On the Relationship between Export Market Orientation and Export Performance of Tehran Home Appliances Exporting Companies

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Abstract

The rapid increase in the global trade in the last two decades has given prominence to the export performance of companies implying the extent to which they achieve strategic and economic goals for exporting products to foreign markets. The present study explores the relationship between export market orientation and export performance of home appliances exporting companies in Tehran, Iran. A total of 85 companies were selected from the list of 734 exporters of Tehran in 2016. Two standard questionnaires were utilized including export market orientation (Nagy & Beracs, 2012), and export performance of exporting companies (Lin, Huang & Peng, 2014) whose reliability and validity indices were assessed through Cronbach's alpha coefficient and content validity approach, respectively. Also, in order to test the main hypothesis of the research, Smart PLS was used. The results of this study demonstrated a positive and direct relationship between export market orientation and export performance. The findings of the study suggest that exporting companies may boost their export performance through export market orientation with respect to the needs of customers and rivals of the export market and market entry routes.

Keywords: Global trade, export market orientation, export performance, home appliances exporting companies, market entry.

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Introduction

Today, companies and industries must break national boundaries to compete in newer markets with newer customer needs at global level. Export, as the main route to enter the international export markets, is a vital tool for companies to achieve their growth prospects. Since export helps to improve the balance of payments, employment rates and standard of living, a number of governments are pushing companies and industries for export expansion (Racela et al., 2007). Export creates opportunities for market diversification for companies and government agencies (Hasangolipoor et al., 2010). Export success has conventionally been measured according under the title “export performance”. Export performance shows the extent to which companies have achieved strategic and economic goals for exporting products to foreign markets (Mavrogiannis et al., 2008). One of the ways to increase export performance is to adopt market orientation in companies’ export activities (Cadogan et al., 2003). Market orientation is one of the basic concepts of marketing principles (Kotler, 2000). Market orientation is a process in which customers’ needs are addressed through continuous assessment of needs. Companies that have a high level of export market orientation can get more information about their customers and their desires (Morgan et al., 2009).

Considering the growing trend of exports in the last two decades and the trend of globalization of markets, the importance of studying and understanding of companies’ performance in export markets has increased (Hosseinzadeh Shahri & Gholami, 2015). In Iran, with the recent arrival of new home appliance brands to international retailers, the competition for home appliances sales in these markets has grown significantly for manufacturers. Export performance is considered as the return on the activities of companies in the export markets (Cavusgil & Zou, 1994). Since exports are one of the most common ways of entering companies into international markets, understanding the drivers of export performance is a major factor in gaining international competitiveness.

Literature Review

Export Performance

The attempt to investigate companies' export performance began in the early 1960s with Tukey's research (1964) and was peaked during the 80's and 90's. Despite numerous discussions on export performance, an exhaustive definition of the term has not yet been provided (Katsikeas et al., 2000; Lages & Lages, 2004). Cavusgil and Zou (1994) defined export performance as achieving economic goals (profits and sales) and strategic goals (market expansion and competition) of the company. Cadogan et al. (2003) also defined export performance as the rate of economic progress in foreign markets. Recently, Lages et al. (2009) defined export performance as a relational and economic function. Relative performance implies the relationship between the exporter and the importer as well as the distributor. On the other hand, economic performance shows sales volume and market share (Lages et al., 2009). Some other researchers believe that export performance is considered as an underlying basis for decision making in international trade (Navarro et al., 2010). In this study, the export performance variables used in Lin, Huang and Peng's (2014) study were adopted. Lin, Huang and Peng (2014) defined the dimensions of export
performance as financial, strategic, and competitiveness performance. A company's financial performance reflects the company's satisfaction with the volume of export sales, export profits, and export sales growth. A company's strategic performance is satisfaction with the export market share, entry into the export market, and product competitiveness in the international market. Competitiveness performance includes satisfaction with the volume of export sales, the share of the export market, and the rate of entry into the new export market compared with rival companies.

