The Effect of Export Marketing Capabilities on Export Performance: An Investigation of Chinese Exporters

ABSTRACT

The primary purpose of this article is to investigate the effect of export marketing capabilities on export performance. Drawing on the resource-based view, the authors develop a model that links an exporter's product development capability, distribution capability, communication capability, and pricing capability with its positional advantages (low-cost advantage and branding advantage) and its performance in the export market. On the basis of a survey of Chinese export ventures, the authors find general support for their proposed model. The authors discuss the theoretical and managerial implications of their findings.

Shaoming Zou, Eric Fang, and Shuming Zhao

The trend toward globalization of the world markets underscores the importance of understanding firm behavior and performance in export markets. A major stream of export marketing research focuses on the internal and external determinants of export performance (Aaby and Slater 1989; Zou and Stan 1998). A key finding in the export marketing literature is that there is a positive relationship between export marketing strategy and export performance (Cavusgil and Zou 1994).

Despite the significant progress made in export marketing research, two major gaps remain in the literature. First, most studies have been guided by the industrial organization (IO) framework, which is based on the principle of the strategy-environment coalignment (Venkatraman and Prescott 1990). According to this view, an exporter's competitive advantage derives primarily from an external analysis of competition in the product market. Internal organizational resources are considered both subordinate to the exporter's strategic choice and a matter of static administrative efficiency (Collis 1991).

However, in the more recent strategy literature, the IO tradition has been supplemented by the resource-based view (RBV), which derives from an internal analysis of the firm and its accumulated resources, both tangible and intangible (Barney 1991). According to the RBV, firms are idiosyncratic in terms of the bundle of resources that they accumulate over time, and organizational resources are considered the ultimate sources of competitive advantage (Collis 1991). It has been suggested that inclusion of the RBV in studies is a fruitful direction that would enrich the export marketing literature (Zou and Stan 1998).
In addition, with few exceptions (e.g., Aulakh, Kotabe, and Teegen 2000; Zou, Andrus, and Norvell 1997), most studies on the determinants of export performance have been conducted in developed countries (Zou and Stan 1998). Few studies have been conducted in China, the largest developing country and the fifth-ranked exporting power in 2002. Because China is now a World Trade Organization member, it is essential for firms competing in the global market to understand the export behavior of Chinese firms.

The purpose of this study is to use the RBV framework to investigate how export marketing capabilities influence Chinese firms’ performance in the export markets. The study has both theoretical and managerial relevance because it extends the current export marketing literature by adopting the RBV as the guiding framework, and it has the potential to offer managers useful guidelines for improving their firms’ export performance. We organize the remainder of this article as follows: First, we briefly review the RBV and export marketing literature. Second, we present a model that links export marketing capabilities to positional advantages and export performance, and we advance the related hypotheses. Third, we describe the methodology used for the study. Finally, we discuss our findings and their implications.

There are three major theoretical approaches to researching firms’ international performance. The IO theory ascribes a firm’s international performance to its external market position, transaction cost analysis uses market imperfections to explain a firm’s international strategy choice and efficiency in international marketing, and the RBV focuses on internal organizational resources to identify the determinants of a firm’s international marketing performance (Williamson 1985; Zou and Cavusgil 2002).

In the export literature, most studies have adopted the IO theory to view a firm’s export strategy, characteristics, and external factors as the primary determinants of export performance (Zou and Stan 1998). The basic idea of the IO theory is that the external environment imposes pressure to which exporters must respond. Exporters that respond successfully to external environments by developing and implementing an appropriate marketing strategy will enjoy superior performance (Zou and Stan 1998). The strategy factors that have been frequently studied include product adaptation, product strength, promotion adaptation, promotion intensity, price adaptation, channel relationships, and types of channels (for a detailed review, see Zou and Stan 1998). For example, Cavusgil, Zou, and Naidu (1993) present a contingency framework in which the degree of various aspects of product adaptation and promotion adaptation is influenced by company,

**Literature Review**

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industrial, and export market characteristics. For firm characteristics, Samiee and Walters (1990) examine the relationship between firm size and export performance. The external factors included in the previous studies can be classified into three types: industry characteristics, export market characteristics, and domestic market characteristics. For example, Das (1994) and Lim, Sharkey, and Kim (1996) find that industry instability positively influences export sales. Cavgusgil and Zou (1994) find a significant indirect effect of export market competitiveness on export performance, and Katsikeas, Piercy, and Ioannidis (1996) report a positive effect of national export policy on export performance.

However, the IO framework focuses on the impact of a firm’s strategy and external environment on its competitive position, and the framework has placed little emphasis on the impact of idiosyncratic internal capabilities on a firm’s competitive position (Barney 1991; Porter 1990). Under the assumption of resource heterogeneity, recent strategy literature has examined the relationship between firm resources and sustainable competitive advantage (Barney 1991). This new theoretical perspective, the RBV, calls for viewing the firm not in light of its activities (strategy) in the product market but as a unique bundle of tangible and intangible resources. It is argued that the bundles of a firm’s resources, not its product market strategy, lie at the heart of the firm’s competitive advantages (Peteraf 1993; Wernerfelt 1984).

