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Marketing Strategy-Performance Relationship: An Investigation of the Empirical Link in Export Market Ventures

The relationship between marketing strategy and performance has been well documented in the domestic marketing context. However, empirical work in the context of export marketing has been fragmented. The authors investigate the marketing strategy-performance relationship in the context of export ventures. The study differs from previous export marketing studies in that (1) a comprehensive set of potential determinants of export market performance is considered; (2) the unit of analysis is the individual product-market export venture, rather than the firm or a business division; and (3) the analysis is based on in-depth personal interviews. The authors propose a conceptual framework of export marketing strategy and performance and test it by path analysis. The results support the contention that export marketing strategy, firm's international competence, and managerial commitment are the key determinants of export performance. Export marketing strategy is influenced by internal (firm and product characteristics) and external factors (industry and export market characteristics). They then discuss implications for management and further research.

Though empirical support for the marketing strategy-performance relationship has been provided by a number of studies, most of these studies have been based on the PIMS Project and focused on company performance in the domestic marketing context (e.g., Buzzell and Gale 1987; Land 1978; Phillips, Chang, and Buzzell 1983; Robinson and Fornell 1986; Schoeffler 1977). In the international marketing context, a handful of studies (e.g., Bilkey 1982; Christensen, da Rocha, and Gertner 1987; Cooper and Kleinschmidt 1985; McGuinness and Little 1981; Rosson and Ford 1982) have suggested that export performance is influenced by export marketing strategy. Because of conceptual and methodological problems associated with these studies, however, their results are fragmented and the relationship between export marketing strategy and export performance remains an unresolved issue (Aaby and Slater 1989; Madsen 1987).

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With globalization of markets and competition, foreign markets have become increasingly viable and natural opportunities for growth-oriented domestic firms. Therefore, it is of practical as well as theoretical importance to address such strategy questions as (1) Can the marketing strategy-performance relationship be empirically verified in the context of export ventures? (2) To what extent is export market performance influenced by deliberate marketing strategy implementation? and (3) What are the factors that contribute to success in export market ventures? These questions provide the rationale for the empirical investigation of export marketing strategy and performance reported here.

Specifically, our purpose is threefold: (1) to substantiate the empirical link between marketing strategy and performance in the context of export ventures; (2) to contribute to a more comprehensive understanding of the variables impinging on export marketing strategy and performance; and (3) to lay a theoretical foundation on which further inquiries can be based. Three distinctive features should be noted at the outset. First, the unit of analysis is an individual product-market export venture of firm, which is defined as marketing of a specific product in a specific export market. The case in which a product is marketed in two markets or two products are marketed in the same market is considered two export ventures. Second, incorporated in the proposed framework is a theoretical conceptualization that export performance is determined by the coalignment between export marketing strategy and internal and external environments of the firm. Furthermore, export performance is conceived as the accomplishment of strategic as well as economic ob-

jectives. Third, data have been collected through in-depth personal interviews with marketing managers directly involved in the export ventures studied. This is regarded to be a superior alternative to a mail survey in terms of collecting reliable venture-specific data.

It should be noted that the context of this study can be categorized as "expansion of national markets" in Douglas and Craig's (1989) three-stage evolution framework (i.e., initial foreign market entry, expansion of national markets, and global rationalization). Firms at different stages differ in their international experience, extent of international involvement, strategic thrust, international levers, and strategic decisions (Douglas and Craig 1989). The rest of the article is organized into six sections: First, key areas in which the present study extends the previous literature on the export marketing strategy-performance relationship are highlighted; second, a broad conceptual framework of export marketing strategy and performance is proposed; third, the design of the study and the methodological procedures are described; fourth, the broad framework is operationalized into a testable model, and research hypotheses are developed; fifth, the findings of the study are presented and discussed; and finally, a set of managerial implications are drawn.

Issues in Export Marketing Strategy and Performance

The link between export marketing strategy and performance has been investigated as part of a stream of exporting literature involved with explaining the success or failure of a firm's exporting activities. These studies typically attempt to identify key factors that contribute to successful export marketing. Among the key success factors highlighted are export marketing strategy; management attitudes; and other firm, industry, product, and export market factors (Aaby and Slater 1989; Bilkey 1982; Cavusgil 1983; Christensen, da Rocha, and Gertner 1987; Cooper and Kleinschmidt 1985; McGuinness and Little 1981; Rosson and Ford 1982). In their review article, Aaby and Slater (1989) suggest that export performance is directly influenced by a firm's business strategy. Using factor analysis, Cavusgil (1983) demonstrates that marketing decision variables influencing successful export marketing can be reduced to (1) basic company offering, (2) contactual link with foreign distributors/agents, (3) export promotion, and (4) pricing.

Though past research points to a link between export marketing strategy and performance, there are at least three issues in previous studies that undermine their findings regarding the nature and strength of the relationship between export marketing strategy and performance. The first is the level of analysis. With few exceptions, previous studies have been conducted at the overall firm level. As a result, export marketing strategy and performance were conceptualized as firm-specific characteristics. An underlying theoretical justification for firm-level studies is the theory of internalization (Buckley and Casson 1985; Rugman 1981), which states that, in an imperfect market, firms should inter-

nalize the firm-specific advantages, both tangible and intangible, to extract maximum economic rent. Because firm-specific advantages are derived not only from the development and marketing of a particular product but also from the total learning process of the firm, export performance could be investigated at the firm level.

Though these studies have contributed to our knowledge of export behavior, there are notable limitations associated with firm-level investigations of export marketing strategy and performance. Considerable variations in export marketing strategy and performance often exist across various product-market export ventures of the same firm. It is unrealistic to expect that the same marketing strategy can lead to the same results in all export market ventures (Douglas and Wind 1987). Consequently, if the export marketing strategy-performance relationship is investigated at the overall firm level, aggregating *all* product-market export ventures, confounded findings are likely to result (Madsen 1987). Therefore, the position taken in this research is that the individual product-market export venture must be taken as the unit of study to obtain a more precise measurement of the export marketing strategy-performance relationship.

The second issue is the failure of previous studies to incorporate strategic considerations in exporting. Previous studies have viewed exporting simply as a means of realizing the economic goals of the firm. Performance has been measured in terms of sales or profits, with no deliberate attempt to relate it to a firm's strategic and competitive goals, such as gaining a foothold in foreign markets or neutralizing competitive pressure the firm faces in the domestic market. Furthermore, these studies have posited that firm, product, industry, and export market factors determine export performance directly. The central role of proactive marketing strategy in determining export performance has not been emphasized. As a result, research on exporting is becoming increasingly isolated, with inquiries consisting of a "mosaic" of autonomous endeavors (Aaby and Slater 1989).

The need for strategic considerations in marketing theory has been emphasized by Day and Wensley (1983), Lambkin and Day (1989), and Wind and Robertson (1983). Increasingly, firms have treated export markets as strategic as well as economic opportunities. Given intense international competition, it is believed that export marketing research can be enriched if exporting inquiries incorporate strategic considerations. This implies that exporting should be viewed as a firm's strategic response to the interplay of internal and external forces, export marketing strategy should be emphasized as a key determinant of export performance, and the strategic dimensions of export performance must be tapped.