In the literature on export performance research, researchers have used two methods, namely objective (sales and sales growth) and subjective (managers’ perceptions and managers’ satisfaction), to measure export performance. Objective criteria have been widely used in various research studies (Katsikeas et al., 1996). Objective criteria have two major problems: (a) companies may not respond or refuse to expressly answer the export operations and the amount of sales; (b) sales volume, market share and sales growth, etc., may vary in different groups of commodities and industries, and can be measured in terms of competition, market structure in the industry, and the intensity of the technology and therefore not comparable (Katsikeas et al., 1996). Considering the problems associated with objective criteria, the majority of research studies on export performance has used subjective criteria to measure this variable (Lages & Lages, 2004). In the present study, in order to measure the export performance of Tehran's home appliances exporters, the subjective criteria (satisfaction of managers with the performance of their company) were utilized.

**Market Orientation**

Market orientation is one of the issues that has attracted the attention of many marketing researchers and marketing managers over the past decades and has played a crucial role in developing marketing knowledge. Market-oriented thinking is rooted in marketing theory and is oriented towards the concept of market learning. In other words, market orientation is based on the expansion of market understanding and its use for marketing activities. For this reason, market orientation can be understood as accepting the concept of marketing as a business philosophy that guides the competitive strategies of the organization (Baghery & Asghari, 2013). The concept of market orientation has been defined by different scholars in different ways (Deshpande & Farley, 1998; Kohli & Jaworski, 1990; Narver & Slater, 1990; Ruekert, 1992). In this study, the definition of export market orientation has been derived from that of Nagy and Beracs (2012). They defined export market orientation as “gathering of information/generation of intelligence about current and future changes in consumer patterns in the international marketplace and the broader operating environment, the dissemination of such information to all affected parties within the organization, and the formulation of organizational responses based on these resources” (p. 247). Accordingly, export market orientation entails three elements of intelligence generation, intelligence dissemination, and responsiveness. Intelligence generation, entailing customer's identified needs and preferences, includes external factors such as government regulations, technology, competitors, and other environmental ones. Dissemination of intelligence refers to the effective transmission of market information to all sectors and individuals in order to adapt to market requirements. Responsiveness refers to the response to market information that has been created and
published, which takes into account two aspects of the design of the response (the use of market information for program development) and the provision of response (the implementation of this program) (Aghazadeh & Mehrnoosh, 2010).

**Previous Studies**

At the international level, many studies have been conducted on the relationship between market orientation and export performance. Hence, a brief review of the recent studies that examine the relationship between export market orientation and export performance are presented in this section. Cadogan et al. (2009) examined the behavior of export market and export performance, taking into account the dynamic degree of market mediation and internationalization. The study was carried out in Finland with 1205 export companies with more than 50 employees. They found that relationship between business market orientation and business success increases in larger companies due to market dynamics, and the value of exporting market behavior improves with increasing market dynamics. Marie et al. (2011) examined the relationship between export market orientation and the performance of exporting companies in terms of competitive advantages and marketing capabilities. The results of the study showed that there is a positive relationship between export market orientation and export performance. Also, the effect of competitive advantage on export performance was confirmed.

Other researchers have examined the impact of different factors on export performance. For example, in a research conducted by Chang and Feng (2015), the impact of international relations on export performance has been examined. They concluded that there is a relationship between export market orientation and export performance in the target society, and the degree of globalization reinforces the impact of export market orientation on export performance. Garcia et al. (2014) studied the role of export market orientation on export activity. They sought to achieve two main goals: first, the role of the environment on the strategic behavior of export organizations, and the role of export market orientation on export performance. The results of their study indicated that in turbulent environments organizations that use a marketing program tailored to foreign markets are more successful in export performance. They also found that export market orientation not only has a positive and direct impact on export performance, but also plays a key role in supporting strategic decisions in export organizations.

In Iran, the attention of researchers is focused on export performance and its factors (Azizi et al., 2011; Doai & Hosseini-Robat, 2011; Hasangolipoor et al., 2010; Hosseinzadeh Shahri & Gholami, 2015; Mohammadzadeh & Sojoodi, 2011; Shojaie et al., 2015). One of the effective factors that has been studied is export market orientation. For instance, Hasangolipoor et al. (2010) studied the impact of export promotion programs on export performance and concluded that the awareness and use of export promotion programs in Iran does not directly affect export performance; rather, it has a positive and meaningful effect on export performance by influencing the export strategy of companies.

