
5.2.6. **Competitive Intensity**

As previously discussed, competitive intensity in the export market was used to control for potential differences across export market conditions. Figure 5.11 displays the frequency distribution of the competitive intensity scale. Although the mean value (3.69) falls slightly below the scale midpoint, the value of standard deviation (1.21) and the distribution of the scale reveal that the investigated exporters have operated in different competitive export ventures. The distribution appears to be normal since the skewness (0.18) and kurtosis (-0.40) are within the recommended thresholds of ±1 and ±3, respectively.

Figure 5.11: Competitive Intensity Frequency Distribution
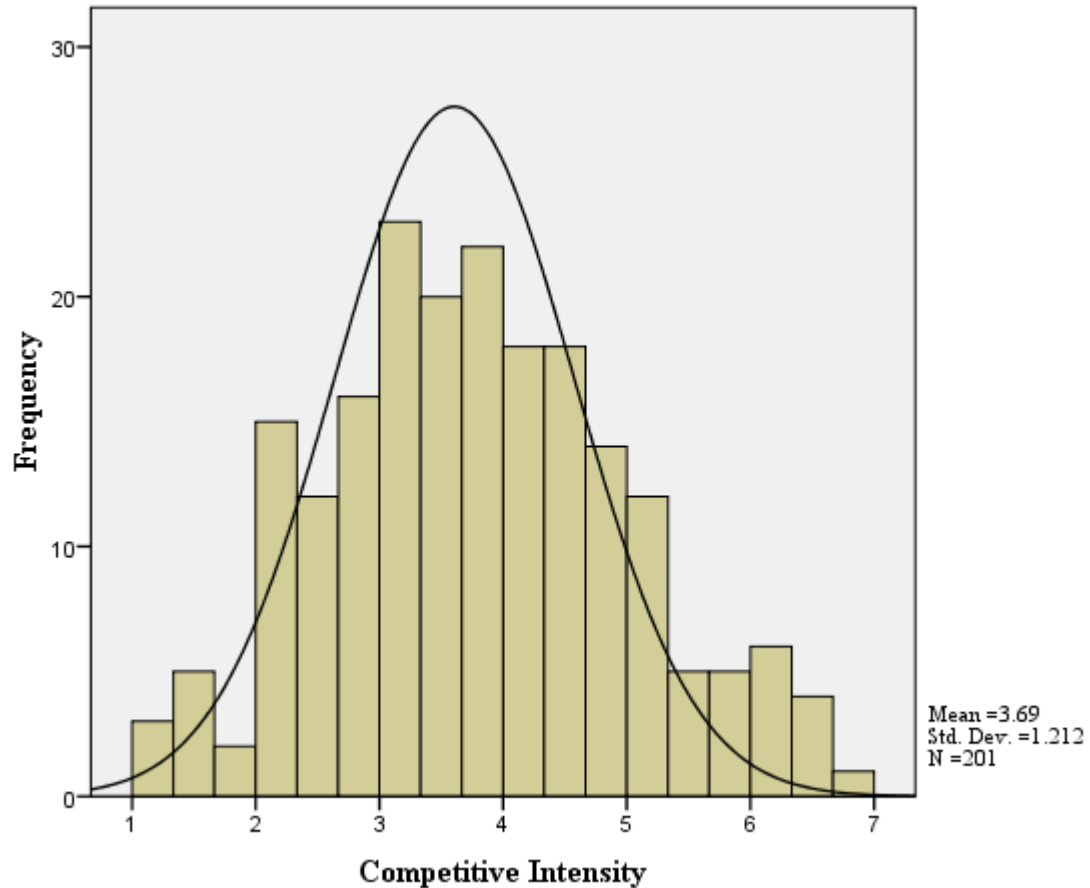
5.2.7. Firm Size

As discussed in chapter four, in line with the previous studies (e.g., Morgan et al., 2009; Boso et al., 2012), this study examined firm size by assessing the firms' total number of full-time employees. The distribution covered a wide range from 10 to 250 staff with a mean of 78.60 and a median of 53 full-time employees.

It should be noted that there is high variation in the responses (standard deviation = 72.21), implying that the data is not normally distributed. Moreover, the skewness value (1.29) exceeds its respective threshold of ±1. In order to achieve a more normal distribution, according to procedures presented in section 5.2.2, it was decided to transform the data by using the natural logarithm of measure.

Figure 5.12 displays the histogram of the transformed scale and Table 5.4 presents the new descriptive statistics for the firm size measure.

Figure 5.12: Firm Size Frequency Distribution

Mean =3.94
Std. Dev. =0.951
N =201
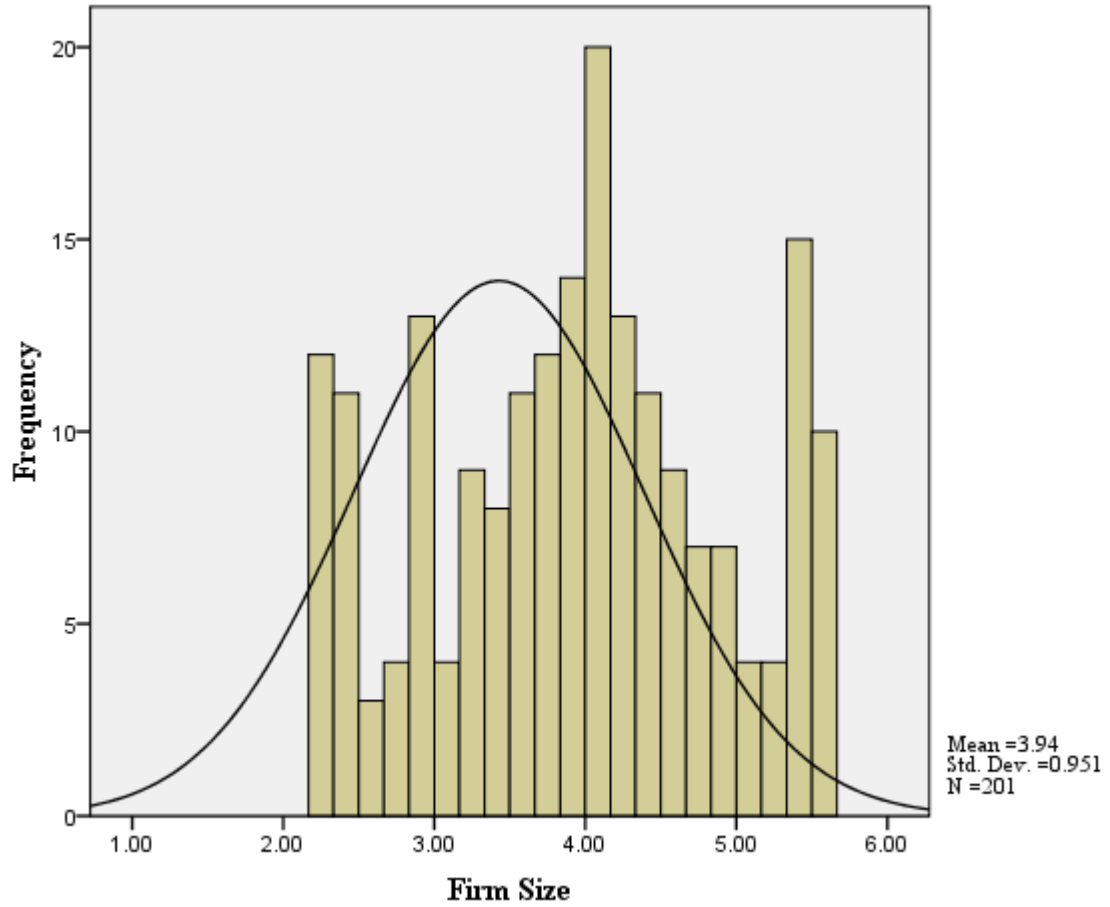
Table 5.4: Firm Size (Transformed Scale)

	Mean	Median	SD	Skewness	Kurtosis
Firm Size	3.94	4	0.95	-0.04	-0.88

5.3. Measure Development Procedures

As mentioned in the methodology chapter, a fundamental task before any attempt to test hypotheses is to assess the reliability and validity of the measures employed. Section 5.3.1 with its accompanying subsections will deal with the measure validation procedures used in this study and thereafter the results for reliability assessment are provided in a separate section for the purpose of clarity in presentation.

5.3.1. Validity Assessment

As discussed in chapter four (section 4.9.2.2), this thesis concentrated on assessing two different types of validity measures (i.e., content validity and construct validity). The content validity was assessed during the questionnaire pretesting phase and reported in chapter four (section 4.6.5). The construct validity is discussed in the subsequent section.

5.3.1.1. Construct Validity

In line with Bagozzi et al. (1991), two aspects of construct validity were assessed in the study, namely: convergent validity and discriminant validity. As argued in chapter four (section 4.9.2.2), the convergent validity was examined through CFA. Following recommendations by Gerbing and Anderson (1988), and Morgan et al. (2004), first the internal consistency of the multi-item measures were examined through item-to-total correlation analysis in order to reduce the large number of items into more manageable variables. Through this primary analysis, items with item-to-total correlations below a critical value of 0.5 were removed (Tabanick and Fidell, 2007). Thereafter, all items that passed through this analysis were subsequently assessed by means of CFA models.

Due to the relatively high number of items and constructs, the measures were divided into four theoretically related subsets to ensure that the CFAs do not breach the recommended 5:1 ratio parameter estimates per observation (Bagozzi and Yi, 2012). This procedure has been recommended by Gerbing and Anderson (1988), and widely employed in marketing research (e.g., Hultman et al., 2009; Katsikeas et al., 2009; Morgan et al., 2012; Boso et al., 2013).

The first CFA contained the seven export institutional knowledge, five export business knowledge, and three single-item international experience measures (i.e., multinationality,

duration, and psychic dispersion). The second comprised of a second-order CFA for specialized marketing capabilities and its seven dimensions. The third included three cost leadership, four differentiation, four niche measures, six competitive intensity, and a single-item for firm size as the control variable measures. Fourth, a second-order CFA was estimated for export performance and its three dimensions.

According to recommendations by Gerbing and Anderson (1988), the measurement models were estimated by restricting each indicator to load on its pre-specified factor and allowing the latent factors to correlate freely between each other. For the purpose of model estimation, the error for single-item constructs were set to .10 (Gerbing and Anderson, 1988). As mentioned in chapter four (section 4.9.2.3), the statistical software package utilized for the measurement model was EQS (version 6.2). Various estimation methods are available in the literature (e.g., maximum likelihood (ML), partial least square (PLS), and elliptical reweighted least squares (ERLS)). In the current study the ERLS procedure was employed, since this method is less constrained by normality assumptions and thus yields unbiased parameter estimates for both multivariate normal and non-normal data (Sharma et al., 1989; Zou and Cavusgil, 2002).

Bagozzi and Yi's (2012) recommendations were employed when examining the measurement models. Specifically, the EQS output was checked for appropriate converge and absence of warning messages and condition codes. In addition, the selected model fit indices were assessed (chapter four, Table 4.13). Moreover, the estimates were checked for strength of convergence and statistical significance. Finally, in line with recommended heuristics for convergent validity (Gerbing and Anderson, 1988; Bagozzi and Yi, 2012), individual items that loaded below 0.5 were deleted from the measurement model.