Not all resources hold the potential of leading to competitive advantage for a firm. To create competitive advantages, a resource must have four attributes: It must (1) be valuable, (2) be rare, (3) be difficult to imitate, and (4) have no strategically equivalent substitutes (Barney 1991). Broadly, there are two related types of resources that are necessary for creating competitive advantages: assets and capabilities (Day 1994; Dierickx and Cool 1989). Assets are the resource endowments a firm has accumulated (e.g., investments in the facilities), and capabilities are a firm’s complex bundles of skills and accumulated knowledge, exercised through organizational processes, that enable the firm to coordinate activities and make the best use of its assets (Day 1994; Teece, Pisani, and Shuen 1997). Capability is the glue that brings assets together and enables them to be deployed advantageously (Day 1994). Specifically, when capabilities support a market position that is valuable and difficult for competitors to match, they are distinctive capabilities or competencies.

Capabilities only provide the potential for producing a competitive advantage (Barney 1991). A worthwhile question is, How can superior performance be realized through distinctive capabilities? Porter (1980, 1985) advances the concepts of cost leadership and differentiation relative to those of
competitors as two notable sources of competitive advantage. A low-cost position enables a firm to use aggressive pricing and to attain a high sales volume, and a differentiated product creates brand equity among customers in the target market. Similarly, Hunt and Morgan’s (1995, p. 7) comparative advantage theory of competition posits that a comparative advantage exists when a firm’s competencies enable it to produce a market offering that, “relative to extant offerings by competitors,... is perceived to have superior value and/or ... can be produced at lower costs.” Likewise, Conner (1991) notes that distinctiveness of product offerings and/or low costs is tied directly to the distinctiveness of the resources used to produce the products.

Day and Wensley (1988) take Conner’s (1991) idea one step farther and provide a resource–position–performance framework of competitive advantage in which they broadly define resources to include capabilities. They argue that resources and capabilities can be structural drivers of positional advantages such as low cost and differentiation. For example, the capability to coordinate sales and customers helps a firm establish a differentiation advantage (Day and Wensley 1988). Although Porter (1985) suggests that a firm must choose between a cost advantage positioning and a differentiation positioning, Hitt, Ireland, and Hoskisson (1997) argue that firms can, and in some circumstances must, implement an integrated strategy that can lead to both cost advantage and differentiation. The simultaneous achievements of cost advantage and differentiation have been empirically supported in the United States (e.g., White 1986) and in developing countries (e.g., Aulakh, Kotabe, and Teegen 2000).

Although the aforementioned capability-positional advantage–performance framework was developed in the domestic market context, it has been posited that the framework also holds in export markets for two reasons. First, the RBV is based on the assumption of heterogeneity among firms (Barney 1991). The more heterogeneous the firms are that compete in the market, the more crucial capabilities are to superior performance. In export markets, firms are typically more heterogeneous than firms in the domestic market because they are from different countries or cultures. As a result, export marketing capabilities are crucial to positional advantages and superior performance in export markets. Second, a firm’s distinctive export marketing capabilities are rooted in its employees’ knowledge and skills (Hall 1993), which are difficult for other exporters to match or imitate because the complex export market environment makes it difficult and expensive to do so. Because the export market context is ideally suited to meet the two core assumptions of the RBV—that is, resource heterogeneity and resource immobility (Barney 1991)—it offers a fertile field for application of the RBV.
Building on the preceding discussion and adapting Day and Wensley's (1988) framework to the export marketing context, we present a structural model in Figure 1 that links an export venture's export marketing capabilities to its positional advantages and performance in the export market. There are two reasons we focus on a firm's export marketing capabilities to identify determinants of export performance. First, capabilities differ from assets in that they cannot be given a monetary value and are deeply embedded in organizational routines and practices (Conner and Prahalad 1996; Kogut and Zander 1996). Second, unlike assets, capabilities cannot be traded or imitated easily (Day 1994; Dierickx and Cool 1989) because they consist of knowledge and must be accumulated through long-term learning (Teece, Pisani, and Shuen 1997). Functional capabilities in areas such as export marketing are rooted in the knowledge, skills, and experience of employees and others in the value chain (Prahalad and Hamel 1990), and they can enable an exporter to outperform its competitors.

Although several ways exist to identify a firm's export capabilities, Katsikeas (1994) discusses four export marketing capabilities: production capability, marketing and promotion capability, product superiority, and competitive pricing. Consistent with the 4P's framework in traditional marketing literature and drawing on Katsikeas's (1994) research, we focus on four functional export marketing capabilities: pricing capability, product development capability, distribution capability, and communication capability. These four capabilities are not exhaustive but rather representative of the core functional capabilities in the marketing mix that managers of export ventures can leverage. Moreover, in line with Day and Wensley (1988) and Hitt, Ireland, and Hoskisson (1997), we contend that a firm's export marketing capabilities affect its export performance by creating low-cost and branding advantages, which are key aspects of differentiation (Aaker 1991).

![Figure 1. A Conceptual Model of Export Marketing Capabilities and Export Performance](image-url)
We define *low-cost advantage* as the extent to which an export venture can offer its product to customers at a lower price and/or with better terms than its rivals (Porter 1980). *Branding advantage* refers to the degree to which an export venture achieves a more favorable brand image among export customers than its rivals’ brands do. In the following paragraphs, we discuss the effects of export marketing capabilities on an export venture’s positional advantages.