The third issue relates to the diversity of conceptualization and measurement of export marketing strategy and performance and the simplistic nature of research approaches employed in some previous studies. Both Madsen (1987) and Aaby and Slater (1989) observe that export marketing strategy and performance were conceptualized and operationalized in many different ways by different researchers. They point out that researchers previously have made little effort to identify measurement difficulties, sampling, va-

lidity, or particular technical problems. Data collection methods have ranged from unstructured personal discussions to structured mail surveys to in-depth interviews, and analytical approaches have ranged from simple frequencies to sophisticated multivariate techniques. As a result, confusing and even contradictory findings have surfaced in the literature (e.g., the effect of firm size on export performance). These discrepant findings hinder not only practice, but also theory development in export marketing. Hence, there is an urgent need for an integrated approach to export marketing inquiry. Such an approach must explicitly deal with the measurement as well as conceptualization of export marketing strategy, export performance, and factors internal and external to the firm.

A Proposed Conceptualization of Export Marketing Strategy and Export Performance

Exporting can be conceptualized as a strategic response by management to the interplay of internal and external forces. As such, the strategy and performance of export marketing can be analyzed within the general framework of strategic

management. The particular theoretical perspective adopted here is the principle of strategy-environment coalignment (Aldrich 1979; Porter 1980; Venkatraman and Prescott 1990), which states that the “fit” between strategy and its context—whether it is the external environment (Anderson and Zeithaml 1984; Hofer 1975) or organizational characteristics (Chandler 1962; Gupta and Govindarajan 1984)—has significant positive implications for firm performance. The principle has its roots in the structure-conduct-performance framework of industrial organization (cf. Scherer and Ross 1990) and rests on two premises: (1) Organizations are dependent on their environments for resources (Pfeffer and Salancik 1978) and (2) Organizations can manage this dependence by developing and maintaining strategies (Hofer and Schendel 1978).

A conceptual framework of export marketing strategy and performance based on the coalignment principle is proposed in Figure 1. The framework postulates that marketing strategy in an export venture is determined by (or aligned with) internal forces such as firm and product characteristics and external forces such as industry and export market characteristics. The performance of the export venture, in turn, is determined by export marketing strategy and firm

FIGURE 1

A Conceptual Framework of Export Marketing Strategy and Performance

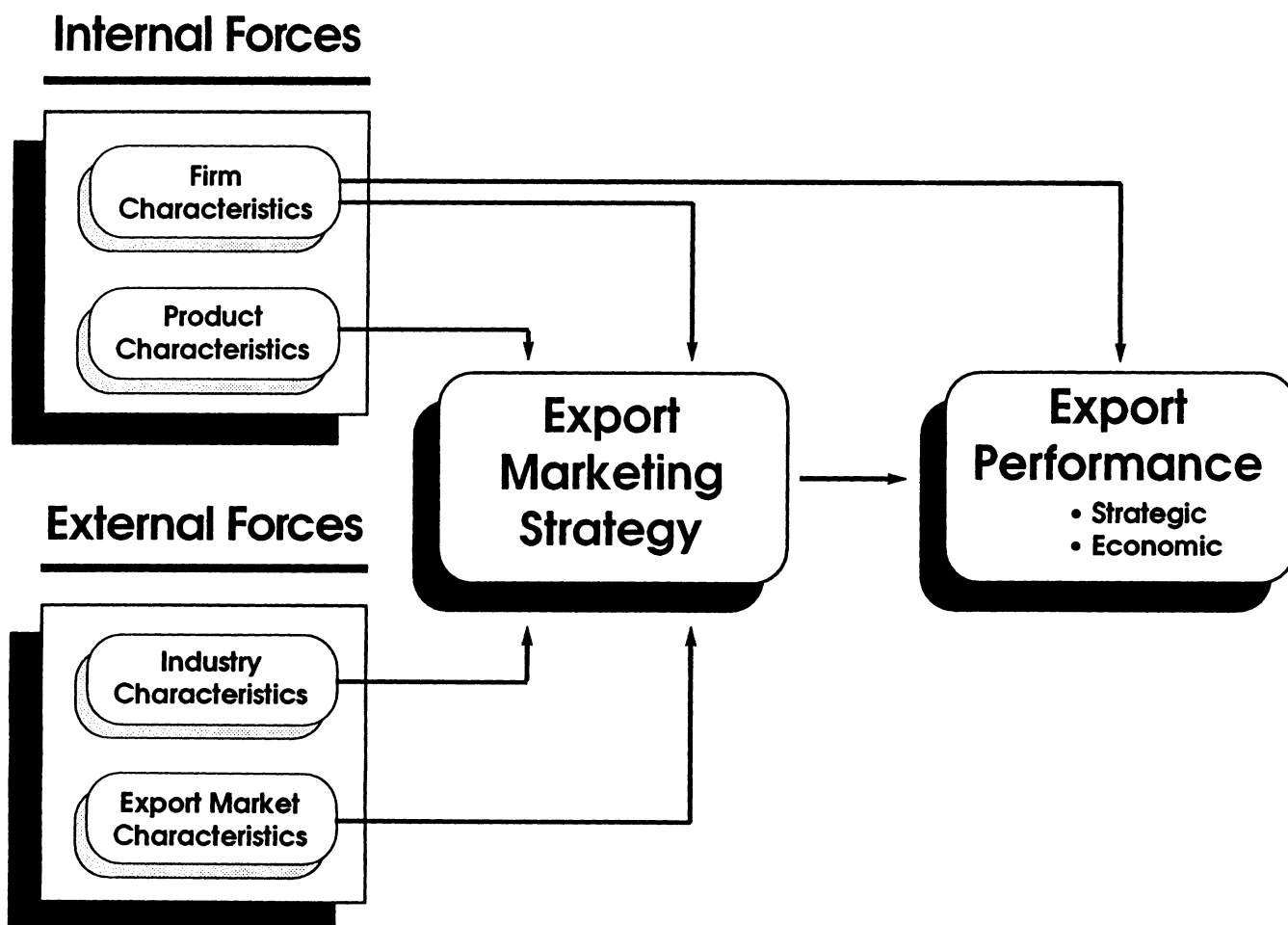


TABLE 1
Export Performance Measures Used in Previous Research

| Performance Measure | Illustrative Studies |
|--|---|
| Export sales level | Bello and Williamson (1985); Bilkey (1985); Cavusgil (1984a); Cooper and Kleinschmidt (1985); Fenwick and Amine (1979); Madsen (1989); McGuinness and Little (1981); Sood and Adams (1984); United Kingdom Awards (U.K. Awards) |
| Export sales growth | Cooper and Kleinschmidt (1985); Kirpalani and MacIntosh (1980); Madsen (1989); U.K. Awards |
| Export profits | Bilkey (1982, 1985); Madsen (1989); U.K. Awards |
| Ratio of export sales to total sales | Axinn (1988); U.K. Awards |
| Ratio of export profits to total profits | U.K. Awards |
| Increase of importance of export to total business | U.K. Awards |
| Overcoming barriers to export | Bauerschmidt; Sullivan; and Gillespie (1985); Sullivan and Bauerschmidt (1987); U.K. Awards |
| Propensity to export | Bilkey (1985); Cavusgil (1984b); Denis and Depelteau (1985); Kaynak and Kothari (1984); Piercy (1981a); Reid (1986); Rosson and Ford (1982) |
| Acceptance of product by export distributors | Angelmar and Pras (1984) |
| Export involvement | Diamantopoulos and Inglis (1988) |
| Exporter internationalization | Piercy (1981b) |
| Attitudes toward export | Brady and Bearden (1979); Johnston and Czinkota (1982) |