In another study conducted by Doai and Hosseini-Robat (2011), the role of market-oriented trade and its relationship with international business relations was investigated.
To this end, using a survey method, the exporters' market relations were examined on the behavioral aspects of international business relations with export performance in a sample of 44 active exporters of Mashhad. The results showed that marketers of exporters promote cooperation between exporters and the other party, while reducing dependence and distance. In addition, it was found that export performance improves with greater collaboration and communication distance, while no significant relationship is found between dependence and export performance.

In another study, Azizi et al. (2011) aimed to provide an export performance model with a marketing capability approach in Iran's software industry to examine the role of market orientation in increasing export performance. For this purpose, a model consisting of important variables of the software industry including competition intensity, marketing planning capability, and marketing performance, along with three dimensions of market orientation (customer orientation, competitivism, intra-organizational coordination) were designed. The results showed that the intensity of competition on the performance in the international market, customer orientation, and the ability to implement marketing have a positive effect. The results of the test showed that competitivism, marketing capability and customer orientation positively affect performance on the international market. Separation of the works showed that the most important determinants of performance in international markets are, respectively, the intensity of competition, the ability to implement marketing, customer orientation and rivalry (Azizi et al., 2011). Finally, Shojaie et al. (2015) investigated the effect of internal factors on export performance and found that internal factors of the company, such as managerial characteristics and access to domestic resources, have a positive and significant effect on export performance.

**The present study**

As previous research studies have shown, the relationship between export market orientation and export performance has not been extensively investigated in Iran. Also, no previous study, to the best of researchers' knowledge, has examined the relationship between export market orientation and export performance in home appliance exporting companies. Therefore, the present research study will examine the relationship between export market orientation and export performance of home appliances exporting companies in Tehran. The theoretical framework of present study illustrated in Fig. 1.

![Figure 1. Theoretical framework](image-url)

The variables adopted for export market orientation in the present study have been selected based on the variables expressed in the research study conducted by Nagy and Beracs (2012), namely intelligence generation, intelligence dissemination, and responsiveness. Also, the variables related to the export performance of the research conducted by Lin, Huang and Peng (2014) were adopted. In their research study, they
have referred to strategic, financial, and competitiveness performance indicators as export performance indicators, and in this study, those dimensions are used as indicators of export performance. Therefore, the main research question of the present study can be put as follows:

- Is there any significant relationship between export market orientation and export performance of Tehran's home appliance exporting companies?

**Method**

**Population and Sample**

The population of the present study included all exporting companies in Tehran, Iran. According to statistics from Tehran's Industrial, Mining and Trade Organization website, there were 734 exporting companies in Tehran province in 2016. The selected sample for the present study included all home appliances exporting companies in Tehran province in 2016. A total of 85 exporters of home appliances were extracted from the list of 734 exporting companies in Tehran and information about these companies were collected (see Table 1).

<table>
<thead>
<tr>
<th>Product</th>
<th>Type of activity</th>
<th>Number</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carpet</td>
<td>Commercial</td>
<td>62</td>
<td>73%</td>
</tr>
<tr>
<td>Appliances</td>
<td>Productive</td>
<td>8</td>
<td>9.5%</td>
</tr>
<tr>
<td>(kitchen)</td>
<td>Commercial</td>
<td>4</td>
<td>4.7%</td>
</tr>
<tr>
<td>Furniture</td>
<td>Productive</td>
<td>1</td>
<td>1.1%</td>
</tr>
<tr>
<td></td>
<td>Commercial</td>
<td>1</td>
<td>1.1%</td>
</tr>
<tr>
<td>Dishes</td>
<td>Productive</td>
<td>5</td>
<td>5.9%</td>
</tr>
<tr>
<td></td>
<td>Commercial</td>
<td>4</td>
<td>4.7%</td>
</tr>
</tbody>
</table>