We define *pricing capability* as the extent to which an export venture can effectively use and manage pricing tactics to respond to competitors’ challenges and customer changes in the export market. As a spanning capability (Day 1994), pricing capability helps an export venture meet the price competition in the export market and facilitates the implementation of cost-control measures and effective financial management, leading to a low-cost position for the export venture. Dickson (1992) has developed a theory of competitive rationality in which he argues that the lack of fit between supply and demand offers opportunities for suppliers that respond quickly. In other words, companies that respond quickly to market changes have an inherent competitive advantage because “heterogeneity in supply is always changing” (Dickson 1992, p. 71). Furthermore, responding quickly to competitors’ pricing tactics and customer needs may offer firms strong motivation to find ways to decrease costs without affecting the potency of output (Ames and Hlavacek 1990; Dickson 1992). Effective cost control would give an export venture an edge over its rivals, thereby leading to low-cost advantage. In summary, we expect that pricing capability positively leads to an export venture’s low-cost advantage in the export market.

\[ H_1: \text{An export venture’s pricing capability positively affects its low-cost advantage in the export market.} \]

*Product development capability* refers to the extent to which an export venture can develop and launch new products to satisfy export customers’ needs. Li and Calantone (1998) suggest that new product development capability helps link external customer needs, competitive intensity, and internal research and development (R&D) strength. A strong new product development capability enhances the exploitation of customer knowledge and internal R&D strength. Thus, a high level of product development is expected as a result of superior product development capability (Li and Calantone 1998; Zou and Özsomer 1999).

It is suggested that new product attributes (e.g., quality, reliability, newness, uniqueness) enhance brand image and a firm’s ability to meet customer needs (Calantone and Cooper 1981; Cooper 1992; Griffin and Hauser 1991) and help the firm differentiate its offering from those of competitors (Day
and Wensley 1988). Song and Parry (1997) find a significant, positive relationship between the level of product development and product competitive advantage manifested in unique features and relatively high product quality. Thus, we expect that an export venture’s product development capabilities lead to increased branding advantage. Therefore, we propose the following hypothesis:

**H2:** An export venture’s product development capability has a positive effect on its branding advantage in the export market.

*Distribution capability* is the export venture’s ability to provide superior support to export distributors and to develop a close relationship with them. As a critical channel-bonding capability (Day 1994), distribution capability has two major functions: market sensing and customer service. Anderson and Coughlan (1987) and Lilien (1979) argue that differentiation (e.g., branding) advantages require a high degree of knowledge about customers and a high level of before- and after-sales services. These requirements necessitate that exporters and distributors maintain a close relationship so that the exporters can have a strong influence on distributors (Keegan 1984) in terms of offering superior customer service. In the export market, because of the difficulty of acquiring accurate information about customers, an export venture that wants a branding advantage must secure close cooperation of export distributors (Porter 1986). A strong distribution capability helps secure such close cooperation from export distributors. Thus, we expect that distribution capability enhances an export venture’s branding advantage in the export market.

**H3:** An export venture’s distribution capability positively affects its branding advantage in the export market.

Export operation incurs various costs, including foreign market research, negotiation with export distributors, shipping, tariffs and duties, and mandatory adaptation of product and promotion. In the absence of a strong relationship between an exporter and its foreign distributors, the costs of export marketing are high because the potential opportunistic behavior of foreign distributors increases the costs associated with contract negotiation and enforcement. Improper adaptation of product and promotion due to a lack of cooperation from export distributors further increases the cost for an export venture.

In contrast, if a close relationship exists between an exporter and a distributor, trust and commitment in the export channel increase, and potential opportunistic behaviors of both parties decrease (Morgan and Hunt 1994). When increased
trust and commitment exist, the cost of negotiation declines, and product and promotion adaptations are more effective (Cavusgil and Zou 1994). Similarly, decreased opportunistic behaviors in the export channel lead to reduced cost of contract enforcement (Morgan and Hunt 1994). Because the distribution capability of an export venture facilitates the development of trust and commitment and the reduction of opportunistic behaviors in the export channels, we expect that distribution capability provides an export venture with a low-cost advantage in the export market.

H₂: An export venture’s distribution capability positively affects its low-cost advantage in the export market.

Communication capability refers to the extent to which an export venture can effectively use and manage marketing communications with its export customers. Communication capability includes three critical processes, identified by Day (1994): market sensing, customer linkage, and channel bonding. Day argues that communications occur at many levels. When the focus is on customers, the function of communication is customer linkage, which deals with persuading customers with features, price, terms, and maintenance of the firm’s product (Day 1994). In this sense, firms can build branding advantage by communicating directly with export distributors.

When communications occur among organizations, communication capability serves both market-sensing and channel-bonding functions. Duncan and Moriarty (1998) provide a communication-based marketing model for managing relationships. In their model, information and feedback are two important components of the communication. Information sharing among parties in the relationship helps build market-sensing capability (Day 1994), and feedback facilitates information processing about the market (Duncan and Moriarty 1998).

Market sensing enhances an export venture’s ability to respond effectively and quickly to shifts in export customers’ preferences, thereby leading to branding advantage. In addition, market sensing enhances an export venture’s ability to gather competitor information, such as competitors’ cost structures and competitive behaviors. When it has such information, the export venture can initiate effective cost-containment programs, which leads to low-cost advantage.

Communication between an exporter and distributors also facilitates channel bonding because of the communication’s effect on trust and commitment (Duncan and Moriarty 1998; Morgan and Hunt 1994). As we previously discussed, enhanced trust and commitment can decrease both the opportunistic behavior of channel members and the cost of
negotiating and enforcing an export contract, thereby leading to low-cost advantage. Therefore, we present the following hypothesis:

H5: An export venture’s communication capability positively affects its (a) low-cost advantage and (b) branding advantage in the export market.