characteristics (e.g., a firm's capability to implement the chosen strategy). In contrast to previous exporting studies that postulate direct links from product, industry, and export market characteristics to export performance (e.g., Cooper and Kleinschmidt 1985; Madsen 1989), the proposed conceptualization posits that these links are mediated by export marketing strategy, highlighting the central role of marketing strategy in determining performance. This is because for various states of the export venture's context as defined by product, industry, and export market characteristics, export marketing strategy must be adapted so that strategy-environment coalignment and subsequent positive performance can be achieved.

The proposed framework incorporates three key features. First, the unit of analysis underlying the framework is the individual product-market export venture, rather than the total export activity of the firm. Second, the framework posits that export performance involves both strategic and economic considerations. Third, the framework is presented in general terms, with export marketing strategy, internal forces, and external forces representing broad categories of variables. This is because the existing exporting literature is not very helpful in terms of suggesting specific constructs or measures for the proposed conceptualization. Therefore, no *a priori* testable model is assumed and further operationalization of the framework is sought through the empirical research reported in this article.

Key Components and Relationships

Export marketing performance. Export performance is defined as the extent to which a firm's objectives, both economic and strategic, with respect to exporting a product

into a foreign market, are achieved through planning and execution of export marketing strategy. A firm usually initiates an export venture with a number of objectives, which can be economic (i.e., profits, sales, or costs) and/or strategic (i.e., market expansion, competitive response, gaining a foothold in foreign market, or increasing the awareness of the product/firm). Subsequent to formulation and implementation of export marketing strategy, some objectives can be achieved fully, others only marginally. The extent to which a venture's strategic and economic objectives are achieved is therefore a gauge of the performance in the export venture.

There is no uniform definition of export performance in the literature. Table 1 illustrates a variety of export performance measures adopted by previous researchers as well as the criteria employed by government agencies. The most frequently used performance measures appear to be economic in nature—such as export sales, export growth, and profits from exports—and taken at the firm level, making it impossible to precisely express the export marketing strategy-performance relationship. Here, the export performance measure (1) is expressed at the product-market export venture level, (2) incorporates both economic and strategic dimensions, and (3) includes both objective and subjective measures.

Export marketing strategy. 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. It involves all aspects of the conventional marketing plan, including product, promotion, pricing, and distribution. In international marketing, the key consideration is whether the marketing strategy should be standardized or

adapted to the conditions of the foreign market (Douglas and Craig 1989). The degree of marketing adaptation versus standardization is a function of product, industry, market, organization, and environmental characteristics (Buzzell 1968; Cavusgil, Zou, and Naidu 1993; Jain 1989; Walters 1986). Therefore, we evaluate export marketing strategy along the standardization-adaptation continuum.

Firm characteristics. Firms' capabilities and constraints profoundly influence their choice of marketing strategy and ability to execute the chosen strategy (Aaker 1988; Porter 1980). Key assets and skills of a firm constitute its sources of sustainable competitive advantage (Day and Wensley 1988; Porter 1985). In export marketing, the relevant assets and skills of a firm include size advantages (Reid 1982), international experience (Douglas and Craig 1989), extent of international business involvement, and resources available for export development (Terpstra 1987). Possession of such assets and skills enables an exporter to identify the idiosyncracies in the export markets, develop appropriate marketing strategy, and execute it effectively. Therefore, firm characteristics affect export marketing strategy and performance.

Product characteristics. The specific marketing strategy in an export venture is influenced by product characteristics (Cavusgil, Zou, and Naidu 1993; Cooper and Kleinschmidt 1985; McGuinness and Little 1981). Product attributes can affect the positional competitive advantage (Day and Wensley 1988), which influences the choice of an offensive or defensive strategy (Cook 1983). Relevant product characteristics that influence export marketing strategy include culture-specificity, strength of patent, unit value, uniqueness, age, and service/maintenance requirements of product.

Industry characteristics. The intensity of exporting activity and the nature of export marketing strategy vary considerably across industries. This is largely a result of the varying nature of industries (Porter 1980). Industry structure has been considered a key determinant of firms' strategy in domestic market context (Kerin, Mahajan, and Varadarajan 1990; Porter 1980). In export marketing, analysis of the relationship between industry structure and marketing strategy must incorporate the significant variations in the market systems, government interventions, and presence of foreign competitors across markets. In addition, technology intensiveness and intensity of price competition in the industry also must be considered as the relevant correlates of adaptation of marketing strategy (Jain 1989).

Export market characteristics. Conditions in foreign markets pose both opportunities and threats for exporters. Export marketing strategy must be formulated in such a way to match a firm's strengths with market opportunities and neutralize the firm's strategic weaknesses, or to overcome market threats (Aaker 1988; Terpstra 1987). Consequently, export marketing strategy tends to be conditioned by export market characteristics (Cavusgil, Zou, and Naidu 1993; Cooper and Kleinschmidt 1985; Rosson and Ford 1982). The key characteristics of the export market that can affect the choice of export marketing strategy include de-

mand potential, cultural similarity to home market, familiarity with the product, brand familiarity of export customers, and similarity of legal and regulatory frameworks.