Measurement Model One: Scales for Export Institutional and Business Knowledge and International Experience

The first CFA model included five constructs representing the export venture institutional knowledge, export venture business knowledge, and three single-item international experience constructs. The first two constructs were assessed with multiple indicators whereas the last three constructs were based on actual numbers. The single item constructs have been used and validated in previous research (e.g., Cavusgil and Zou, 1994; Cadogan et al., 2009; Hultman et al., 2011).

As mentioned earlier, the internal consistency of the multi-item measures was examined through item-to-total correlation analysis (Gerbing and Anderson, 1988). This initial analysis showed that all items in the proposed constructs had item-to-total correlation above 0.6. Thus, all items had high internal consistency.

The first run of CFA revealed that three items loaded at a level below the established rule of thumb of 0.5 (Bagozzi and Yi, 2012); these items were removed from the constructs. Table 5.5 displays the items that were dropped during the first CFA.

For a full list of item descriptions, refer to appendix B.

Table 5.5: Items Dropped in the Scale Purification Process

Construct	Items
Export Institutional Knowledge	ExInt 5
	ExInt 7
Export Business Knowledge	ExBus 5

The remaining items were loaded for the second CFA. The final CFA model is reproduced in figure 5.13. Table 5.6 displays the results of the second CFA for the 5 first-order factors that were hypothesized as determinant of specialized marketing capabilities. The measurement model results indicate a good fitting model ($\chi^2_{(47)} = 94.67$, $p < .001$; NFI = 0.99; NNFI = 0.99; CFI = 1.00; RMSEA = 0.07). The chi-square is highly significant and this might be expected since it is sensitive to sample size (Bagozzi and Yi, 2012). On the other hand, the ratio between the chi-square and degree of freedom is below the rule of thumb of 2.5 (94.67 / 47 = 2.01), which is an indicator of good fit. Moreover, RMSEA is below the critical values and goodness of fit indices (NFI, NNFI, and CFI) are all above their recommended minimum values. Thus, these results indicate that the measurement model represents an acceptable fit to the data.

Concerning the individual parameters, an overview of their standard loading and t-values ($\beta \geq 0.64$ and $t \geq 9.01$, respectively) indicates that all items loaded significantly and strongly on their predetermined factors. Moreover, as can be seen in Table 5.6, the CR and AVE values for the multi-items constructs are greater than the critical value of 0.7 and 0.5, respectively (Fornell and Larcker 1981; Bagozzi and Yi, 1988). Hence, the overall results of the CFA show that the measures possess an adequate level of convergent validity.

Figure 5.13: Measurement Model One–Export Institutional and Business Knowledge and International Experience
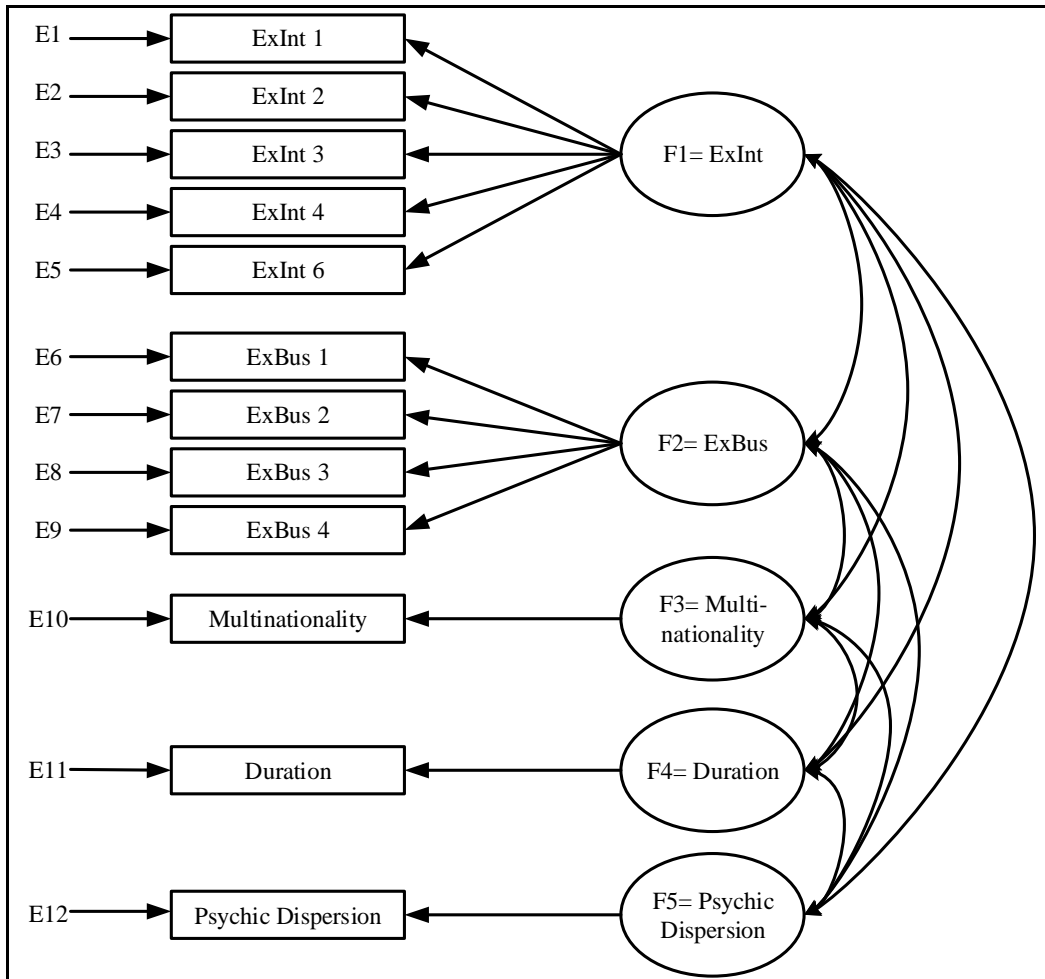
Table 5.6: CFA Results for the Measurement Model One–Export Institutional and Business Knowledge and International Experience

Factor	St. Loading (*t*-value)
Export Institutional Knowledge ($\alpha = 0.86$; CR = 0.87; AVE = 0.57)	
ExInt 1	0.79 (11.90)
ExInt 2	0.85 (13.25)
ExInt 3	0.80 (12.05)
ExInt 4	0.64 (9.01)
ExInt 6	0.66 (9.40)
Export Business Knowledge ($\alpha = 0.86$; CR = 0.86; AVE = 0.60)	
ExBus 1	0.74 (10.78)
ExBus 2	0.80 (11.93)
ExBus 3	0.82 (12.28)
ExBus 4	0.74 (10.74)
Multinationality	0.95 (16.25)
Duration	0.90 (14.79)
Psychic dispersion	0.98 (17.57)

Fit indices: ($\chi^2_{(47)} = 94.67$, $p < .001$; NFI = 0.99; NNFI = 0.99; CFI = 1.00; RMSEA = 0.07

Measurement Model Two: Scales for Specialized Marketing Capabilities

As mentioned in chapter four, specialized marketing capabilities were operationally conceptualized as a multidimensional construct capturing the degree of pricing, product development, channel management, delivery management, post-sale service, marketing communication and selling. This implies that specialized marketing capabilities in this study were treated as a second-order construct consisting of the seven first-order constructs (Morgan et al., 2012). According the procedure explained earlier, the seven first-order constructs were initially subjected to an item-to-total correlation analysis to examine the scales' respective internal consistencies. As can be seen in Table 5.7, one poorly performing item was deleted at this stage.

Table 5.7: Items Dropped in the Scale Purification Process

Construct	Items
Delivery Management Capability	DelMan 3

The CFA model is reproduced in figure 5.14. Since first-order factors were dependent variables in the second-order model, one path for each of the first order constructs was fixed to 1.0. However, the second-order factor reflecting specialized marketing capabilities

was set at 1.0 to enable comparison of the significant of individual second-order path coefficients.

Table 5.8: CFA Results for the Measurement Model Two–Specialized Marketing Capabilities

Factor	St. Loading (*t*-value)
Pricing (α = 0.85; CR = 0.87; AVE = 0.63)	0.67 (7.36)[A]
Pricing 1	0.82[B]
Pricing 2	0.86 (11.78)
Pricing 3	0.80 (10.90)
Pricing 4	0.66 (8.62)
Product Development (α = 0.91; CR = 0.91; AVE = 0.68)	0.60 (6.19)[A]
ProDev 1	0.70[B]
ProDev 2	0.77 (9.01)
ProDev 3	0.86 (9.94)
ProDev 4	0.91 (10.44)
ProDev 5	0.87 (10.08)
Channel Management (α = 0.94; CR = 0.94; AVE = 0.79)	0.64 (7.24)[A]
ChanMan 1	0.81[B]
ChanMan 2	0.93 (14.38)
ChanMan 3	0.92 (14.12)
ChanMan 4	0.89 (13.58)
Delivery Management (α = 0.93; CR = 0.94; AVE = 0.83)	0.64 (7.36)[A]
DelMan1	0.86[B]
DelMan2	0.94 (16.30)
DelMan4	0.93 (16.13)
Post-Sale Service (α = 0.85; CR = 0.86; AVE = 0.60)	0.84 (9.21)[A]
PoSale 1	0.82[B]
PoSale 2	0.83(11.17)
PoSale 3	0.75 (9.86)
PoSale 4	0.69 (8.93)
Marketing Communication (α = 0.92; CR = 0.92; AVE = 0.74)	0.66 (7.50)[A]
MarCom 1	0.84[B]
MarCom 2	0.84 (12.84)
MarCom 3	0.90 (14.35)
MarCom 4	0.87 (13.56)
Selling (α = 0.84; CR = 0.89; AVE = 0.68)	0.82 (8.28)[A]
Selling 1	0.73[B]
Selling 2	0.86 (10.54)
Selling 3	0.87 (10.64)
Selling 4	0.83 (10.13)

Fit indices: ($\chi^2_{(343)}$ = 565.79, *p* < .001; NFI = 0.94; NNFI = 0.97; CFI = 0.98;