Many researchers have examined the relationship between a firm’s positional advantages and its financial performance (e.g., Day 1994; Day and Wensley 1988; Hunt and Morgan 1995; Porter 1985). When an export venture achieves low-cost advantage in the export market, it enjoys lower costs than its rivals and thus greater profitability. In addition, low-cost advantage also gives an export venture pricing flexibility and the ability to deliver better values to customers, thus increasing export sales and profitability. Similarly, when a firm achieves branding advantage in the export market, it commands customers’ positive attitude and loyalty. This loyalty enables the export venture to secure a large market share and/or charge a premium price in the export market, thus improving its export sales and profitability. In either circumstance, we expect the export venture to achieve superior financial performance in the export market.

H6: An export venture’s (a) low-cost advantage and (b) branding advantage positively affects its financial performance in the export market.

The model in Figure 1 posits that the effects of export marketing capabilities on an export venture’s performance are mediated by its low-cost and branding advantages. As we mentioned previously, this is the case because export marketing capabilities provide only the potential for superior performance; their effects on financial performance must manifest in a lower-cost position, a properly differentiated brand, or both. In other words, unless export marketing capabilities result in lower cost or a superior brand, we do not expect them to have a (direct) effect on an export venture’s financial performance.

To assess the model and our research hypotheses, we conducted a cross-sectional survey in China to collect primary data. We followed Cavusgil and Zou’s (1994) work by selecting individual product-market export ventures of Chinese exporters as the unit of analysis. This design is considered valid because we expect the key factors tapped in this study, such as export marketing capabilities, positional advantages, and export performance, to vary from one export venture to another. It also affords us the ability to link a firm’s international marketing capabilities to its positional advantage and its performance in a specific export venture.
We adapted measures of an export venture’s financial performance in the export market from Zou, Taylor, and Osland’s (1998) work. Because no existing measures were available for export marketing capabilities and positional advantages, we developed measures for these new constructs specifically for our study. Because the core literature underlying the present study is published in English, we first developed measures in English before having them translated into Chinese.

We took several steps to develop the survey questionnaire. Drawing from the literature on the RBV, export marketing, and marketing management, we initially developed several items to capture the domain of the constructs. We intended these items to gauge the extent of an export venture’s capabilities and positional advantages compared with those of its major rivals in the export market. We used a seven-point bipolar scale (−3 = “much worse,” 3 = “much better”) to register the response on each item. All items were then examined by five experienced researchers in international marketing. We made some revisions to the wording of the items on the basis of the researchers’ comments. After a professional draft of the questionnaire was developed, we conducted a pretest with export marketing managers. We dropped a few items as a result of the feedback from the pretest subjects. After we finalized the English version of the questionnaire, it was translated into Chinese by three independent native Chinese speakers who were attending the graduate business programs at a major U.S. university. When there were differences in the translators’ work, a discussion was held and the differences were resolved. The Chinese version of the questionnaire then was translated back into English by a business professor at the same U.S. university who was originally from China and by a native English speaker who had worked in China for several years and was fluent in Chinese. Any difference in back-translation between the two translators was resolved in a meeting. Overall, the back-translated version matched the original English version well, which suggests good quality of the translation (see Douglas and Craig 1983). The Chinese version of the questionnaire was finalized and printed in a professionally typeset booklet.

The sampling frame consisted of manufacturing exporters located in a major industrialized province in the eastern region of China. The province has an extensive exporting base and is among the top-five major exporting provinces/municipalities in China. On the basis of government published data, we concluded that exporting firms from this province are representative of the leading Chinese exporters.

We used the province’s directory of manufacturing firms to identify manufacturing exporters that were potential participants in this study. Graduate business students from a lead-
Analytical Approach

Measurement Assessment

Table 1. Profile of Export Ventures in the Sample

<table>
<thead>
<tr>
<th></th>
<th>&lt;100</th>
<th>100–200</th>
<th>200–400</th>
<th>&gt;400</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of employees</td>
<td>18.4%</td>
<td>20%</td>
<td>43%</td>
<td>18.6%</td>
</tr>
<tr>
<td>Sales volume</td>
<td>&lt;5 million</td>
<td>5–10 million</td>
<td>10–20 million</td>
<td>&gt;20 million</td>
</tr>
<tr>
<td></td>
<td>33.6%</td>
<td>18%</td>
<td>22.2%</td>
<td>25.2%</td>
</tr>
<tr>
<td>Years of export</td>
<td>&lt;4 years</td>
<td>4–7 years</td>
<td>7–15 years</td>
<td>&gt;15 years</td>
</tr>
<tr>
<td>venture's existence</td>
<td>30.2%</td>
<td>21.4%</td>
<td>26.1%</td>
<td>20.3%</td>
</tr>
<tr>
<td>Years of parent</td>
<td>&lt;4 years</td>
<td>4–15 years</td>
<td>15–20 years</td>
<td>&gt;20 years</td>
</tr>
<tr>
<td>firm's existence</td>
<td>18%</td>
<td>21.5%</td>
<td>44.3%</td>
<td>16.2%</td>
</tr>
</tbody>
</table>

Notes: Percentage values indicate percentage of the sample.