**Instruments**

To collect relevant date, two questionnaires were utilized in the present study. The first questionnaire, adapted from Cadogan et al. (2009) and Nagy and Beracs (2012), contained 14 questions on export market orientation- 5 questions for measuring intelligence generation, 5 questions for measuring intelligence dissemination, and 4 questions for measuring responsiveness. The second instrument contained questions related to the export performance of the exporting companies. Being adapted from Akyol and Akehurst (2003), Cadogan et al. (2009), and Lin, Huang and Peng (2014), the questionnaire consisted of 10 questions: 3 questions for measuring financial performance, 4 questions for measuring strategic performance, and 3 questions for measuring competitiveness performance. The questions in each of the two instruments were first translated into Persian and then a Persian native speaker edited and finalized the questions. It should be noted that the items were measured through five point likert-scale.
Data Collection and Analysis

A total of 138 questionnaires were distributed among top managers, marketing, or research and development officials of Tehran home appliances exporting companies, of which only 121 questionnaires were subjected to statistical analysis. Regarding the fact that some of these companies received two completed questionnaires, the average score was calculated for each company. It is noteworthy that due to lack of access to some home appliances exporting companies and lack of cooperation of some companies in completing the questionnaires, a total of 69 companies were finally subjected to data analysis.

In order to determine the validity of the questionnaires in this study, the content validity of the questionnaires was verified by two experts in the field specializing in Business Administration. To assess the reliability of the questionnaires, Cronbach's alpha coefficient was calculated.

In the present study, having completed data collection process, the data were entered into the computer and analyzed using SMART PLS and SPSS software at two levels of descriptive (average, standard deviation, etc.) and inferential statistics. In order to test the hypothesis of the research, the confirmatory factor analysis tool and Partial Least Squares (PLS) method were utilized.

Findings

Table 2 shows the mean, standard deviation and correlation matrix of the research variables. The first two columns show the correlation coefficients (two-way relationship) between the variables of the research. Regarding the correlation coefficient between export performance and export market orientation, as shown in Table 2, there is a positive and significant relationship at 99% confidence level.

Table 2. Descriptive Statistics

<table>
<thead>
<tr>
<th>Variable</th>
<th>Export Market Orientation</th>
<th>Export Performance</th>
<th>Mean</th>
<th>Standard deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Export Market Orientation</td>
<td>1</td>
<td>0.546</td>
<td>3.6</td>
<td>1.8</td>
</tr>
<tr>
<td>Export Performance</td>
<td>0.546</td>
<td>1</td>
<td>3.9</td>
<td>1.4</td>
</tr>
</tbody>
</table>

According to the table above, the mean for export market orientation is 3.6 (in five-point Likert scale) which indicates the relative market orientation of home appliances exporting companies in this research. Also, the mean for export performance is 3.9, which indicates the relative satisfaction of the mentioned companies with their sales and exports.

Table 3 below presents the results of SMART PLS program containing external testing and internal testing. Three important indicators of external testing fit (goodness of
measures) are: composite reliability (CR), average variance extracted (AVE), and factor loading. As shown in Table 3, the variables of the present study have a CR greater than 0.70, AVE greater than 0.50, and Cronbach alpha greater than 0.70; therefore, the exterior model is acceptable (Zhang & Duan, 2010).

Table 3. Estimation of research model

<table>
<thead>
<tr>
<th>Variable</th>
<th>Cronbach's alpha</th>
<th>Composite Reliability (CR)</th>
<th>Average Variance Extracted (AVE)</th>
<th>Total Convergence</th>
<th>Coefficient of Determination</th>
</tr>
</thead>
<tbody>
<tr>
<td>Export Market Orientation</td>
<td>0.824</td>
<td>0.847</td>
<td>0.785</td>
<td>0.912</td>
<td>0.000</td>
</tr>
<tr>
<td>Export Performance</td>
<td>0.770</td>
<td>0.766</td>
<td>0.798</td>
<td>0.868</td>
<td>0.285</td>
</tr>
</tbody>
</table>

As the mean value of the extracted variance for all research variables is higher than 0.5, the convergent validity of the model is confirmed. The highest mean of the extracted variance is related to the variable of the export performance and the lowest value for the export market orientation variables. Two columns of this table show the total reliability and alpha Cronbach. These coefficients measure the external validity of the instruments. Both coefficients are higher than 0.7, indicating the reliability of the instruments. One column of this table is the determination coefficients for dependent variables. This coefficient for the independent variable is zero.

Figure 2 below shows the model of the researcher in the estimation of coefficients. According to the model, in estimation mode, factor loadings and path coefficients can be estimated. According to the figure, one can say which index has a larger share in measuring the variables of the study.