RMSEA = 0.06

A = Second-order factor

B = Fixed parameter

Figure 5.14: Measurement Model Two–Specialized Marketing Capabilities
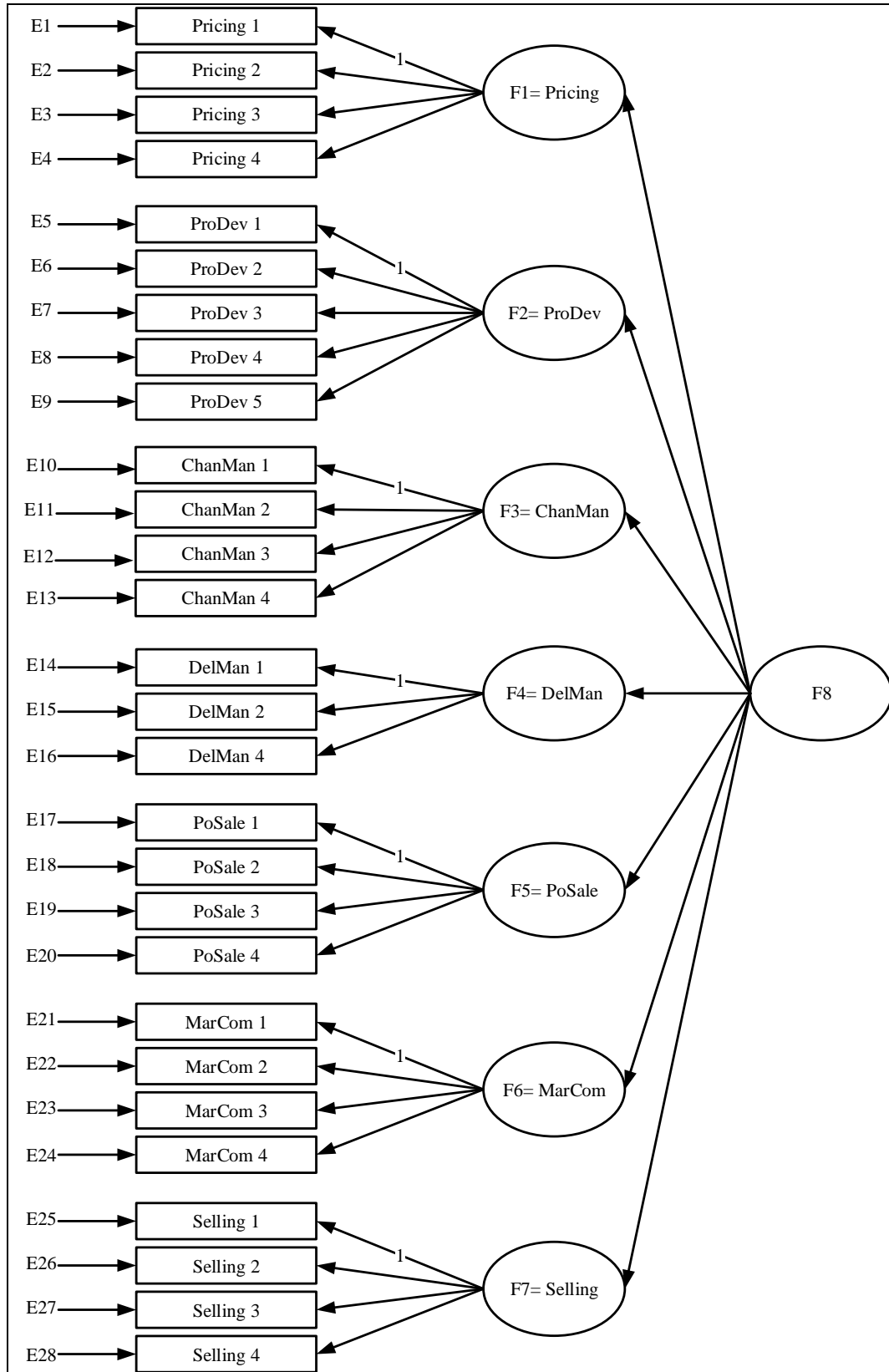
The measurement model results indicate a good fitting model ($\chi^2_{(343)} = 565.79$, $p < .001$; NFI = 0.94; NNFI = 0.97; CFI = 0.98; RMSEA = 0.06). The ratio between the chi-square and degree of freedom is quite small (565.79 / 343 = 1.65), which is an indicator of good fit. In addition, all fit indices are well within their established thresholds. An investigation of the individual parameters for the first-order constructs show that all loadings are large and significant ($\beta \geq 0.66$ and $t \geq 8.62$). Moreover, as can be seen in Table 5.8, all the seven scales achieved acceptable level of CR and AVE. Together, these issues serve as indications of acceptable convergent validity in specialized marketing capabilities construct.

Measurement Model Three: Scales for Export Business Strategy and Competitive Intensity

The third measurement model comprised of five constructs representing export business strategy, competitive intensity control variable measure, and a single-item for firm size. All of the constructs were assessed with multiple indicators whereas the firm size was based on actual number. The initial item-to-total correlation analysis for the four multi-item constructs resulted in the removal of four poorly performing items, and the following CFA led to the elimination of additional four items as depicted in Table 5.9. The final CFA model is reproduced in figure 5.15.

Table 5.9: Items Dropped in the Scale Purification Process

Construct	Items
Cost Leadership Strategy	CostL 1[A]
Differentiation Strategy	Diff 3[B]
Niche Strategy	Niche 3[A]
	Niche 4[A]
	Niche 5[A]
Competitive Intensity	ComIntens 3[B]
	ComIntens 4[B]
	ComIntens 6[B]

A = Deleted after item-to-total correlation
B = Deleted after the first CFA

Figure 5.15: Measurement Model Three– Export Business Strategy and Competitive Intensity
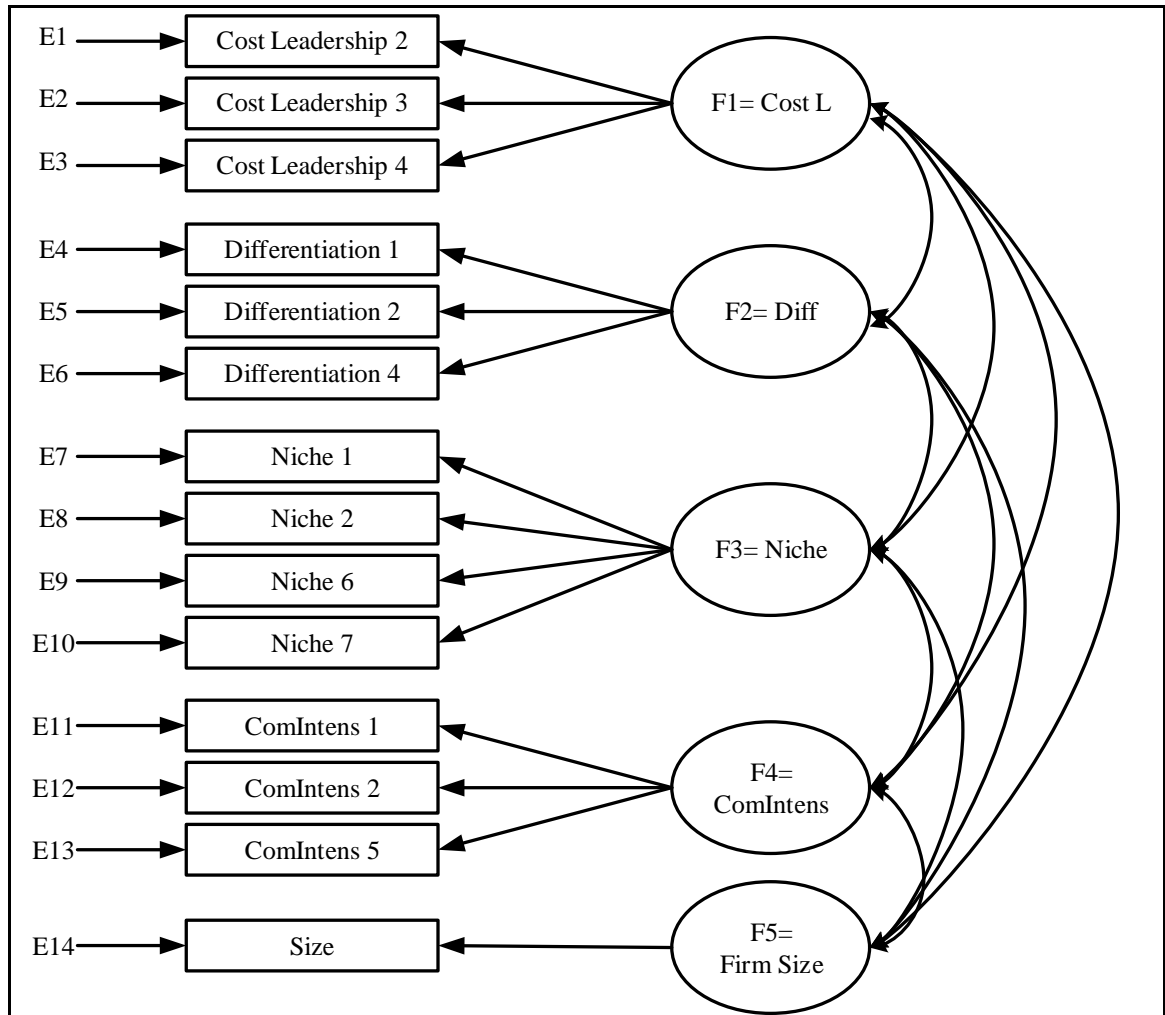
The final CFA results are displayed in Table 5.10. The fit indices show excellent model fit ($\chi^2_{(70)}= 81.20$, $p = 0.17$; NFI $= 0.99$; NNFI $= 0.99$; CFI $= 0.99$; RMSEA $= 0.03$). Specifically, the chi-square statistic is insignificant and the ratio between the chi-square and degree of freedom is quite small ($81.20 / 70 = 1.16$). Moreover, the RMSEA value of 0.03 was substantially below the 0.08 cutoff. In addition, fit values for NFI, NNFI, and CFI were greater than the recommended thresholds. Concerning the individual parameters, an overview of standardized loadings and t-values shows that all items loaded significantly and strongly on their predetermined factors. As displayed in Table 5.10, the respective CR and AVE for all four constructs were above the critical values of 0.7 and 0.5 respectively. Thus, the results show that the measurement model represents a good fit to the data and the variables possess an adequate level of convergent validity.

Table 5.10: CFA Results for the Measurement Model Three

Factor	St. Loading (*t*-value)
Cost Leadership Strategy (α = 0.82; CR = 0.82; AVE = 0.60)	
CostL 2	0.78 (10.41)
CostL 3	0.71 (9.48)
CostL 4	0.83 (11.18)
Differentiation Strategy (α = 0.74; CR = 0.76; AVE = 0.53)	
Diff 1	0.85 (11.26)
Diff 2	0.76 (10.02)
Diff 4	0.53 (6.73)
Niche Strategy (α = 0.84; CR = 0.84; AVE = 0.58)	
Niche 1	0.68 (9.25)
Niche 2	0.71 (9.78)
Niche 6	0.86 (12.57)
Niche 7	0.78 (11.03)
Competitive Intensity (α = 0.76; CR = 0.76; AVE = 0.52)	
ComIntens 1	0.67 (8.28)
ComIntens 2	0.81 (9.89)
ComIntens 5	0.67 (8.26)
Firm Size	0.94 (15.59)
Fit indices: ($\chi^2_{(70)}$ = 81.20, *p* = 0.17; NFI = 0.99; NNFI = 0.99; CFI = 0.99; RMSEA = 0.03	

Measurement Model Four: Scales for Export Performance

As discussed in previous chapters and in line with exporting literature (e.g., Morgan et al., 2004; Katsikeas et al., 2006; Hultman et al., 2011), export performance was conceptualized as a multidimensional construct reflecting an export venture performance in terms of market performance, financial performance, and customer performance (section 4.6.1.4). Accordingly, export performance was regarded as a second-order construct originating from three first-order constructs reflecting the relevant market, financial, and customer indicators. When assessing the second-order factor in EQS, the same procedure applied for specialized marketing capabilities was followed. Specifically, one path for each of the first order constructs and the second-order factor variance were fixed to 1.0.

The preliminary item-to-total correlation analysis for the three first-order constructs led to removal of one item, and the first CFA resulted in removal of five more poorly performing items. Table 5.11 depicts the items that were removed during the initial analysis. Figure 5.16 shows the final CFA model.