We used a two-stage approach to analyze the data and to test the proposed model. In the first stage, we assessed a confirmatory factor analysis (CFA) measurement model with the SAS CALIS procedures (SAS Institute 1989). When the measurement model fits the data, we fit the path model by the maximum likelihood criterion in the SAS CALIS procedures in the second stage. According to Anderson and Gerbing (1988), the two-stage approach to model fitting has two main advantages. First, it is less demanding on the sample size because of the reduced model at each stage. Second, the potential confounding effect between the structural model and the measurement model can be avoided.

We used CFA to estimate the measurement model, which comprised seven latent factors. Following Gerbing and Anderson's (1988) work, we estimated a measurement model in which each item was restricted to load on its a priori specified factor, and we permitted the factors themselves to be correlated.
Using SAS CALIS procedures, we obtained maximum likelihood estimates of the measurement model (see Table 2). The overall chi-square statistic for the model was significant ($\chi^2 = 553.34$, degrees of freedom [d.f.] = 278), $p < .001$, as might be expected given the size of our sample (Bagozzi and Yi 1988). However, the comparative fit index (CFI = .93), Bentler and Bonett’s (1980) normed fit index (NFI = .86), Bentler and Bonett’s (1980) nonnormed fit index (NNFI = .91), and the root mean square residual (RMSR = .057) all pointed to evidence of good model fit. All factor loadings were positive and significant at the .01 level. The measurement model thus provides satisfactory evidence of the internal consistency of the factors. The coefficient alpha for each scale also provides satisfactory evidence of reliability.

To test the discriminant validity of the factors, we estimated a set of additional models. Specifically, for each pair of factors, we fit a constrained model (in which we restricted the correlation between the two factors to unity) and an unconstrained model (in which we allowed the two factors to co-vary). We then used the chi-square difference test to compare the constrained model with the unconstrained model. Discriminant validity is present if the unconstrained model fits better than the constrained model does (Bagozzi, Yi, and Phillips 1991). The results indicate that in all cases, the unconstrained models fit significantly better than the constrained models. Thus, all factors in this study exhibit discriminant validity. Therefore, we conclude that the measurement model in the present study fits the data satisfactorily.

We used path analysis to assess the hypothesized model. We analyzed data with SAS CALIS procedures. Path analysis makes it possible to test simultaneously all hypothesized relationships of the focal constructs and the fit of the proposed model to the data. We derived the correlation matrix (Table 3) of the constructs in path analysis from the CFA estimates of the measurement model in order to take into account the measurement error associated with the items.

The results of the path analysis are presented in Figure 2. As is evident, the path model demonstrates an acceptable fit ($\chi^2 = 35.81$, d.f. = 6, $p < .01$, CFI = .96, NFI = .96, NNFI = .86, and RMSR = .05), suggesting that the model fits the data well. Consequently, we consider the estimates of the path coefficients to represent the relationships among the factors adequately, and they can be depended on to test the research hypotheses.

Effects of Export Marketing Capabilities on Positional Advantages. On the basis of the estimates of the path coefficients, we found pricing capability to relate positively to low-cost advantage, but the path coefficient is not significant.

Tests of the Hypotheses

An Investigation of Chinese Exporters
<table>
<thead>
<tr>
<th>Factors</th>
<th>Standardized Loading</th>
<th>t-Value</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Pricing Capability</strong> (Much Worse–Much Better; α = .88)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Relative to your major competitors, responding quickly to competitors' pricing tactics:</td>
<td>.85</td>
<td>11.95</td>
</tr>
<tr>
<td>Using our pricing skills to respond quickly to any customer change.</td>
<td>.84</td>
<td>11.72</td>
</tr>
<tr>
<td>Communicating pricing structures and levels to customers.</td>
<td>.78</td>
<td>N.A.²</td>
</tr>
<tr>
<td><strong>Product Development Capability</strong> (Much Worse–Much Better; α = .94)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Relative to your major competitors, managing new export venture products:</td>
<td>.85</td>
<td>12.22</td>
</tr>
<tr>
<td>Developing new export venture products to exploit our R&amp;D investment.</td>
<td>.87</td>
<td>12.72</td>
</tr>
<tr>
<td>Successfully launching new export venture products.</td>
<td>.90</td>
<td>13.26</td>
</tr>
<tr>
<td>Speedily developing and launching new export venture products.</td>
<td>.89</td>
<td>12.97</td>
</tr>
<tr>
<td>Overall new product development systems for our export market.</td>
<td>.77</td>
<td>N.A.²</td>
</tr>
<tr>
<td><strong>Distribution Capability</strong> (Much Worse–Much Better; α = .92)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Relative to your major competitors, attracting and retaining the best distributors in the market:</td>
<td>.80</td>
<td>10.86</td>
</tr>
<tr>
<td>Satisfying the needs of distributors in this export market.</td>
<td>.91</td>
<td>12.55</td>
</tr>
<tr>
<td>Adding value to distributors' businesses.</td>
<td>.84</td>
<td>11.51</td>
</tr>
<tr>
<td>Closeness in working with distributors/retailers in this market.</td>
<td>.75</td>
<td>N.A.²</td>
</tr>
<tr>
<td>Providing high levels of support to distributors.</td>
<td>.76</td>
<td>10.26</td>
</tr>
<tr>
<td><strong>Communication Capability</strong> (Much Worse–Much Better; α = .94)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Relative to your major competitors, skillfully using marketing communications:</td>
<td>.89</td>
<td>16.11</td>
</tr>
<tr>
<td>Marketing communication skills and processes.</td>
<td>.95</td>
<td>17.72</td>
</tr>
<tr>
<td>Effectively managing marketing communication programs.</td>
<td>.86</td>
<td>N.A.²</td>
</tr>
<tr>
<td>Factors</td>
<td>Standardized Loading</td>
<td>t-Value</td>
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<tr>
<td>---------------------------------------------</td>
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<tr>
<td><strong>Low-Cost Advantage</strong> (Much Worse–Much Better; α = .77)</td>
<td></td>
<td></td>
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<tr>
<td>Compare your business with that of your major competitors (in this export market) in terms of:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Actual selling price.</td>
<td>.65</td>
<td>N.A.*</td>
</tr>
<tr>
<td>Payment and credit terms.</td>
<td>.76</td>
<td>7.5</td>
</tr>
<tr>
<td>Channel margins given.</td>
<td>.75</td>
<td>7.41</td>
</tr>
<tr>
<td><strong>Branding Advantage</strong> (Much Worse–Much Better; α = .92)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Compare your business with that of your major competitors (in this export market) in terms of:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Brand awareness.</td>
<td>.87</td>
<td>N.A.*</td>
</tr>
<tr>
<td>Brand's &quot;mindshare.&quot;</td>
<td>.95</td>
<td>17.82</td>
</tr>
<tr>
<td>Brand personality.</td>
<td>.89</td>
<td>16.01</td>
</tr>
<tr>
<td><strong>Export Financial Performance</strong> (Much Worse–Much Better; α = .92)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Evaluate export venture performance over the past year relative to major competitors in terms of:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Export venture profitability.</td>
<td>.79</td>
<td>11.16</td>
</tr>
<tr>
<td>Return on investment.</td>
<td>.87</td>
<td>12.54</td>
</tr>
<tr>
<td>Return on sales.</td>
<td>.90</td>
<td>13.01</td>
</tr>
<tr>
<td>Export venture margins</td>
<td>.78</td>
<td>N.A.*</td>
</tr>
</tbody>
</table>