Research Design

Overall Design

Because there is no well-established conceptualization or measures of relevant constructs in the export marketing literature (Aaby and Slater 1989), a parsimonious multi-phase research design is adopted here to operationalize and test the proposed conceptual framework in Figure 1. First, data pertinent to potentially significant variables (see Appendix B) uncovered by the exporting and standardization literature are collected. Second, the sample is split into two subsamples and an exploratory factor analysis (EFA) is performed on the analysis subsample to uncover the underlying factor structure of each category of explanatory variables. Third, an analysis of the content of factors and items is performed to ensure the consistency of the substantive meaning of items in the same factor and purify the factors. Fourth, using the literature, the proposed conceptual framework is operationalized into a testable model, and hypotheses pertaining to the relationships in the operational model are developed. Fifth, a confirmatory factor analysis (CFA) is performed on the hold-out subsample to test the measurement model of export performance and factors included in the operational model. Finally, a path analytic procedure is performed on the hold-out subsample to assess the operational model and test the hypotheses.¹

Instrument

Results from previous studies on exporting and standardization formed the basis for developing an instrument for data collection. The instrument was semi-structured in the sense that it contained a list of variables and the intended scales for measuring them, but no specific questions. The rationale for using a semi-structured instrument was to enable the researchers to tailor the questions to the specific contexts of the export ventures during the interviews and ensure that the interviews were specific to the ventures studied. Initially, a series of preliminary interviews were conducted with export marketing managers directly involved in 15 export ventures to (1) verify and improve the relevance of the variables suggested by the literature, (2) validate and mod-

¹The exploratory factor analyses are performed by the procedure FACTOR in SPSS, whereas the confirmatory factor analysis is performed by multiple groups analysis (MGRP) in the computer program PACKAGE (Hunter et al. 1980). Path analysis is performed also via PACKAGE. MGRP is a confirmatory factor analytic technique developed by Spearman (1907), Thurstone (1931), Tucker (1940), Holzinger (1944), and Guttman (1952). The detailed description of this approach can be found in Anderson and Gerbing (1982) and Hunter and Gerbing (1982). The MGRP provides estimates that are adequate for most practical purposes (Lawley and Maxwell 1963) and information that more readily suggests model respecification (Anderson and Gerbing 1982). It should be noted that, given the nature of the study, relative complexity of the operational model and moderate sample size, we believe that full information techniques, such as Maximum Likelihood, are not suitable for our study (cf. Anderson and Gerbing 1982; Anderson, Gerbing, and Hunter 1987).

ify the scales intended to measure the variables, and (3) devise and verify a procedure that the researchers would use to assign scores to variables.

The final, refined instrument contained six groups of variables intended to measure firm, product, industry, and export market characteristics, as well as export marketing strategy and performance. The five groups of explanatory variables were measured primarily by five-point bipolar scales, though classifications and rating scales were also used to tap some variables (see Appendix B). The content validity of the instrument was established during the preliminary interviews, because those variables and scales deemed irrelevant by the responding managers were not included in the final instrument.

Sample and Data Collection

Data were collected through in-depth personal interviews with export marketing managers who were involved directly in the particular ventures under study. Personal interviews enabled discussion of export ventures in the total context of company history, policies, and future plans. They also ensured that (1) the managers chosen were those who were directly involved in the export ventures studied, (2) the managers fully understood the purpose of the study and the exact measures solicited by the interviewers, and (3) a particular interview was focused on an individual product-market export venture, excluding other export ventures of the same company. Given the need to collect data at the export venture level and the complexity of the individual ventures studied, it was believed that the data collected through in-depth personal interviews were more comprehensive, accurate, and reliable than what would have been possible through a mail survey.

The interviews were conducted in Illinois, Indiana, Michigan, Ohio, and Wisconsin. The list of companies with export marketing operations, which constituted the study population, was compiled first from state export promotion agencies and from several trade associations. Next, the export marketing managers in these firms were contacted by telephone to ensure that they were qualified (directly involved in an export venture) and willing to participate in the study. Then an appointment was made for an interview. The interviews were conducted over a period of one year, each lasting about two hours.

During each interview, two experienced international marketing researchers were present. Following the semi-structured instrument as a guide and using an open-ended format, they probed the manager about the company's international business involvement; the export venture's planning and entry, export marketing strategies, strategic and economic goals, and performance; and other aspects pertaining to product, industry, and export market characteristics. They also collected background reports, product literature, and export marketing plans that were pertinent to the venture. Following the standard procedure established in the preliminary interviews, the researchers independently assigned a score to each of the variables measured by five-point bipolar scales. The basis for assigning a score to a variable consisted of the researchers' judgment about the execu-

tive's answer to the questions pertinent to the variable, as well as the words given by the executive that would suggest the score. This procedure ensured that sufficient and consistent information had emerged from the discussion before the score was assigned. Furthermore, without being distracted by the need to read the instrument and assign scores, the responding executives were able to discuss the export venture in great detail.

Immediately following the interview, the two researchers independently reviewed the information about the venture, and confirmed and finalized the scores they assigned to the variables. They then met to discuss their ratings, resolve any differences, and reach a final agreement on the scores assigned to each of the variables. Overall, the inter-rater agreement (calculated as the number of variables to which the two researchers assigned the same score as a percentage of the total number of variables measured by five-point bipolar scales) averaged about 80% prior to resolving their differences. All differences between the two researchers were reconciled subsequent to the discussions. Because information pertaining to classification variables was straightforward, these variables did not require the researchers to assign scores. Furthermore, performance measures were directly reported by the managers near the end of the interviews.

At the completion of data collection, information pertaining to 202 export venture cases from 79 firms across 16 industries was obtained. Of these 202 cases, about 47.5% were related to consumer products, 42.6% to industrial products, and 9.8% to products that could not be classified clearly. All respondents were from manufacturing firms, with average annual sales of \$200 million and average number of full-time employees of approximately 1000 (see Appendix A for a profile of the sample). Most of the sampled export ventures had a history of between 5 and 12 years, allowing for a long-term measure of export performance. In cases in which a company provided more than one export venture case, each interview regarding a particular venture was conducted independently of interviews regarding other ventures of the same company. This was accomplished by interviewing different managers involved in different export ventures of the same company.

Given the fact that we investigated export market performance, one might expect that only successful exporters would be willing to participate in the interviews. This was not the case, however. In fact, nearly 30% of the respondents perceived their ventures to be unsuccessful; about 20% of the ventures reported negative growth or no growth in export sales; and about 25% of the ventures were unprofitable.

Export Marketing Performance and Explanatory Variables

We captured four aspects of an export venture's performance: (1) the extent to which the initial strategic goals of management were achieved, (2) the average annual growth rate of export sales over five years of the venture, (3) the overall profitability of exporting over five years of the ven-

ture, and (4) management's perceived success of the venture.

Using the preliminary interviews, seven strategic goals were preset in the instrument (see Appendix B). Near the end of the interviews, researchers asked managers to indicate the relative importance attached to each goal by allocating a constant-sum (100 points) to the individual goals proportional to their importance. Managers also were asked to elaborate on whether these goals were met. We computed the extent to which the initial strategic goals were achieved as the weighted sum of the importance of the initial strategic goals, with weights of 0 (the goal was not achieved) or 1 (the goal was achieved). Next, managers indicated their perceived success of the export ventures on a 10-point bipolar scale (1 = unsuccessful, 10 = successful). Then they were asked to indicate the annual export sales growth rates over a five-year period of the ventures and whether the venture was profitable in each of the five years. Average annual sales growth rate as well as the overall profitability over the five years of the venture were computed to capture the economic measures of export performance. These four indicators were summed into a composite scale for measuring export performance.

Potential explanatory variables were categorized into five groups, which are associated with export marketing strategy, firm characteristics, product characteristics, industry characteristics, and export market characteristics. With the exception of the firm characteristics that were measured at the firm level, all other variables were defined and measured at the product-market venture level. The measurement scales used are shown in Appendix B.