Table 5.11: Items Dropped in the Scale Purification Process

Construct	Items
Market Performance	MarPerf 1[A]
	MarPerf 4[B]
	MarPerf 6[B]
Financial Performance	FinPerf 4[B]
Customer Performance	CusPerf 3[B]
	CusPerf 5[B]

A = Deleted after item-to-total correlation
B = Deleted after the first CFA

Figure 5.16: Measurement Model Four–Export Performance Components
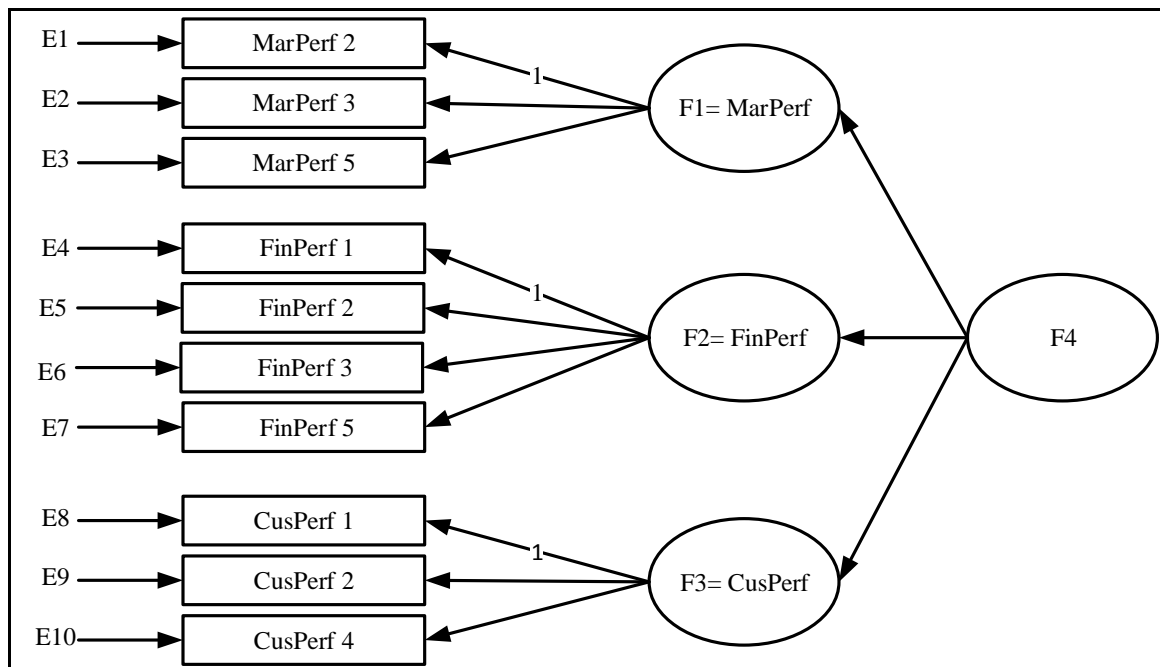
The results of CFA are shown in Table 5.12, where it depicts that the second-order factor fits well with the data as represented by the insignificant chi-square value and the low ratio between chi-square and degree of freedom (32.53 / 32 = 1.02).

Moreover, the RMSEA value of 0.01 was substantially below the 0.08 threshold. In addition, fit values for NFI, NNFI, and CFI were greater than the cutoff points. Concerning the individual parameters, an assessment of individual standardized loadings and their t-values shows that all loadings are highly significant and relatively large ($\beta \geq 0.75$ and $t \geq 11.14$). As can be seen in Table 5.12, the respective CR and AVE for all three constructs were above the critical values of 0.7 and 0.5 respectively. Thus, the results indicate that the

measurement model represents a good fit to the data and the export performance measure shows clear evidence of convergent validity.

Table 5.12: CFA Results for the Measurement Model Four

Factor	St. Loading (*t*-value)
Market Performance ($\alpha = 0.88$; CR = 0.89; AVE = 0.73)	0.83 (9.25)[A]
MarPerf 2	0.94[B]
MarPerf 3	0.77 (11.43)
MarPerf 5	0.85 (13.47)
Financial Performance ($\alpha = 0.93$; CR = 0.93; AVE = 0.76)	0.86 (9.56)[A]
FinPerf 1	0.90[B]
FinPerf 2	0.92 (16.86)
FinPerf 3	0.86 (14.45)
FinPerf 5	0.81 (12.70)
Customer Performance ($\alpha = 0.89$; CR = 0.90; AVE = 0.75)	0.75 (8.36)[A]
CusPerf 1	0.94[B]
CusPerf 2	0.89 (15.01)
CusPerf 4	0.75 (11.14)

Fit indices: ($\chi^2_{(32)} = 32.53$, $p = 0.44$; NFI = 0.98; NNFI = 0.99; CFI = 0.99;
RMSEA = 0.01
A = Second-order factor
B = Fixed parameter

5.3.2. Reliability and Discriminant Validity

As mentioned in chapter four (section 4.9.2.1), the reliability of the employed constructs were examined through calculation of the Cronbach's (1951) alpha for each multi-item construct, as well as their composite reliabilities (CR). In addition, for all first-order constructs the average variance extracted (AVE) were estimated. The alpha statistics were calculated through the scale analysis function in SPSS, whereas CR and AVE were calculated using the equations presented in chapter four (section 4.9.2.1). Table 5.13 displays the descriptive properties of scales employed in this thesis, their correlations and the aforementioned reliability measures.

Table 5.13: Descriptive Statistics, Correlations Matrix and Reliability Measures

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21
1=Export Institutional Knowledge																					
2=Export Business Knowledge	.65**																				
3=Multinationality^A	.06	.16*																			
4=Duration^A	.11	.05	.36**																		
5=Psychic Dispersion	.09	.14*	.74**	.26**																	
6=Pricing Cap.	.32**	.36**	-.02	-.10	-.01																
7=Product Development Cap.	.41**	.43**	-.01	-.16*	.05	.45**															
8=Channel Management Cap.	.33**	.42**	.14	.01	.09	.42**	.45**														
9=Delivery Management Cap.	.21**	.26**	.07	-.07	.14*	.47**	.40**	.33**													
10=Post-Sale Service Cap.	.37**	.40**	.06	-.02	.16*	.48**	.44**	.44**	.56**												
11=Marketing Communication Cap.	.41**	.39**	.03	-.03	.09	.38**	.47**	.42**	.31**	.47**											
12=Selling Cap.	.32**	.43**	.26**	.03	.22*	.49**	.38**	.53**	.43**	.62**	.52**										
13=Cost Leadership Strategy	.15*	.23**	.01	-.10	.09	.22**	.24**	.15*	.28**	.24**	.25**	.23**									
14=Differentiation Strategy	.24**	.22**	-.09	-.09	-.03	.17*	.27**	.20**	.12	.23**	.30**	.17*	.28**								
15=Niche Strategy	.18*	.18*	.00	.07	.08	.14*	.17*	.12	.13	.17*	.25**	.09	.13	.44**							
16=Market Performance	.33**	.33**	.10	-.07	.14*	.31**	.36**	.45**	.27**	.34**	.29**	.32**	.15*	.24**	.14						
17=Financial Performance	.38**	.32**	.05	-.05	.09	.38**	.42**	.43**	.39**	.39**	.37**	.38**	.18*	.31**	.15*	.67**					
18=Customer Performance	.29**	.39**	.03	-.10	.12	.51**	.43**	.44**	.42**	.53**	.40**	.45**	.22**	.38**	.13*	.57**	.61**				
19=Competitive Intensity	.05	.04	.03	-.04	-.08	.03	.12	-.02	.07	.00	.10	-.03	.13	-.06	-.12	-.10	-.01	.02			
20=Firm size^A	.08	.04	.15*	.26**	.17*	-.01	-.12	-.15*	-.08	-.03	-.03	.12	-.11	-.08	-.10	.06	-.03	-.01	-.10		
21=Industry^B	-.15*	-.12	.05	.10	.10	-.23**	-.13	-.07	-.17*	-.07	-.15*	-.12	-.04	-.06	.09	-.10	-.14	-.22**	-.05	.09	
Mean	4.77	4.96	3.31	2.98	5.35	5.14	4.80	4.89	5.40	5.15	4.24	5.23	4.54	5.67	5.20	4.64	4.56	5.31	3.41	3.95	.84
SD	.957	1.02	.97	.73	1.75	1.08	1.21	1.34	1.21	1.09	1.29	1.10	1.59	1.16	1.42	1.28	1.17	1.15	1.32	.95	.37
Average Variance Extracted (AVE)	.57	.60	-	-	-	.63	.68	.79	.83	.60	.74	.68	.60	.53	.58	.73	.76	.75	.52	-	-
Composite Reliability (CR)	.87	.86	-	-	-	.87	.91	.94	.94	.86	.92	.89	.82	.76	.84	.89	.93	.90	.76	-	-
Cronbach's alpha (α)	.86	.86	-	-	-	.85	.91	.94	.93	.85	.92	.84	.82	.74	.84	.88	.93	.89	.76	-	-

* $p < 0.05$, ** $p < 0.01$
A = Natural logarithm; B = Dummy variable

As shown in Table 5.13, the Cronbach's (1951) alpha values ranged from 0.74 to 0.94, which are above the recommended minimum value of 0.70 (Hair et al., 2010). In addition, CR ranged from 0.76 to 0.94 and AVE ranged from 0.52 to 0.83, implying that all values are above the recommended thresholds of 0.7 and 0.5 respectively (Gerbing and Anderson, 1988; Bagozzi and Yi, 2012). Together, it can be indicated that the employed measures possess adequate levels of reliability.

As discussed in chapter four, the current study assessed the discriminant validity in two ways. First, Fornell and Larcker's (1981) procedure was applied by comparing the AVEs for each first-order construct with the squared correlations (the shared variances) between all possible pairs of constructs. It is evident from Table 5.13 that the largest squared correlation was between market and financial performance ($0.67*0.67 = 0.45$) and the smallest AVE was 0.52, which meets the criterion for discriminant validity among the constructs. Second, according to Anderson and Gerbing (1988), a series of chi-square difference tests were conducted. Specifically, this involved comparing chi-square values in CFA models in which the correlation between the constructs was set free and then fixed to 1.0. Table 5.14 shows the chi-square differences of constrained and unconstrained measurement models. The results indicate significant chi-square differences ($\Delta\chi^2_{(1)} \geq 3.84$, $p < 0.05$) between the constrained and unconstrained models which shows the presence of discriminant validity (Anderson and Gerbing, 1988; Bagozzi et al., 1991).

Table 5.14: Chi-square Differences of Constrained and Unconstrained Models

Constructs	$\Delta\chi^2_{(1)}$					
	1	2	3	4	5	6
1 = Export Institutional Knowledge						
2 = Export Business Knowledge	125.31					
3 = Specialized Marketing Capabilities	386.43	216.56				
4 = Cost Leadership Strategy	180.83	175.69	169.52			
5 = Differentiation Strategy	118.37	103.67	118.52	97.85		
6 = Niche Strategy	318.04	306.56	331.39	162.91	72.24	
7 = Export Performance	168.46	158.47	71.39	183.62	89.94	194.92

5.4. Hypothesis Testing

The assessment in the previous section indicated that the measurement models represented a good fit to the data and provided evidence of satisfactory convergent and discriminant validity. Therefore, the constructs were deemed suitable for hypothesis testing purposes.