*The unstandardized loading in the measurement is fixed to 1.

Notes: Goodness-of-fit indexes: $\chi^2$ (d.f. = 278) = 553.34, $p = .000$, CFI = .93, NFI = .86, NNFI = .91, and RMSR = .057.
(β = .15, t = 1.41, p > .10). Thus, H₁ is not supported. As we predicted in H₂, we found product development capability to be positively related to branding advantage (β = .26, t = 3.04, p < .05). H₃, which posits that distribution capability is positively related to low-cost advantage, is supported because the coefficient of the relationship is significant and positive (β = .27, t = 2.32, p < .05). As we also predicted in H₄, distribution capability is positively related to branding advantage (β = .38, t = 3.19, p < .01). Consistent with H₅a, communication capability is positively related to low-cost advantage (β = .19, t = 2.58, p < .05). However, we found no significant relationship between communication capability and branding advantage (β = .09, t = 1.04, p > .10); thus, H₅b is not supported.

Table 3.
Scale Means, Standard Deviations, and Correlations

<table>
<thead>
<tr>
<th>Measure</th>
<th>Mean</th>
<th>Standard Deviation</th>
<th>F1</th>
<th>F2</th>
<th>F3</th>
<th>F4</th>
<th>F5</th>
<th>F6</th>
<th>F7</th>
</tr>
</thead>
<tbody>
<tr>
<td>F1: Pricing capability</td>
<td>1.32</td>
<td>.83</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>F2: Product development capability</td>
<td>1.13</td>
<td>1.11</td>
<td>.79</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>F3: Distribution capability</td>
<td>1.30</td>
<td>.84</td>
<td>.83</td>
<td>.76</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>F4: Communication capability</td>
<td>.90</td>
<td>1.14</td>
<td>.65</td>
<td>.70</td>
<td>.71</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>F5: Low-cost advantage</td>
<td>.64</td>
<td>.93</td>
<td>.54</td>
<td>.54</td>
<td>.56</td>
<td>.52</td>
<td>1.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>F6: Branding advantage</td>
<td>.81</td>
<td>1.02</td>
<td>.58</td>
<td>.60</td>
<td>.59</td>
<td>.51</td>
<td>.60</td>
<td>1.00</td>
<td></td>
</tr>
<tr>
<td>F7: Export financial performance</td>
<td>.78</td>
<td>.97</td>
<td>.63</td>
<td>.49</td>
<td>.59</td>
<td>.52</td>
<td>.62</td>
<td>.61</td>
<td>1.00</td>
</tr>
</tbody>
</table>

Figure 2.
Path Analysis Results

Notes: χ² = 35.81(df₁ = 6), p < .01, GFI = .96, NFI = .96, NNFI = .96, RMSR = .06.
The Effects of Positional Advantage on Superior Financial Performance. Consistent with H1a, the relationship between low-cost advantage and financial export performance is significant and positive (β = .40, t = 5.76, p < .01). Finally, as we predicted in H1b, the corresponding path coefficient is significant (β = .37, t = 5.38, p < .01); thus, both H1a and H1b are supported.