Figure 2. Path Coefficients

Figure 3 shows the significance of researcher's model (t-value). This model actually tests all the measurement equations (factor loadings) and structural equations (path coefficients) using t-test. According to this model, the path coefficient and factor loading are significant when the value of t is outside the range (2 to 2+) and if the value of t is within this interval, then the factor loading or path coefficient does not have a significant effect.
Having tested the external model, it is necessary to provide an internal model indicating the relationship between the variables of the research. Table 4 shows the path coefficients and $t$ values for all the paths of the research model.

Table 4. Path Coefficients and Hypotheses

<table>
<thead>
<tr>
<th>Direction</th>
<th>Path coefficient</th>
<th>$t$</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>Export orientation-export performance</td>
<td>0.445</td>
<td>4.267</td>
<td>Confirmed</td>
</tr>
</tbody>
</table>

By examining the relationship between independent variable and the dependent variable presented in Table 4, we can test the main hypothesis of the present research study. As seen in the table above, there is a positive direct relationship between export market orientation and export performance. As a result, the hypothesis of the study is confirmed; that is, there is a significant relationship between export market orientation and export performance of Tehran's home appliance exporting companies.

**Discussion and Conclusions**

The present study examined the relationship between export market orientation and export performance of home appliances exporters in Tehran. It was found that there is a strong positive relationship between export market orientation and export performance. This idea is consistent with previous studies (e.g., Cadogan et al., 2009; Marie et al., 2011; Chang & Feng, 2015; Garcia et al., 2014). Thus, if exporting companies (1) orient themselves toward customer's identified needs and preferences; (2) transmit market information to all sectors and individuals; and (3) respond to market information that has been created and published, they can enhance their export success. It then demands that exporters take advantage of marketing strategies and adapt the elements of the marketing mix to the needs of foreign markets achieve better export performance. On the basis of the findings of the study, it is recommended that exporting companies take into account the following:

First, it is suggested that, in order to improve its export performance in most areas of activity, it is recommended to consider increasing the level of market orientation as an important and priority objective. In order to increase the level of market-orientation, it should be given special attention to the core of market-orientation that is intelligent about the market and its customers.
Second, it is also recommended that companies gain intelligence on customers by using export marketing research to get information about market needs, rivals, and environmental forces analysis, such as government regulations. Marketing research involves collecting and systematically analyzing market data.

Third, managers can use teams comprised mainly of professionals or of a separate unit called Research and Development (R&D) to conduct marketing research and apply for personal review for the systematic examination of customer satisfaction. The R&D unit examines international markets to information companies. The need for the type of goods needed by customers of the markets and the strategies of competitors to satisfy these needs and the creation and export of the appropriate goods to the needs of customers to the target market helps the correct export.

Fourth, companies should distribute the information throughout the company and, after analyzing it, respond to customer needs. Managers are encouraged to use the Marketing Information Management System to disseminate this information.

Fifth, companies should continually be aware of changes in the tastes of international market customers in order to produce and export a product that satisfies their needs, as well as the cultural and religious characteristics of the destination country in packaging and product design.

Sixth, exporters should be able to pricing their products in accordance with the laws and regulations of the countries as well as the position of each country. Also, paying attention to the strategies of competitors in pricing can also help exporters in pricing.

Seventh, by reviewing geographical location and customs regulations, etc., companies can use distribution channels (such as intermediaries and agents) to deliver products to customers. Finally, marketing communications (an element of promotional and promotional activities of the marketing mix) include advertising, public relations, promotion and sales. It is recommended that exporters have a high degree of public relations and decide on the best media for advertising.

This study offers important and novel contributions to the export performance literature, but has a number of limitations that could serve as a starting point for future lines of research. The first limitation concerns the type of study, since the basis for the study comes from information from a single point in time. The second limitation concerns the fact that the sample comes from a single country limiting the generalizability of the conclusions drawn here. The third limitation of the study concern the data collection instrument, which included self-report of the marketing managers. The final limitation has to do with the potential effect of other factors this study overlooks. Thus, in future works researchers could consider, for example, characteristics of the export product, the quality of the relationships with the international distributors, or the organization's dynamic capabilities.
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