As established in chapter four (section 4.9.3), this study selected to use the SEM technique to test the proposed research hypotheses, since this approach provides comprehensive techniques for estimating and modifying conceptual models (Gerbing and Anderson, 1988). Moreover, SEM is particularly suitable when testing interval indirect effects (Byrne, 2006; Hair et al., 2006).

In line with the psychometric literature recommendations (e.g., Ping, 2004) and in order to obtain greater model parsimony (Ping, 1995), composite constructs were used for the purpose of subsequent hypotheses testing. Specifically, composite constructs were created for specialized marketing capabilities and export performance measures. In constructing the specialized marketing capabilities measures, average scores for each of the items that measured each capability factor was computed to generate single item for each specialized marketing capabilities dimensions. The same procedure was followed to create the composite measure of export performance. These procedures resulted in seven indicators for specialized marketing capabilities and three indicators for export performance (Bello et al., 2010; Hultman et al., 2011; Morgan et al., 2012).

Following established procedures for testing moderated relationships (Hypothesis 6), a multiplicative approach to structural equation modeling was adopted (Ping, 1995). Mean centered constructs were used for multiplicative interactive analysis in order to minimize any multicollinearity problem prior to calculating the loading and error variances of the interaction terms using Ping's (1995) equations.

According to Anderson and Gerbing (1988), the single-item constructs (i.e., multinationality, duration, psychic dispersion, firm size, and industry) were assumed to have a reliability of 0.9 and their error term was set at .10 for estimation purposes. This procedure has been recommended by Anderson and Gerbing (1988), and widely employed in marketing research (e.g., Bello et al., 2010; Hultman et al., 2011).

Having established the psychometric properties of the measures, the ERLS estimation method in the EQS 6.2 package was used to assess the structural model. Table 5.15 displays the standardized parameter estimates and the directional significance levels for the investigated structural paths.

Table 5.15: Structural Model Estimation Results

Estimated structural paths	Coefficient (t-value)	Results
Direct effects		
H1: Export Business knowledge → Specialized marketing cap.	0.50 (5.35**)	✓
H2: Export Institutional knowledge → Specialized marketing cap.	0.25 (3.20**)	✓
H3a: Psychic dispersion → Specialized marketing cap.	0.15 (2.16*)	✓
H3b: Duration → Specialized marketing cap.	-0.20 (-2.58**)	✗
H3c: Multinationality → Specialized marketing cap.	-0.02 (-0.29)	✗
H4a: Specialized marketing cap. → Cost leadership strategy	0.38 (3.98**)	✓
H4b: Specialized marketing cap. → Differentiation strategy	0.39 (4.03**)	✓
H4c: Specialized marketing cap. → Niche strategy	0.28 (3.04**)	✓
H5a: Cost leadership strategy → Export performance	0.09 (1.16)	✗
H5b: Differentiation strategy → Export performance	0.36 (4.16**)	✓
Moderating effects		
H6a: Niche × Cost Leadership → Export performance	-0.03 (-0.45)	✗
H6b: Niche × Differentiation → Export performance	0.22 (3.18**)	✓
Control paths		
Firm size → Export performance	0.24 (1.23)	
Industry → Export performance	-0.67 (-2.34*)	
Competitive Intensity → Export Performance	-0.14 (-0.78)	
Niche strategy → Export performance	0.01 (0.11)	

Fit indices: $\chi^2_{(675)}$ = 1205.05, , p <0.001, NFI = 0.99, NNFI = 0.99, CFI = 0.99, RMSEA = 0.06
R^2: Export Performance = 0.65
* $p < 0.05$, ** $p < 0.01$ (two tailed)

The structural model results show a good model fit: ($\chi^2_{(675)}$ = 1205.05, , $p < .001$, NFI = 0.99, NNFI = 0.99, CFI = 0.99, RMSEA = 0.06). As expected, the chi-square is significant since it is sensitive to sample size (Bagozzi and Yi, 2012). On the other hand, the ratio between the chi-square and degree of freedom is below the rule of thumb of 2.5 (1205.05 / 675 = 1.78), which is an indicator of good model fit. Moreover, RMSEA (0.06) is below

the critical values of 0.08 and goodness of fit indices (NFI, NNFI, and CFI) are all above their recommended thresholds. Finally, the R^2 value of the export performance (65%) shows that the model highlights pivotal factors associated with the success of exporting SMEs.

As displayed in Table 5.15, the estimates of the path coefficients support eight of the twelve hypothesized links. The results of the structural model are explained in the following sections. Since the purpose of this chapter is merely to show the results of the empirical investigation conducted, a more detailed discussion regarding the findings will be provided in the subsequent chapter.

Concerning the role of control variables in the study (section 4.6.1.5), competitive intensity and firm size were not found to have direct effects on export venture performance. However, the results show a negative relationship between industry and export venture performance, implying that service firms performed better than manufacturing exporters.

5.4.1. Export Market Knowledge and Specialized Marketing Capabilities

The first hypothesis argues that export venture business knowledge is positively associated with export venture specialized marketing capabilities. The results show that hypothesis one is supported at 1% level ($\beta = 0.50$; $t = 5.35$; $p < 0.01$). Thus, it is concluded that export venture business knowledge is significantly related to export venture specialized marketing capabilities.

The second hypothesis of the study proposes that export venture institutional knowledge is positively associated with export venture specialized marketing capabilities. Since the effect is significant at 1% level ($\beta = 0.25$; $t = 3.20$; $p < 0.01$), it is implied that increases in export venture institutional knowledge relates positively to export venture specialized marketing capabilities.

The findings go to support that acquiring informational knowledge concerning competitors, customers, channels, and macro environment in the export markets enable efficacy in the implementation of export venture marketing activities (Morgan et al., 2004; Navarro et al., 2010; Souchon et al., 2012).

5.4.2. International Experience and Export Specialized Marketing Capabilities

Hypothesis 3: International experience is positively related to export venture specialized marketing capabilities, in such a way that, when (a) psychic dispersion, (b) duration of exporting, and (c) multinationality , are high, there are corresponding increases in the magnitude of export venture specialized marketing capabilities.

Hypothesis 3a proposes a positive relationship between export psychic dispersion and export venture specialized marketing capabilities. The results support this positive relationship ($\beta = 0.15$; $t = 2.16$; $p < 0.05$). Previous research corroborates this finding. For instance, Cadogan et al. (2009) argue that exporting firms become more effective in responding to export market variations as psychic dispersion increases. In addition, Ibeh and Kasem (2014) assert that firms enhance their exporting know-how by entering diverse export markets.

Hypothesis 3b argues that export duration has positive association with export venture specialized marketing capabilities. The finding shows an interesting result. Although it is statistically significant ($\beta = -0.20$; $t = -2.58$; $p < 0.01$), the direction of relation goes against the stated hypothesis. Based on this finding hypothesis 3b was rejected. Autio's et al. (2000) findings support these results, they argue that as firm accumulates more years of exporting, it develops overconfidence and generate structural rigidities that may inhibit the firm's ability to learn new skills.

Hypothesis 3c states that positive relationship exists between multinationality and export venture specialized marketing capabilities. This hypothesis is not supported by the results as the t-value is not significant at 5% level ($\beta = -0.02$; $t = -0.29$; $p > 0.05$).

When assessing the magnitude of beta in Table 5.15, regarding the knowledge base of export venture (informational and experiential knowledge), it appears that informational knowledge including export venture business and institutional knowledge have greater relationship with export venture specialized marketing capabilities ($\beta = 0.50$ and 0.25, respectively).

5.4.3. Export Specialized Marketing Capabilities and Export Business Strategy

Hypothesis 4: Export venture specialized marketing capabilities are positively related to export venture (a) cost leadership strategy, (b) differentiation strategy, and (c) niche strategy.

Hypothesis 4a postulates that export venture specialized marketing capabilities have positive association with export venture cost leadership strategy. Results strongly support this hypothesis ($\beta = 0.38$; $t = 3.98$; $p < 0.01$). This finding shows that high level of specialized marketing capabilities would enable firms to implement high level of cost leadership strategy.

Hypothesis 4b proposes a positive relationship between export venture specialized marketing capabilities and export venture differentiation strategy. This relationship is supported as the standardized parameter estimates for Hypothesis 4b is significant and positive ($\beta = 0.39$; $t = 4.03$; $p < 0.01$). The results suggest the notion that firms with high level of specialized marketing capabilities would develop high level of differentiation strategy.

Hypothesis 4c argues that positive relationship exists between export venture specialized marketing capabilities and export venture niche strategy. This hypothesis is supported by the results ($\beta = 0.28$; $t = 3.04$; $p < 0.01$). This finding indicates that high level of specialized marketing capabilities would generate high level of niche strategy.

These results lend support to what has been reported in the literature. For example, Morgan et al., (2004) report that a positive association exists between exports venture marketing capabilities and export venture competitive strategy. Similarly, Leonidou et al., (2011) find that possession of export-related capabilities leads to implementing a sound export competitive strategy. Moreover, Morgan et al., (2012), report that specialized marketing capabilities are positively associated with export marketing strategy implementation.

5.4.4. Export Business Strategy and Export Performance

Hypothesis 5: Export venture (a) cost leadership strategy and (b) differentiation strategy are positively related to export venture performance.

Hypothesis 5a posits that there is a positive relationship between export venture cost leadership and export venture performance. This argument is not supported by the results (β = 0.09; t = 1.16; p > 0.05). This finding shows that implementing cost leadership strategy would not generate superior export venture performance.

Hypothesis 5b postulates that export venture differentiation strategy has positive association with export venture performance. This hypothesis is supported by the results (β = 0.36; t = 4.16; p < 0.01). Thus, the study shows that a higher level of differentiation strategy would result in a greater level of export venture performance.

These findings are interesting since a number of exporting literature (e.g., Morgan et.al, 2004; Solberg and Durrieu, 2008; Hughes et al. 2010; Leonidou et al., 2011; Murray et al., 2011) report that exporting firms gain superior export performance by having cost leadership strategy and/or differentiation strategies. However, the findings are in line with the studies of Ibeh (2005) and Camison and Villar-Lopez (2010), who argue that exporting SMEs can enhance their export performance by adopting differentiation strategy.

5.4.5. Moderating Effects of Niche Strategy on the Relationships between Cost Leadership Strategy, Differentiation Strategy, and Export Performance

Hypothesis 6: The positive effects of export venture (a) cost leadership strategy and (b) differentiation strategy on export venture performance are stronger when levels of export venture niche strategy are higher.

Hypothesis 6a argues that positive association between export venture cost leadership strategy and export venture performance becomes stronger when export venture niche strategy is high. The moderating effect of export venture niche strategy on export venture cost leadership strategy-export venture performance relationship is not supported by the results (β = -0.03; t = -0.45; p > 0.05). This means that export venture niche strategy provided no value in enhancing the relationship between export venture cost leadership strategy and export venture performance.