Positional Advantage as Mediating Variables. The model hypothesizes that positional advantages (i.e., low-cost and branding advantages) mediate the relationship between export marketing capabilities (i.e., pricing capability, product development capability, distribution capability, and communication capability) and export financial performance. To test the mediating effects of positional advantages, we followed the procedure that Baron and Kenney (1986) suggest. First, we regressed an export venture’s financial performance on all four export marketing capabilities (see Table 4). At this step, only pricing capability and communication capability have positively significant effects (p < .05). Second, we regressed an export venture’s financial performance on all the significant factors in the first step (i.e., pricing capability and communication capability) along with low-cost advantage and branding advantage. If low-cost advantage and branding advantage are mediating variables, they should be significantly related to financial performance, and the effects on financial performance of pricing capability and communication capability that are significant in the first step should decrease (Baron and Kenney 1986). As Table 4 indicates, low-cost advantage and branding advantage are positively related to financial export performance (p < .01), and communication capability is no longer significant (p > .10). Pricing capability remained significant (p < .01) after the inclusion of low-cost advantage and branding advantage, but the coefficient decreased from .56 to .34. In addition, low-cost advantage and branding advantage account for more variance of an export venture’s financial performance than do all four export marketing capabilities. Therefore, the mediating effects of low-cost advantage and branding advantage are supported.

<table>
<thead>
<tr>
<th>Independent Variables</th>
<th>Export Financial Performance</th>
<th>Export Financial Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>.17 (-1.37)</td>
<td>-.06 (-.88)</td>
</tr>
<tr>
<td>Pricing capability</td>
<td>.56 (4.23)**</td>
<td>.34 (3.99)**</td>
</tr>
<tr>
<td>Product development capability</td>
<td>-.13 (-1.53)</td>
<td></td>
</tr>
<tr>
<td>Distribution capability</td>
<td>.18 (1.39)</td>
<td></td>
</tr>
<tr>
<td>Communication capability</td>
<td>.16 (2.20)*</td>
<td>.04 (.73)</td>
</tr>
<tr>
<td>Low-cost advantage</td>
<td></td>
<td>.29 (4.08)**</td>
</tr>
<tr>
<td>Branding advantage</td>
<td></td>
<td>.21 (3.25)**</td>
</tr>
</tbody>
</table>

R² = .43, adjusted R² = .42  R² = .54, adjusted R² = .53

*p < .05.
**p < .01.
Notes: Unstandardized coefficients are shown; t-statistics are in parentheses; all tests are one-tailed.

An Investigation of Chinese Exporters
The Relative Effects of Positional Advantages on Export Venture Financial Performance. We conducted additional analysis to assess the relative effects of low-cost advantage and branding advantage on an export venture’s financial performance. Because of the exploratory nature of this issue, we propose no formal hypothesis. The results of our analysis show that low-cost advantage and branding advantage have similar effects on an export venture’s financial performance (standardized betas are .40 and .37, respectively). In addition, we fitted two models, one with a constraint that the effects of low-cost advantage and branding advantage are equal and another without the constraint. We then analyzed the chi-square difference between the two models and found that the chi-square difference was not significant ($\chi^2 = .37$, d.f. = 1, $p > .05$). Therefore, the effects of low-cost advantage and branding advantage on an export venture’s financial performance are not significantly different.

During the past two decades, the literature on the determinants of export performance has progressed significantly, yet the prevailing theoretical framework underlying the literature is the IO theory. Because it is focused on the external factors that affect a firm’s marketing strategy and performance, the IO theory cannot explain why some exporters achieve vastly different levels of performance even though they are in the same industry and compete using similar strategies. The RBV is a newly emerging framework that attempts to explain firms’ competitive differentials by their idiosyncratic internal organizational resources. In this research, using the RBV, we attempted to extend the export literature by investigating the effects of a firm’s export marketing capabilities on its export performance. In addition, we used data collected from Chinese manufacturing exporters to assess our RBV model. The findings of our research lend support to the RBV view in the export marketing context and shed light on factors that affect Chinese exporters’ performance.

More specifically, our findings lend evidence to the applicability of the RBV, particularly the resource-positional advantage–performance framework, to explain export performance. Our findings could prompt future inquiry into other types of export capabilities and their effect on export performance, thereby enriching the export literature. That our RBV-based theory is supported by data collected from Chinese exporters hints at the potential cross-cultural generalizability of the RBV. If further research can confirm this speculation, the RBV might become one of few theories that possess this type of generalizability.

Can export marketing capabilities influence an export venture’s financial performance? Our study of Chinese firms’ export ventures provides a positive answer to this research
question and shows that export marketing capabilities influence an export venture's financial performance in the export market. How do export marketing capabilities affect an export venture's financial performance? Drawing on prior studies, such as those of Day (1994), Hunt and Morgan (1995), and Porter (1985), we contend that export marketing capabilities affect an export venture's performance indirectly through positional advantages, that is, low-cost and branding advantages. The results of our research support this contention. In addition, we found that three of the four export marketing capabilities conceptualized in the model (i.e., new product development, distribution, and communication) have significant effects on an export venture's positional advantages, which in turn influence the export venture's financial performance. In the following section, we discuss the specific findings of the research.

Low-cost advantage and branding advantage both have significant effects on an export venture's financial performance. Presumably, low-cost advantage enables an export venture to secure higher sales volume and/or higher profits than its rivals. When branding advantage is achieved, export customers appear willing to pay premium prices for the export venture's product. In these circumstances, we expect the export venture to achieve superior financial performance in the export market.

In addition, for China's export ventures, there is no significant difference between the effects of low-cost advantage and branding advantage on an export venture's financial performance. This finding seems to suggest that contrary to the common idea that Chinese exporters mainly compete on low cost, the major determinant of Chinese ventures’ exporting success is not solely their low-cost advantage. Chinese exporters increasingly appear to want branding advantage in the export markets.