Operational Model and Hypotheses

EFA on Analysis Subsample and Purification of Factors

The sample was first split into two subsamples—the analysis subsample and the hold-out subsample—each containing 101 cases. On the analysis subsample, an EFA with principal component extraction and varimax rotation was applied to each category of explanatory variables. In Table 2, which is arranged so that variables belonging to the same factor are grouped together, we present 17 factors extracted from the analyses and the preliminary labels assigned to them.

Recognizing that a “blind” EFA can result in factors that lack substantive meanings and are inappropriate for theory development, a thorough analysis of the substantive meanings of the factors and corresponding items was performed to purify the uncovered factors. Specifically, items in each factor were examined carefully so that only the items with consistent meanings were retained for measuring the factor. Other item(s) were excluded from further analysis. Because of this overriding concern with the interpretability of the factors, the analysis suggested that some factors must be purified and relabeled accordingly. At the completion of the analysis, the following variables were dropped from their respective factors: degree of market coverage from promotion adaptation, degree of target market

specification from pricing strategy (relabeled as price competitiveness), firm's relative position in industry from international business intensity, product's unit price from product features (relabeled as product uniqueness), intensity of price competition from industry characteristics (relabeled as technology orientation of industry), and product exposure from export market competitive intensity. The measurement model for export performance and the “purified” factors is presented in Table 3.

Operational Model

We decided to include a factor in the operational model on the basis of whether there is theoretical or empirical relevance of the factor, the relationships between the factor and other included factors are consistent with the proposed theoretical framework, and the factor contributes to the explanatory power of the model. On the basis of export marketing, standardization, and strategic management literature, 12 factors were selected for inclusion and the conceptual framework was operationalized into the testable model in Figure 2. The five remaining factors were excluded from further analysis for one of two reasons: they were judged to be less relevant to the proposed conceptual framework based on review of the literature or, though making minimal explanatory contribution, they would reduce the parsimony of the model.

Research Hypotheses

Export marketing performance. The performance of an export venture is determined by export marketing strategies and management's capability to implement the strategies (Aaby and Slater 1989; Cooper and Kleinschmidt 1985). When export marketing strategies are coaligned with the context of an export venture as defined by firm, product, industry, and export market characteristics, positive performance can be expected for the venture (Anderson and Zeithaml 1984; Porter 1980; Venkatraman and Prescott 1990). Product adaptation, promotion adaptation, and competitive pricing strategies have been described as the means by which firms' offerings adapt to or fit the idiosyncracies of foreign markets (Douglas and Craig 1989; Douglas and Wind 1987; Quelch and Hoff 1986; Walters and Toyne 1989). Therefore, these strategies can be interpreted as the means by which a firm achieves coalignment between the marketing strategies and internal and external context of the export venture. Therefore, it is expected that export performance is influenced positively by product adaptation, promotion adaptation, and competitive pricing. Some empirical evidence also supports the positive relationship between performance and product adaptation (Cooper and Kleinschmidt 1985; Hill and Still 1984; Kirpalani and MacIntosh 1980), promotion adaptation (Killough 1978), and competitive pricing (Christensen, da Rocha, and Gertner 1987; Kirpalani and MacIntosh 1980).

It also is hypothesized that export performance is positively affected by a firm's international competence, commitment to the venture, and support to distributor/subsidiary. Competence in international operations enables firms to select better export markets, formulate suitable marketing strat-

TABLE 2
Exploratory Factor Analyses by Group on the Analysis Subsample

| Group 1. Export Marketing Strategy | | | | | |
|---|-----------------------------|--------------------------|-------------------------|-----------------------|---------------------|
| Factors: | Factor 1.1 | Factor 1.2 | Factor 1.3 | Factor 1.4 | Factor 1.5 |
| | Support to Foreign | | | | |
| Factor Label | Distributor/ Subsidiary | Promotion Adaptation | Distributor Strategy | Product Adaptation | Pricing Strategy |
| Eigenvalue | 4.09 | 2.10 | 1.63 | 1.20 | 1.13 |
| Percent of Variance | 27.3 | 14.0 | 10.8 | 8.00 | 7.50 |
| Variables | | | | | |
| Overall support to distributor/subsidiary | .913 | .146 | -.020 | -.002 | .086 |
| Training of sales force | .850 | .104 | .125 | .110 | -.014 |
| Promo. support to distributor/subsidiary | .738 | .181 | .249 | .347 | .164 |
| Adapt. of product positioning | .106 | .868 | .036 | -.061 | -.026 |
| Adaptation of packaging | .133 | .628 | .151 | .160 | -.090 |
| Adaptation of promotional approach | .132 | .626 | .081 | .189 | -.128 |
| Degree of market coverage | .162 | .645 | -.010 | .124 | .490 |
| Distribution channel type | -.072 | .137 | .797 | -.162 | -.036 |
| Number of export customers | .326 | .164 | .575 | .098 | -.100 |
| Sales goal of the venture | .218 | -.134 | .690 | .366 | .226 |
| Initial product adaptation | -.106 | .515 | -.233 | .603 | .031 |
| Subsequent product adaptation | .357 | .131 | .283 | .610 | .227 |
| Labeling in local language | .191 | .148 | .017 | .711 | -.205 |
| Price competitiveness | .174 | .172 | -.271 | -.386 | .659 |
| Degree of target market specification | -.009 | .345 | -.184 | -.090 | -.773 |
| Group 2. Firm Characteristics | | | | | |
| Factors: | Factor 2.1 | Factor 2.2 | Factor 2.3 | | |
| | Firm's | | International | | |
| Factor Label | International Competence | Commitment to Venture | Business Intensity | | |
| Eigenvalue | 4.81 | 2.09 | 1.34 | | |
| Percent of Variance | 40.1 | 17.4 | 11.1 | | |
| Variables | | | | | |
| Number of full-time employees | .928 | .124 | .012 | | |
| Annual sales volume of firm | .876 | .007 | .137 | | |
| Amount of firm's int'l experience | .694 | .396 | .435 | | |
| Years of IB involvement of firm | .701 | .081 | .100 | | |
| Number of foreign markets operated | .611 | -.182 | .474 | | |
| Resources for export development | .677 | .419 | -.008 | | |
| Extent of careful entry planning | .047 | .735 | .116 | | |
| Extent of management commitment | .187 | .866 | .145 | | |
| Extent of resource commitment | .075 | .850 | .211 | | |
| Firm's relative position in industry | .328 | .060 | .518 | | |
| Percent of sales from IB | .168 | .228 | .775 | | |
| Percent of profit from IB | -.120 | .250 | .837 | | |

egy, and effectively implement the chosen strategy (Douglas and Craig 1989; Terpstra 1987). When managers are committed to an export venture, they carefully plan the entry and allocate sufficient managerial and financial resources to the venture. With formal planning and resource commitment, uncertainty is reduced and marketing strategy can be implemented effectively (Aaby and Slater 1989; Christensen, da Rocha, and Gertner 1987), leading to better performance (Aaker 1988). Similarly, supporting a distributor/subsidiary in the export market can lead to a cooperative partnership between the manufacturer and the distributor/

subsidiary. Cooperation in the export channel will lead to effective implementation of marketing strategy and better performance (Rosson and Ford 1982).