Hypothesis 6b posits a positive association between export venture differentiation strategy and export venture performance at high level of export venture niche strategy. The study receives support for this hypothesis ($\beta = 0.22$; $t = 3.18$; $p < 0.01$). This finding indicates that exporting SMEs require niche strategy to ensure that regular export venture differentiation strategy generates superior export venture performance.

To shed further light on the above interpretations, the relationships between cost leadership strategy and export performance as well as differentiation strategy and export performance under differing levels of niche strategy were plotted following the procedure defined by Aiken and West (1991). Specifically, the effects of cost leadership and differentiation strategies on export performance were individually estimated under high (one standard deviation above the mean values) versus low (one standard deviation below the mean values) of niche strategy. Figure 5.17 effectively shows the nonsignificant moderating effect of niche strategy on cost leadership strategy-export performance relationship. Moreover, Figure 5.18 displays that when niche strategy takes on higher values above the mean, the effect of differentiation strategy on export performance is positive.

Figure 5.17: Moderating Effect of Niche Strategy on Cost Leadership-Performance Relationship
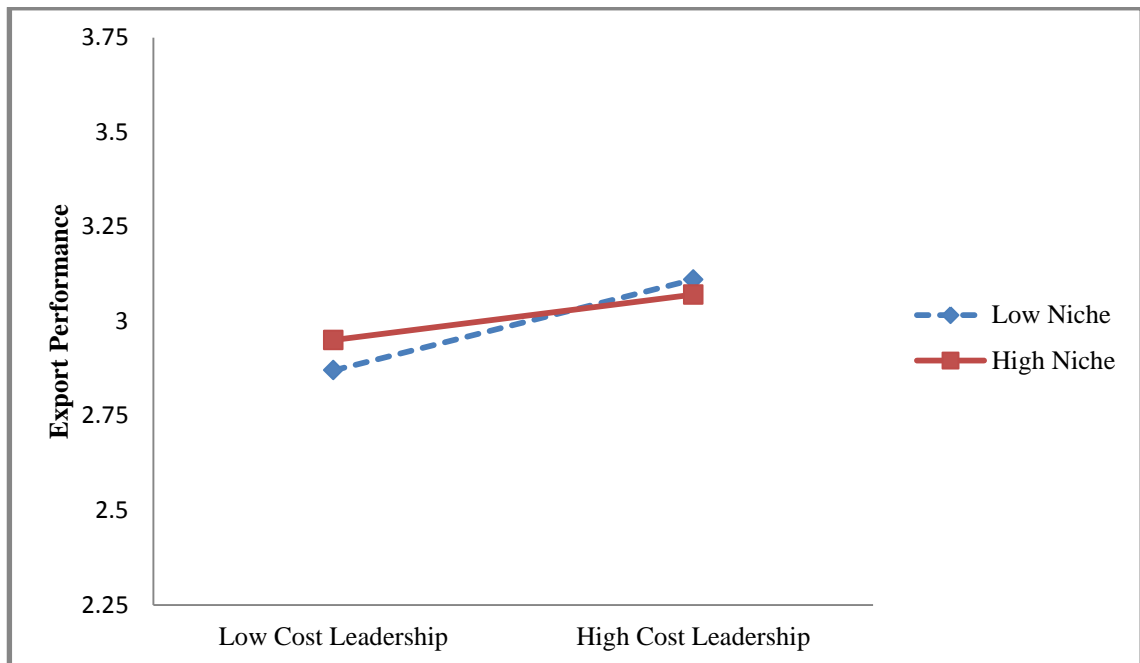
Figure 5.18: Moderating Effect of Niche Strategy on Differentiation–Performance Relationship
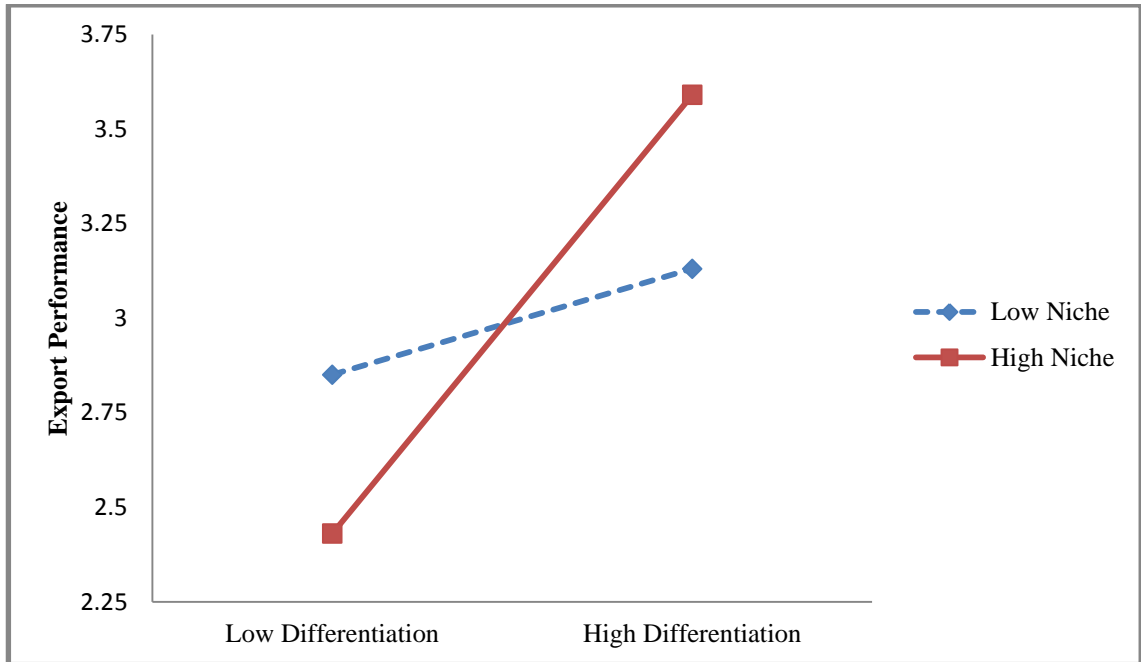
Figure 5.19: Summary of Findings
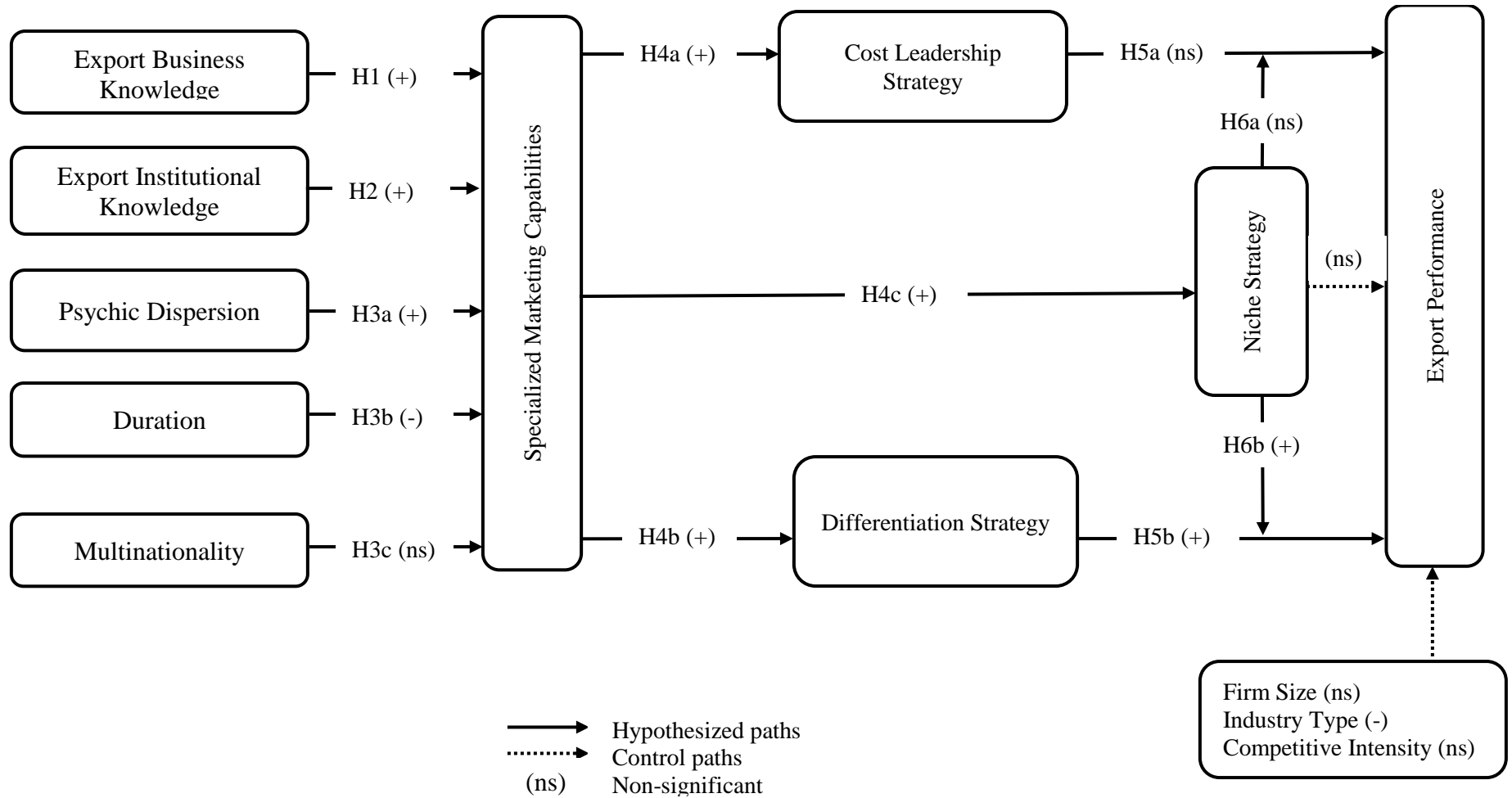
5.5. Chapter Summary

This chapter has reported the results of the empirical investigation conducted for this thesis. According to recommended measure development procedures, all items and scales were evaluated for their validity and reliability. In detail, internal consistency and item-to-total correlations were assessed in SPSS. Moreover, convergent validity and discriminant validity of scales were examined through CFA procedure. The CFA assessment indicated that the measurement models represented a good fit to the data and provided evidence of satisfactory convergent and discriminant validity. SEM technique was used to test the proposed research hypotheses. The structural model results showed a good model fit and the results indicated that eight of the twelve hypothesized links were supported. A summary of the study results are presented in Figure 5.19.

CHAPTER 6

DISCUSSION AND CONCLUSION

The aim of this final chapter of the thesis is to draw comprehensive conclusions from the research findings and discuss the implications of the study from practitioners and academic researcher perspectives. Finally, the limitations of the study will be considered and future research avenues proposed.

6.1. Discussion and Theoretical Implications

A number of studies in marketing have proposed capability–strategy frameworks of export performance (e.g., Morgan et al., 2004; Leonidou et al., 2011), discussed the importance of marketing capabilities therein (e.g., Murray et al., 2011; Morgan et al., 2012), and reported the key role of knowledge resources (e.g., Beleska-Spasova et al., 2012; Villar et al., 2014). Yet, prior research has explored the effect of these strategic determinants in isolation, arguing that each of the determinants contributes positively to SMEs' export performance.