Our empirical results show that distribution and communication capabilities positively influence low-cost advantage. Presumably, superior distribution and communication capabilities facilitate a strong relationship between exporters and distributors and reduce distributors' opportunistic behaviors (Day 1994; Morgan and Hunt 1994). The reduction in opportunistic behaviors decreases costs associated with forming and maintaining the relationship, resulting in low-cost advantage.

Similarly, superior communication capability facilitates the market-sensing ability of exporters. Market sensing helps an export venture gather competitor information (e.g., competitors' cost structures and competitive behaviors) so it can better design strategy to control its cost and/or adjust its pricing structure, leading to low-cost advantage.

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Our findings also demonstrate that new product development and distribution capabilities positively affect an export venture's branding advantage. New product development capability can help link external customer needs, competitive intensity, and internal R&D strength. This is consistent with the work of Song and Parry (1997), who find a significant, positive relationship between the level of product development and product competitive advantage manifest in unique features and relatively high product quality.

Distribution capability can facilitate a strong relationship between exporters and distributors. When a strong relationship exists, firms can ensure a high degree of customer awareness and a high level of before- and after-sales services. This is because an exporter can have a strong influence on the distributors, and the distributors can provide more extensive feedback to the exporters about customers' changes and competitors' moves.

Our findings suggest several ways that an exporter can improve its positional advantages and performance in export markets. Chinese exporters, specifically, can improve their performance in export ventures by developing superior marketing capabilities. Two specific normative prescriptions are justified by the findings. First, positional advantages can be enhanced substantially through product development, distribution, and communication capabilities. These capabilities lead to improved employee knowledge and the information to develop new products, build strong relationship with distributors, and communicate effectively with export customers. More important, an export venture's superior employee skills and information are valuable because they can lead to better new products, and they can facilitate branding advantage in export markets. Similarly, employees' superior communication skills with export customers can help reduce the cost of negotiation and contract enforcement, leading to low-cost advantage in export ventures. The employees' skills and knowledge are also difficult-to-imitate resources that the export venture can sustain. In addition, both branding advantage and low-cost advantage can be enhanced by an export venture's ability to maintain strong relationships with distributors. China's exporters specifically must try to develop their export marketing capabilities to enhance their positional advantages.

Second, the mediating effects of positional advantages suggest that successful development of export marketing capabilities leads to superior performance in export markets through positional advantages. Exporters should bear in mind the positional advantages they want to achieve (low-cost advantage and/or branding advantage) before building export marketing capabilities. When the decision has been made, corresponding export marketing capabilities should be developed and nur-
tured carefully, which will facilitate the exporter’s attainment of superior financial performance. For China’s exporters, the magnitudes of the effects of low-cost and branding advantages on export performance are similar, which suggests the need to acquire both types of positional advantages simultaneously.

Last, for international firms that compete with Chinese exporters, our findings suggest that Chinese exporters should be taken more seriously. They are not simply low-cost exporters, as many exporters outside of China believe. Our findings suggest that Chinese exporters (at least as represented by our sample) have simultaneously achieved low-cost advantage and branding advantage. As many of them become mature exporters in the years to come, they can become more formidable competitors for international firms. Indeed, this concern has been collaborated by the phenomenal rise in Chinese exports of sophisticated manufactured goods in recent years, such as those in consumer electronics, computers and accessories, wireless telephones, and machinery. Thus, international companies must be prepared to make necessary moves to guard their existing market shares.

Our findings suggest several fruitful directions for further research. Theoretically, our findings confirm the salience of export marketing capabilities in determining export performance, yet our model does not address how an exporter can develop and sustain export marketing capabilities. A task for researchers is to identify the antecedents and processes that lead to export marketing capabilities. Moreover, the focus of our study is on four specific export marketing capabilities that are functional capabilities under Day’s (1994) classification. Other types of capabilities, such as organizational and cultural capabilities, and their effects on export performance should be researched in the future.

As does any other research, our research has its own limitations that further research will need to overcome. First, because we developed most measurements specifically for this research, additional research is needed to test the reliability and validity of the measures in different contexts. Second, the RBV posits that to be determinants of export performance, export marketing capabilities must not be easily imitated by competitors; that is, the imitatibility of a capability can be a moderating variable of the capability-positional advantage relationship. However, we did not examine this issue. Third, in addition to export marketing capabilities, further research could investigate the influence of export marketing assets on export performance. The RBV provides a general framework in which more export marketing factors can be examined. Finally, we studied only Chinese exporters; further research should extend the present model to exporters from other countries.
1. We conducted two separate regressions. First, we regressed export venture superior financial performance on four export venture capabilities; $R^2$ is .41. Second, we regressed export venture superior financial performance only on low-cost advantage and branding advantage; $R^2$ is .48.


*Shaoming Zou, Eric Fang, and Shuming Zhao*


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**Globalization’s Impact on Graduate Business Education**

S Khaksari

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From Tokyo to New York, from London to Beirut, it is increasingly evident that what happens in one corner of the world affects us all. Commerce no longer recognizes national borders. International customers, global supply chains and overseas joint ventures are reshaping the corporate environment. To keep pace, corporations seek managers who can assess global trends, forge global strategies and understand global issues.

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*An Investigation of Chinese Exporters*