Empirical evidence supports the positive relationship between export performance and a firm's international experience (competence) (Aaby and Slater 1989; Kirpalani and MacIntosh 1980), management commitment (Bilkey 1982; Daniels and Robles 1985; Johnston and Czinkota 1982; Rosson and Ford 1982), and support to distributor/subsidiary (Bello and Williamson 1985; Rosson and Ford 1982). Therefore, the following hypotheses will be tested:

TABLE 2
Continued

| Group 3: Product Characteristics | | | | |
|--|--------------------------------|--------------------------------------|-------------------------------------|----------------------|
| Factors: | Factor 3.1 | Factor 3.2 | Factor 3.3 | Factor 3.4 |
| Factor Label | Firm's Experience with Product | Product's Technical Complexity | Product Features | Cultural Specificity |
| Eigenvalue | 1.98 | 1.65 | 1.08 | 1.01 |
| Percent of Variance | 24.7 | 20.6 | 13.5 | 12.6 |
| Variables | | | | |
| Age of product | .874 | .006 | -.160 | .075 |
| Extent of establishment with firm | .781 | .018 | .292 | -.197 |
| Training needs of sales force | .032 | .839 | .021 | -.123 |
| Service/maintenance requirement | .163 | .661 | .172 | .260 |
| Strength of product patent | -.422 | .640 | -.012 | -.156 |
| Product's unit price | .169 | .003 | .877 | .152 |
| Degree of product uniqueness | -.317 | .294 | .622 | -.376 |
| Degree of cultural specific. | -.080 | -.003 | .025 | .869 |
| Group 4. Industry Characteristics | | | | |
| Factor: | Factor 4.1 | | | |
| Factor Label | Industry Characteristics | | | |
| Eigenvalue | 1.14 | | | |
| Percent of Variance | 56.8 | | | |
| Variables | | | | |
| Degree of technology orientation of industry | .754 | | | |
| Intensity of price competition | -.754 | | | |
| Group 5. Export Market Characteristics | | | | |
| Factors: | Factor 5.1 | Factor 5.2 | Factor 5.3 | Factor 5.4 |
| Factor Label | Export Market Attractiveness | Cultural/Legal Similarity of Markets | Export Market Competitive Intensity | Brand Familiarity |
| Eigenvalue | 1.91 | 1.62 | 1.12 | .81 |
| Percent of Variance | 27.3 | 23.1 | 15.9 | 11.6 |
| Variables | | | | |
| Demand potential of export market | .825 | -.144 | .112 | .008 |
| Sophistication of marketing infrastructure | .803 | .256 | .028 | .083 |
| Cultural similarity of markets | .082 | .837 | .181 | .144 |
| Extent of legal/regulatory barriers | -.003 | .801 | -.275 | -.158 |
| Competitive intensity | .345 | .097 | .805 | -.077 |
| Product exposure in export market | -.129 | -.161 | .803 | .315 |
| Brand familiarity in export market | .079 | .014 | .122 | .961 |

- H₁: Export marketing performance in an export venture is enhanced when
- the degree of product adaptation increases;
 - the degree of promotion adaptation increases;
 - support to distributor/subsidiary increases;
 - price competitiveness increases;
 - firms' international competence increases; and
 - commitment to the export venture increases.

Product and promotion adaptation. The degree of product and promotion adaptation is contingent on the characteristics of firm, product, industry, and export market (Cavusgil, Zou, and Naidu 1993; Jain 1989). It is posited that

the degree of product adaptation is influenced positively by a firm's international competence, product uniqueness, cultural specificity of product, and export market competitiveness; and negatively by a firm's experience with product and technology orientation of industry. Similarly, it is hypothesized that the degree of promotion adaptation is affected positively by a firm's international competence, product uniqueness, and export market competitiveness; and negatively by a firm's experience with product, brand familiarity of export customers, and technology orientation of industry.

TABLE 3
Purified Measurement Model and Confirmatory Factor Analysis on the Hold-Out Subsample

| Factors Included | Items | Coefficient Alpha | Item-factor Correlation |
|---|--|-------------------|-------------------------|
| Export Marketing Performance | | .781 | |
| | Extent to which strategic goals are achieved | | .66 |
| | Perceived success of the venture | | .96 |
| | Average sales growth over the first five years | | .47 |
| | Average profitability over the first five years | | .69 |
| Product Adaptation | | .559 | |
| | Degree of initial product adaptation | | .66 |
| | Degree of product adaptation subsequent to entry | | .70 |
| | Extent of product labeling in local language | | .31 |
| Promotion Adaptation | | .857 | |
| | Degree of adaptation of product positioning | | .80 |
| | Degree of adaptation of packaging | | .74 |
| | Degree of adaptation of promotional approach | | .92 |
| Support to Foreign Distributor/Subsidiary | | .853 | |
| | Overall support to foreign distributor/subsidiary | | .81 |
| | Training provided to sales force of foreign distributor/subsidiary | | .95 |
| | Promotion support to foreign distributor/subsidiary | | .69 |
| International Competence | | .930 | |
| | Number of full-time employees | | .89 |
| | Three-year average sales volume | | .93 |
| | Amount of firm's international experience | | .68 |
| | Years of firm's regular international operations | | .91 |
| | Number of foreign markets in which firm operates | | .73 |
| | Amount of resources available for export development | | .85 |
| Commitment to the Venture | | .884 | |
| | Extent of planning for the entry of the venture | | .75 |
| | Extent of management commitment to the venture | | .92 |
| | Extent of (non-managerial) resource commitment | | .87 |
| Firm's Experience with Product | | .592 | |
| | Extent to which product is established with the firm | | .65 |
| | The age of product since commercialization | | .65 |
| Price Competitiveness | | n.a. | |
| | Degree of price competitiveness in export market | | 1.00 |
| Cultural Specificity of Product | | n.a. | |
| | Degree to which the product is culture-specific | | 1.00 |
| Product Uniqueness | | n.a. | |
| | Degree to which the product is unique | | 1.00 |
| Technology Orientation of Industry | | n.a. | |
| | Degree of technology orientation of industry | | 1.00 |
| Export Market Competitiveness | | n.a. | |
| | Degree of competitive intensity in the export market | | 1.00 |
| Brand Familiarity of Export Customers | | n.a. | |
| | Degree of brand familiarity in export market | | 1.00 |

As Douglas and Wind (1987) point out, somewhat ironically, the more internationally experienced (competent) a firm is, the more likely it is that standardization will not lead to optimal results. A competent firm, because of its international experience and resources, knows the subtle differences in environmental conditions, market demand, and the degree of competition and is more likely to select the most attractive market for the venture and adapt (align) the marketing strategy (e.g., product and promotion strategy) to the export market (Cavusgil, Zou, and Naidu 1993;

Douglas and Craig 1989; Hill and Still 1984). An inexperienced firm seeks the closest match between its current offerings and foreign market conditions so that minimal adaptation is required (Douglas and Craig 1989).