While the literature (e.g., Fang and Zou, 2009; Lages et al., 2009; Vorhies et al., 2009) has highlighted the importance of marketing capabilities in understanding a firm's performance, the notion of specialized marketing capabilities has received scant research attention. In addition, no study has examined whether specialized marketing capabilities mediate the relationship between informational and experiential knowledge and export business strategy. Moreover, the factors influencing export business strategy and export performance have not been fully explored. Specifically, limited empirical research has been conducted on niche strategy as an important driver of the internationalization strategy of SMEs. This is the backdrop in which this thesis aims to provide clarity and make contributions.

Building on the stepping stone of the KBV and incorporating building blocks from dynamic capabilities and the competitive strategy perspective, this thesis extends previous research on export marketing by developing a theory-based model to examine the relationships of export market knowledge, international experience, and specialized marketing capabilities with niche marketing strategy, which in turn leads to export performance. This study has

several valuable implications for understanding SMEs' export competitiveness in the realm of export marketing.

First, knowledge development has been mainly treated as a "black box" in the internationalization literature (Chetty et al., 2006). To the best knowledge of the author, this is the first study that draws on the KBV and dynamic capability perspective to examine associations between export informational and experiential knowledge and specialized marketing capabilities. In fact, this thesis presents a step towards opening up the black box of SMEs' export knowledge development and integration by linking export know-what and know-how to specialized marketing capabilities. Specifically, insights are gained concerning the competitive advantage that exporting SMEs achieve from integrating and leveraging their informational and experiential knowledge through specialized marketing capabilities.

Second, this thesis expands the contextual reach and tapestry of research on the knowledge-based perspective of exporting firms. Specifically, for the first time this thesis produces evidence to show that dimensions of international experience (i.e., psychic dispersion, duration, and multinationality) perform differing roles in shaping the effectiveness of specialized marketing capabilities.

Third, according to KBV, knowledge-based resources do not lead to competitive advantage unless they transform into capabilities (Nonaka, 1994). The study adds precise new insights to the export marketing strategy stream that specialized marketing capabilities represent as a key differentiator for SMEs to create and retain competitive advantage. Specifically, the study proposes that specialized marketing capabilities are specific functionally focused activities utilized within the firm to integrate and transform specialized resources (Vorhies et al., 2009; Morgan 2012).

Fourth, this thesis represents a novel attempt to house niche marketing strategy within a study of export performance antecedents. The thesis finds that SMEs with selling and marketing communication competences, unique product development, quality focus, and channel management skills can develop offerings that appeal to export niche markets. The study provides further evidence that knowledge-based resources and specialized marketing capabilities leveraging activity play important roles in positioning SMEs for export success.

In fact, these are all critical activities in the development of firms' export niche marketing strategy, which allow SMEs to gain a sort of "monopolistic advantage" in export markets (Knight and Cavusgil, 2004).

The next sections highlight the key findings and implications of the study.

6.1.1. Export Market Knowledge and International Experience

Export market knowledge and international experience have been recognized as pivotal determinants of the firm's export success (e.g., Morgan et al., 2003; Hultman et al., 2011; Souchon et al., 2012; Lisboa et al., 2013; Sui and Baum, 2014). Unlike previous research that has focused on either export informational knowledge (e.g., Cadogan et al. 2002; Souchon et al. 2012; Theodosiou and Katsikea, 2013) or experiential knowledge (e.g., Brouthers et al., 2009; Hultman et al., 2011), this study constitutes the first KBV empirical research to consider export business, institutional and experiential knowledge simultaneously.

The findings indicate that both export venture business and institutional knowledge have positive associations with specialized marketing capabilities. This implies that the more export market knowledge an exporting firm gains in an ongoing export business, the more embedded in the host network it would become. In essence, export venture business and institutional knowledge have uncertainty reducing functions as they decrease the liability of foreignness (Vahlne and Johanson, 2013), which in turn boosts the inflow of export market knowledge to specialized marketing capabilities. This integration results in culturally adopted, commercially viable, and institutionally legitimized products for the export markets.

Additionally, the international experience dimensions show interesting results. The direct influence of export psychic dispersion on specialized marketing capabilities is positive, while the results indicate that there is a negative effect of export duration on specialized marketing capabilities. Further, the results do not support the relationship between multinationality and specialized marketing capabilities.

The logic for the positive effect of export psychic dispersion on specialized marketing capabilities lies in the fact that as a firm enters highly diverse regions (e.g., Middle East

versus Western Europe), it requires more formalized marketing mix activities to deal with different consumer needs and competitor responses.

The negative effect of durational experience on specialized marketing capabilities can be attributed, in part, to managerial overconfidence (Heimeriks 2009; Russo and Schoemaker 1992). In fact, the more experienced an exporter becomes, the more likely it is for the firm to become rigid regarding its skills and processes. Therefore, it is less likely for the firm to utilize tactical marketing program-related processes. Relative to a mature exporter, a less experienced firm can more easily adapt its marketing structure and activities to the export markets. In essence, the young exporter has "learning advantages of newness" (Autio et al., 2000; Sui and Baum, 2014).

The non-significant effect of multinationality on specialized marketing capabilities unveiled in the study shows that exporting SMEs follow a "country-specific advantages" approach (Sui and Baum, 2014). Simply put, since SMEs are resource constrained, they commonly lack financial resources and market power required for successful multinational operations (Brouthers et al., 2009). Complexities of export activities are more onerous for small firms with limited resources and wide export operations may stretch scarce resources too far (Knight, 2000; Knight and Cavusgil, 2004). Therefore, SMEs restrict their export efforts to specific countries or geographical regions to ensure that they gain profit from firm-specific advantages. For instance, an exporter located in the UK can leverage its knowledge of UK consumers, competitors, and institutions to serve in the other 28 markets in the EU, because of the cultural similarity, close geographical proximity, and low tariff barriers of those export markets.

In sum, the study's findings support the notion that international experience is indeed a multifaceted construct. In line with previous research (e.g., Qian and Delios 2008; Hultman et al. 2011), this study concludes that exporting SMEs have idiosyncratic international experience profiles that generate different marketing mix outcomes depending on how firms employ their experiences as unique components, or in combination, to impact specialized marketing capabilities.

6.1.2. Specialized Marketing Capabilities and Export Business Strategy

This study sheds light on the emerging stream of research on the role of specialized marketing capabilities in influencing performance outcomes in export marketing. The findings reveal that specialized marketing capabilities are an important predictor of a firm's ability to effectively implement export venture business strategy. All three paths linking specialized marketing capabilities with export venture cost leadership, differentiation, and niche strategy were found to be significant and positive. These findings show strong evidence that specialized marketing capabilities facilitate export venture business strategy outcomes (Vorhies et al., 2009; Morgan et al., 2012).

Overall, this thesis argues that an explanation for the role of specialized marketing capabilities lie in the capability→strategy→performance framework. From this approach, specialized marketing capabilities represent tactical marketing programs SMEs used to enhance their position in the export market. With this enhanced position, superior export venture performance is achieved.

6.1.3. Export Business Strategy and Export Performance

This finding shows that implementing cost leadership strategy does not generate superior export venture performance; whereas the study shows that a higher level of differentiation strategy would result in a greater level of export venture performance. Cost leadership strategy is usually achieved through economies of scale, learning curve benefits, and mass distribution. In contrast, differentiation strategy is based on unique products, superior brand image, and customer service (Porter, 1998; Aulakh et al., 2000; Hughes et al., 2010). Since SMEs hold relatively limited and specialized resources, they tend to leverage their knowledge base and capabilities to develop high quality products with superior customer service (Knight and Cavusgil, 2004; Camison and Villar-Lopez, 2010). The logic behind this is the fact that superior quality reduces service costs and reworks while increasing value; this will then result in the increase of market share and profit, which in turn associates with superior performance.

6.1.4. Moderating Effects of Niche Strategy on the Relationships between Cost Leadership Strategy, Differentiation Strategy, and Export Performance

To the best knowledge of the author, this is the first study to examine empirically the moderating effect of export niche strategy on the export cost leadership strategy–export performance and export differentiation strategy–export performance nexuses. The findings only support that a high level of export venture niche strategy would strengthen the association between export venture differentiation strategy and export venture performance.

The results lend support to what has been suggested in the literature (e.g., Ibeh, 2005; Echols and Tsai, 2005). As such, one explanation for the moderation effect is that export niche strategy enables SMEs to stay closer to their export venture markets and such exporters are more knowledgeable about the needs of their export customers. In fact, the firms are able to keep track of customer preferences and satisfy their needs.

In addition, the rationale for the findings stems from the resource constrained nature of SMEs. Specifically, valuable unique products enable resource-poor firms to readily operate in export markets and are especially appropriate to firms that focus on niche markets (Knight and Cavusgil, 2004). The approach is particularly related to unique product development, innovative products, outstanding customer service, and is akin to differentiation-niche strategy, which distinguishes SMEs from their rivals.

In sum, although, SMEs generally endure a scarcity of human, financial, and tangible resources that cause a diminished set of competitive preferences, the KBV emphasizes that the firm's knowledge resources are particularly important in diverse and volatile business environments since they provide a steady basis for strategy implementation. Drawing on the dynamic capabilities perspective and in line with the empirical findings presented in this thesis, it seems that, in addition to the presence of knowledge-based resources, SMEs must possess specialized marketing capabilities that leverage knowledge resources and facilitate strategy development. At the strategy level, differentiation-niche strategy appears to be a significant driver of superior export venture performance. Providing high quality products and excellent customer service helps SMEs to develop offerings that appeal to export niche markets.

6.2. Implications for Managers and Public Policy Makers

The thesis produces insights that are of pragmatic relevance. First, this research represents that possession of experiential and informational knowledge relevant to the firm's export market environment is a valuable source of competitive advantage. According to the findings, this study suggests that managers require paying specific attention to knowledge management strategies in order to develop organization's export knowledge base in terms of the acquisition of business, institutional and experiential knowledge.

Second, the results show that knowledge-based resources themselves may not help firms achieve desirable performance, without their efforts in transferring export market knowledge into specialized marketing capabilities. Therefore, the study suggests that export venture managers should focus on developing and strengthening their firms' specialized marketing capabilities. Specifically, the results recommend that SMEs should cover all relevant specialized marketing capabilities (i.e., price and product management, post-sales service, distribution management and delivery, marketing communication, and selling processes), rather than concentrating on one specific capability.

Third, due to the rising competition from BRICS (i.e., Brazil, Russia, India, China, and South Africa), which mainly focuses on economy of scale and mass markets, holding on to the current competition position is becoming more challenging for UK exporters. Accordingly, this study suggests that export venture managers should become more proactive in implementing differentiation-niche strategy by using their knowledge resources and specialized marketing capabilities in order to deal with harsh global markets. Providing high quality products and excellent customer service helps SMEs to develop offerings that appeal to export niche markets, which are profitable, distinct, and poorly served by competitors.

Fourth, the theoretical model and empirical findings indicate that exporters should attend to the interrelationships between knowledge-based resources, specialized capabilities, and competitive strategies. Specifically, export market knowledge and insight can be employed to reconfigure the resources and boost marketing capabilities in ways that match the dynamic requirements of the firm's export markets. In fact, the study provides a rationale

for why managers should focus on internal as well as external analysis in formulating niche strategies.