When a product can meet universal needs, standardization of product and promotion is facilitated (Levitt 1983). However, if a product meets only unique needs, greater adaptation of product and promotion will be required to meet export customers' product use conditions (Buzzell 1968; Cavusgil, Zou, and Naidu 1993; Keegan 1969), and educate ex-

TABLE 3
Continued

| Factors Not Included | Items |
|--------------------------------------|---|
| Distribution Strategy | Type of export distribution channel Number of export customers of the venture Sales goal of the export venture |
| International Business Intensity | Percentage of total sales derived from foreign operations Percentage of total profits derived from foreign operations |
| Product's Technical Complexity | Amount of training needed by sales people to handle product Extent of product's service maintenance requirements Strength of the patent of product technology |
| Export Market Attractiveness | Demand potential of export market Sophistication of marketing infrastructure in the export market |
| Cultural/Legal Similarity of Markets | Degree of cultural similarity of export market to home market Extent of legal/regulatory barriers in export market |

port customers in using and maintaining the product. Similarly, when a culture-specific product is exported to a foreign market, the cultural base on which the product is developed may not match the cultural base in the foreign market (Terpstra 1987). To be viable, the product must be adapted to the cultural idiosyncracies of the export market (Douglas and Wind 1987).

The intensity of competition in the export market could force firms to seek a high degree of product and promotion adaptation to gain a competitive advantage over rivals (Cavusgil, Zou, and Naidu 1993; Jain 1989), because adaptation of product and promotion can broaden the local market base and be geared to specific local preferences (Douglas and Craig 1989). In contrast, a firm can be reluctant to modify a product if it has been long established with the firm. Organizational inertia can prevent changes because the firm could believe that the product and promotion strategies have proven to be successful in the past (Cateora 1990).

Technology orientation of the industry negatively influences product and promotion adaptation (Cavusgil, Zou, and Naidu 1993). In technology-intensive industries (e.g., computers, consumer electronics, and aircraft), products appeal less to the generic needs such as tastes, habits, and customs (Levitt 1983), which tend to vary from market to market (Douglas and Urban 1977). As a result, technology is applied better as a standard across markets (Christensen, da Rocha, and Gertner 1987), and a lower degree of product adaptation and promotion adaptation is required in technology-intensive industries (Cavusgil, Zou, and Naidu 1993). Finally, export customers' familiarity with the brand can ease the entry of the product into the export market. Therefore, a familiar brand requires a lower degree of promotion adaptation in the export market than an unfamiliar one, because familiarity can translate into favorable attitude (Parameswaran and Yaprak 1987), which forms brand equity and can be exploited in the foreign market (Kashani and Quelch

1990). The aforementioned relationships are summarized in the following hypotheses:

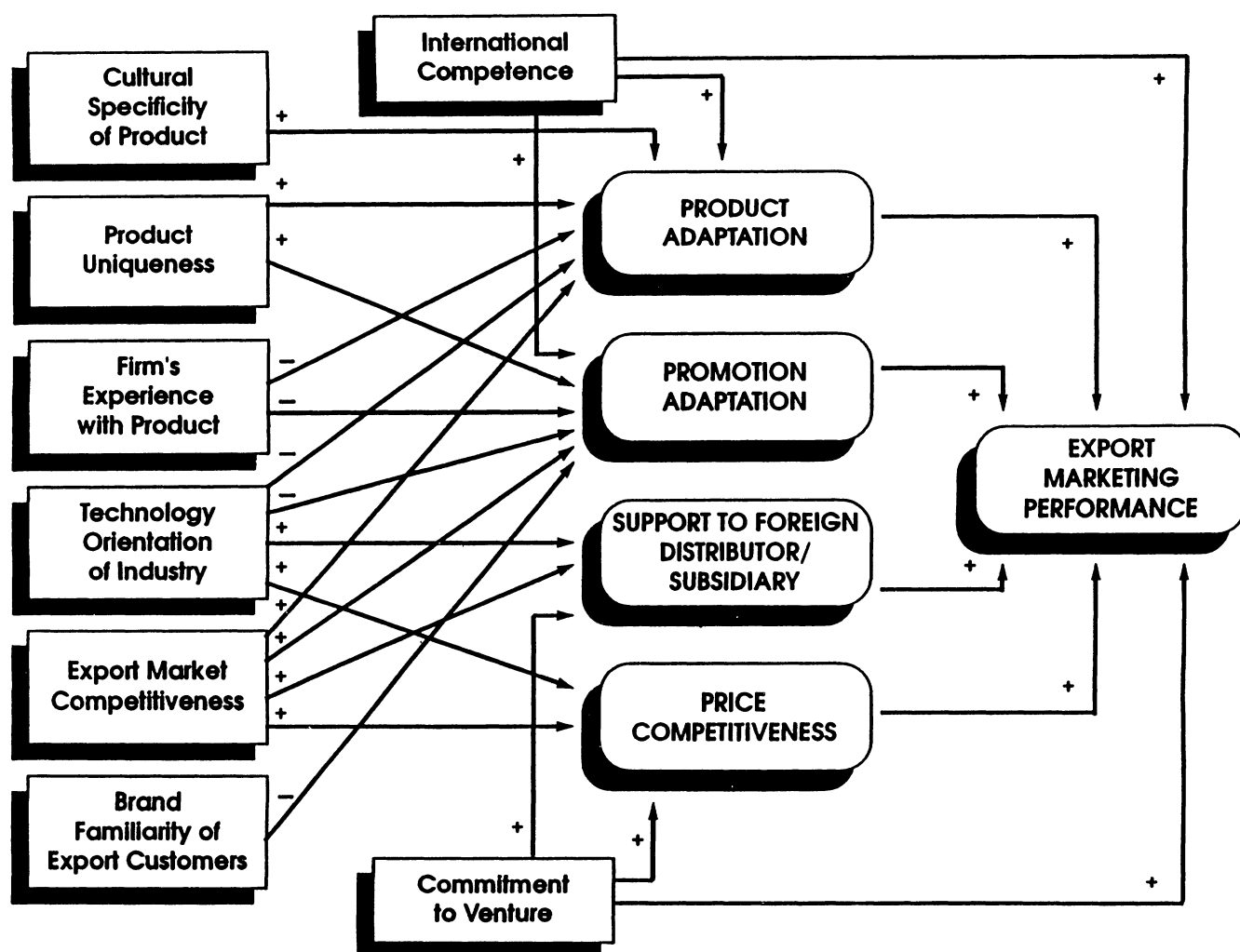
- H₂: The degree of product adaptation increases as
 - a. firms' international competence increases;
 - b. product uniqueness increases;
 - c. cultural specificity of product increases;
 - d. export market competitiveness increases;
 - e. firms' experience with product decreases; and
 - f. technology orientation of industry decreases.
- H₃: The degree of promotion adaptation increases as
 - a. firms' international competence increases;
 - b. product uniqueness increases;
 - c. export market competitiveness increases;
 - d. firms' experience with product decreases;
 - e. brand familiarity of export customers decreases; and
 - f. technology orientation of industry decreases.