Fifth, financial crisis and changing cross-cultural conditions in both developed and developing countries can make enormous challenges to export managers. Accordingly, exporting firms require being more selective and specific in choosing their export markets. The study suggests that exporters need to develop marketing intelligence systems to better acquire, analyze, and evaluate data on international opportunities and challenges.

Taking a wider perspective, public policy makers and governmental administrators who want to advance export output and achieve an influx of global capital would be able to gain some important insights from the results of this thesis conducted in a developed western economy.

First, owing to the fact that competition in international markets is ever increasing, this study suggests that one way to achieve this international competitiveness is for SMEs to establish their competitive edge using niche marketing strategy. To this end, exporting SMEs need to develop their innovation and product development capabilities through investments in technology to obtain such advantages. A main implication for policy makers is that new investments are needed in modern technology, especially in areas supporting high-tech and related industries. In addition, new educational programs are required to train the younger generation towards becoming experts in employing and managing advanced technologies.

Second, owing to serious barriers in foreign markets (e.g., national protectionism, fiscal policy), exporting SMEs need support from home government and non-governmental organizations (NGOs) to operate successfully in overseas markets. Specifically, this study indicates that policy makers should focus on ways in which they can help SMEs improve their limited resources and marketing capabilities. Such supporting programs could include: (1) benchmarking successful exporting firms with the aim of identifying "best practices", (2) creating networks of exporting firms to provide cross-firm information sharing facilities, (3) organizing export training courses to develop individual-level exporting skills (e.g., foreign market forecasting skills), and (4) providing financial facilities (e.g., buyer credit facility, export refinancing facility) to support export operational sustainability.

Finally, the study reaffirms the need for policy makers to continue their export promotion policies in a more productive effort. Specifically, governments that employ specific export promotion agencies and utilize schemes and programs for boosting exports could benefit from directing these programs and schemes towards emphasizing the importance of marketing strategies in the exporting context. According to the results provided in this thesis, it is expected that a government that assists its indigenous firms in enhancing resources and implementing niche strategies will generate more enduring export outcomes than governments that only provide basic assistance (e.g. export information and financing).

6.3. Limitation of the Study and Future Research Avenues

No study is perfect and this one is no exception. Despite the fact that the study has followed rigorous processes of design and execution in an effort to reduce its weaknesses and flaws, the study should be interpreted in light of inherent limitations.

First, due to the fact that this study drew its sample from a single country (UK), caution should be employed in attempting to propose generalizations to other context. Though the population of UK exporters is similar to those of many other western countries, it cannot be assumed that the present results readily apply to other exporting populations. Second, since the study relies on cross-sectional data, the causal attribution of relationships is relatively weak, implying that substantive conclusions about causal ordering cannot be made. Although the examined research model relies on a strong theoretical foundation and has been conceptualized based on a logical sequence, for future research, a longitudinal approach to capture dynamic influences could be adopted. However, it should be mentioned that this limitation is common within the area of internationalization research (Freeman and Cavusgil, 2007). Third, the unit of analysis in the study was the export venture of SMEs, identified by the respondent. This concentration may limit the study's generalizability to the firm level. Though essential to delimit the study, some loss of richness arises as a result. Fourth, a multi-industry sample was used to increase the sample size and the generalizability of results. However, the sample became heterogeneous and the ability to represent a core industrial focus is inevitably lost.

Additionally, this thesis also suggests three fruitful directions for future studies. First, this research represents that possession of experiential and informational knowledge is a valuable source of competitive advantage. However, there is a limited understanding of how exporting firms can acquire exporting know-how. Specifically, a key unanswered question is: how should exporting firms build their export leaning process to acquire, integrate and leverage their experiential knowledge at both individual and organizational levels? Further research should seek to directly answer this question.

Second, having presented that specialized marketing capabilities play an important role in predicting export venture business strategy, it is also important to investigate boundary conditions for this important nexus. For instance, do distinct strategic orientations (e.g., customer orientation, competitor orientation, and technology orientation) influence this relationship differently?

Third, given the moderation effects of niche marketing strategy on cost leadership strategy–export performance and differentiation strategy–export performance relationships revealed in the study, managers will be anxious to know if anything else could affect these relationships. For example, do regulatory environment influence these relationships differently? It would be fruitful for researchers to investigate this area.

6.4. Conclusion

Drawing on the KBV and dynamic capabilities perspective, this study shows that specialized marketing capabilities play an important role in enhancing export venture business strategy. The theoretical model and results show that export market knowledge and aspects of international experiential knowledge (i.e. psychic dispersion, duration, multinationality) influence specialized marketing capabilities differently. Finally, the results indicate that an exporting SME gains superior export venture performance when implementing differentiation–niche strategy, but not cost–niche strategy.

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Appendix A: Cover Letter

UNIVERSITY OF LEEDS
Leeds University Business School

Date: dd/mm/yy

Dear

I am a PhD candidate at Leeds University Business School. For my thesis, I am exploring how UK exporting companies can develop and implement marketing strategies by using their knowledge and marketing capabilities in order to deal with export markets. This research is being conducted under the supervision of Professor Matthew Robson and Dr. Magnus Hultman and sponsored by Leeds University Business School.

Since you are an exporting company operating in the UK, I am asking for your help in this research by completing the attached questionnaire. Your answers are completely confidential and there is no known risk as the study has been approved by our faculty research ethics committee (Ethics Reference: LTLUBS-012). The questionnaire has been pretested with managers to ensure that it is straightforward to complete and its completion should only take a short time. The validity and reliability of the findings depends on receiving as many responses as possible from selected firms. Please answer all questions as openly and honestly as possible. For your convenience, a prepaid envelope is enclosed to return the completed questionnaire.

If you are interested, an electronic version of this questionnaire can also be completed online at:

https://www.survey.leeds.ac.uk/exporter

As a token of appreciation for participating in this study, you will receive a summary report containing the key findings of the study as well as managerial implications of the findings.

Thank you for taking the time to assist me in my educational endeavors. Your collaboration is invaluable to the success of this study.

Sincerely,

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Appendix B: A Full List of Item Descriptions

Construct/Variable	Item Code	Items used
Export venture business knowledge	ExBus 1	6. The export market competitors
	ExBus 2	7. The export market customers
	ExBus 3	8. The export market distribution channels
	ExBus 4	9. The export market suppliers
	ExBus 5	10. Effective marketing in this export market
Export venture institutional knowledge	ExInt 1	8. The export market social environment
	ExInt 2	9. The export market political environment
	ExInt 3	10. The export market economic conditions
	ExInt 4	11. The export market technological conditions
	ExInt 5	12. The export market language and norms
	ExInt 6	13. The export market laws and regulations
	ExInt 7	14. The export market government agencies

Construct/Variable	Item Code	Items used
Duration	Duration	Please indicate the (approximate) number of years your firm has been exporting:
Multinationality	Multinationality	Please indicate the (approximate) number of countries to which your firm currently exports.
Psychic dispersion	Psychic dispersion	Please select the regions to which your firm currently exports: Western Europe (including Scandinavia), Russia and Baltic countries, Eastern Europe, Africa, North America , South/Central, America , Middle East , Asia and Australia and New Zealand

Construct/Variable	Item Code	Items used
Pricing	Pricing 1	5. Doing an effective job of pricing the export venture products
	Pricing 2	6. Using pricing skills to respond quickly to any customer need changes
	Pricing 3	7. Communicating pricing structure and levels to customers
	Pricing 4	8. Being creative in "bundling" pricing deals
Product development	ProDev 1	1. Managing new export venture products
	ProDev 2	2. Developing new export venture products to exploit R&D investment
	ProDev 3	3. Ensuring that product development efforts are responsive to customer needs in this export market
	ProDev 4	4. Ability to develop new export venture products
	ProDev 5	5. Speedily developing and launching new export venture products
Channel management	ChanMan 1	1. Attracting and retaining the best distributors in this export market
	ChanMan 2	2. Satisfying the needs of distributors in this export market
	ChanMan 3	3. Closeness in working with distributors/retailers in this export market
	ChanMan 4	4. Adding value to our distributor's businesses in this export market
Delivery management	DelMan 1	1. Quickly delivering products once they are ordered
	DelMan 2	2. Shipping products overseas on time
	DelMan 3	3. Making it easy for products to be returned
	DelMan 4	4. Meeting delivery promises to foreign customers
Post-sale service	PoSale 1	1. Delivering high quality after-sale service overseas
	PoSale 2	2. Attracting and retaining after-sale service personnel
	PoSale 3	3. Training after-sale service personnel
	PoSale 4	4. Responding quickly to service requests of export customers
Marketing communication	MarCom 1	1. Developing effective export advertising and promotion programs
	MarCom 2	2. Using advertising and promotion creativity
	MarCom 3	3. Skillfully using marketing communications
	MarCom 4	4. Effectively managing marketing communications programs overseas
Selling	Selling 1	1. The selling skills of salespeople
	Selling 2	2. Retaining good export salespeople and sales managers
	Selling 3	3. Providing effective sales support to the sales force and distributors
	Selling 4	4. Export sales management skills

Construct/Variable	Item Code	Items used
Cost leadership strategy	CostL1	5. Providing low cost services
	CostL2	6. Pursuing cost advantage of raw material procurement
	CostL3	7. Pursuing economies of scale
	CostL4	8. Finding ways to reduce costs of production
Differentiation strategy	Diff 1	5. Differentiating our products from our competitors
	Diff 2	6. Maintaining higher quality standard for our products
	Diff 3	7. Providing unique services
	Diff 4	8. Offering highly differentiated services
Niche strategy	Niche 1	8. Focusing on a small segment / target market where there are few competitors
	Niche 2	9. Producing so specialized products that competitors have difficulties entering our niche
	Niche 3	10. Focusing on a particular type of customer or geographic area
	Niche 4	11. Offering a broader range of products /services than our competitors
	Niche 5	12. Serving more diverse sets of customers than our competitors
	Niche 6	13. Appealing to a specific "niche" in the marketplace
	Niche 7	14. Developing specific market niches

Construct/Variable	Item Code	Items used
Competitive intensity	ComIntens 1	7. Competition in this export market is cut-throat
	ComIntens 2	8. There are many "promotion" wars in this export market
	ComIntens 3	9. Anything that one competitor can offer others can match easily
	ComIntens 4	10. Price competition is a hallmark of this export market
	ComIntens 5	11. One hears of a new competitive move in this export market almost every day
	ComIntens 6	12. Firms in the export market aggressively fight to hold onto their share of the market

Construct/Variable	Item Code	Items used
Market performance	MarPerf 1	7. Cash flows
	MarPerf 2	8. Sales volume
	MarPerf 3	9. Sales growth
	MarPerf 4	10. New product sales
	MarPerf 5	11. Market share
	MarPerf 6	12. Market share growth
Financial performance	FinPerf 1	6. Export venture profitability
	FinPerf 2	7. Return on investment (ROI)
	FinPerf 3	8. Export venture profit margin
	FinPerf 4	9. Reaching export venture financial goals
	FinPerf 5	10. Return on export sales
Customer performance	CusPerf 1	1. Customer satisfaction
	CusPerf 2	2. Customer retention
	CusPerf 3	3. New customer generation
	CusPerf 4	4. Customer service
	CusPerf 5	5. Customer referral