Support to distributor/subsidiary and price competitiveness. Both support to distributor/subsidiary and price competitiveness are influenced positively by commitment to the venture, export market competitiveness, and technology orientation of industry. The optimal amount of support to foreign distributor/subsidiary is influenced by the firm's commitment, nature of product, and export market forces (Bilkey 1982; Rosson and Ford 1982). Because the foreign distributor/subsidiary is the vital link between manufacturer and export customers (Rosson and Ford 1982), management's commitment to the venture is likely to lead to a high level of support to the distributor/subsidiary. Similarly, effective exporters are those committed to exporting and competitive pricing (Christensen, da Rocha, and Gertner 1987; Kirpalani and MacIntosh 1980).

When the export market is competitive, supporting the distributor/subsidiary is particularly important to ensure that the distributor/subsidiary performs adequate promotion, timely delivery, and proper maintenance and service (Terpstra 1987). It is also important that competitive pricing is offered so that the export venture will not be under-

FIGURE 2

An Operational Model of Export Marketing Strategy and Performance



mined by competitors. In technology-intensive industries, because of the inherent complexity of technology incorporated in the products, manufacturers must provide adequate training support to the foreign distributors/subsidiaries so that the product can be handled, marketed, and serviced properly (Cooper and Kleinschmidt 1985; McGuinness and Little 1981). Similarly, because of the need to recover quickly huge investments in technology in today's market environment (Harrigan 1987; Ohmae 1989), firms in technology-intensive industries are likely to adopt a competitive pricing strategy in export ventures to broaden the demand base and facilitate scale efficiency. These relationships can be expressed in the following hypotheses:

- H₄: Support to foreign distributor/subsidiary increases as
 a. commitment to export venture increases;
 b. export market competitiveness increases; and
 c. technology orientation of industry increases.
- H₅: Price competitiveness increases as
 a. commitment to export venture increases;
 b. export market competitiveness increases; and
 c. technology orientation of industry increases.

Research Results

CFA on Hold-Out Subsample

A confirmatory factor analysis (CFA), using the oblique centroid multiple groups analysis (Anderson and Gerbing 1982; Holzinger 1944; Hunter and Gerbing 1982), was performed to (1) assess and validate the measurement model of export performance and the purified export marketing strategies and other factors included in the operational model (first part of Table 3) and (2) generate a disattenuated correlation matrix of the explanatory factors and performance to be used in path analysis. The CFA was performed on the hold-out subsample of 101 cases, with communalities placed on the diagonal of the correlation matrix. Therefore, the resultant correlation estimates among factors and export performance have been corrected for attenuation (Hunter and Gerbing 1982). The estimates of the item-factor correlations and the reliability for the explanatory factors and export performance are shown in Table 3.

Given that the factors were uncovered initially by the EFA on the analysis subsample and the CFA was performed on the hold-out subsample, we believe that the reliability estimates for export performance and all explanatory factors measured by multiple indicators are acceptable. Though only item-factor correlations and coefficient alphas are reported in Table 3, the patterns of item-item correlations and item-factor correlations exhibit no apparent deviations from the internal consistency and external consistency criteria described by Anderson and Gerbing (1982) and Anderson, Gerbing, and Hunter (1987), suggesting unidimensionality of export performance and the factors (Hunter and Gerbing 1982). Though the reliability of those factors measured by single indicator could not be assessed, it is concluded that the measurement model adequately fits the hold-out subsample data, and the purification of the factors made by the analysis of item-content is appropriate. The disattenuated correlation matrix of the factors and performance, which was part of the output of the CFA (Hunter and Gerbing 1982), is used subsequently in path analysis to test the operational model.

Path Analysis on Hold-Out Subsample

Path analysis, with the ordinary least squares (OLS) criterion, was performed to test the operational model, using the disattenuated correlation matrix as the input. Specifically, a series of multiple regressions were performed according to the specification of the operational model in Figure 2. The estimates of the path coefficients (i.e., the regression beta weights) and the model fit chi-square statistic are presented in both Figure 3 and Table 4.² The chi-square statistic of the overall model (calculated as the sum of squared residuals between the model-reproduced correlations and the corresponding observed correlations) is found to be statistically nonsignificant ($\chi^2 = 33.04$, $df = 26$, $p > .15$), suggesting that the deviation between the model-reproduced correlations and the observed correlations is statistically minimal. Hence, we conclude that the operational model fits the hold-out subsample data. This implies that the operational model adequately accounts for the observed relationships between export performance, export marketing strategies, and the internal and external factors.

Path coefficients reveal that the performance of an export venture is influenced strongly and positively by a firm's international competence and product adaptation; moderately and positively by commitment to the venture and support to foreign distributor/subsidiary; moderately but negatively by promotion adaptation; and weakly and positively by price competitiveness.³

Various internal and external factors exert indirect influences on export performance through export marketing strategies. First, the degree of product adaptation is related

strongly and positively to a firm's international competence and cultural specificity of product; moderately and positively to product uniqueness and export market competitiveness; and strongly but negatively to a firm's experience with product and technology orientation of industry. Second, the degree of promotion adaptation is related strongly and positively to product uniqueness, a firm's experience with product, and export market competitiveness; strongly but negatively to technology orientation of industry; weakly and positively to a firm's international competence; and weakly but negatively to brand familiarity of export customers. Third, the level of support to foreign distributor/subsidiary is related strongly and positively to technology orientation of industry and commitment to the export venture; and moderately and positively to export market competitiveness. Finally, price competitiveness is related strongly and positively to technology orientation of industry; and weakly and positively to commitment to the export venture and export market competitiveness. Overall, 17 hypotheses are supported, 5 are not supported, and 2 are refuted.

Discussion

Can performance in export markets be linked empirically to a firm's marketing strategy? This study of 202 export market ventures provides a positive answer to this research question. When export ventures are considered over a five-year period, performance can be explained clearly by marketing variables. The results also provide general support for the proposed conceptualization that the coalignment (via adaptation) of marketing strategy with the internal and external context of an export venture has positive performance implications.

What Determines Export Marketing Performance?

Marketing variables, firm competence, and management commitment all have a direct impact on export performance. This key finding supports the contention that success in export market ventures is within the reach of management. Managers have available to them several strategy options to influence export performance. Paramount to favorable results are deliberate resource allocation, commitment, accumulated experience, product adaptation, and channel support. By considering potential changes to product, providing sales and technical training to foreign distributor/subsidiary, and committing financial and managerial resources to the venture, firms can expect better results in export markets. Indeed, managers interviewed for the study often attributed their success to such measures. In contrast, poor performance in export markets was attributed to factors such as lack of proper attention to strategy planning, overlooked as-

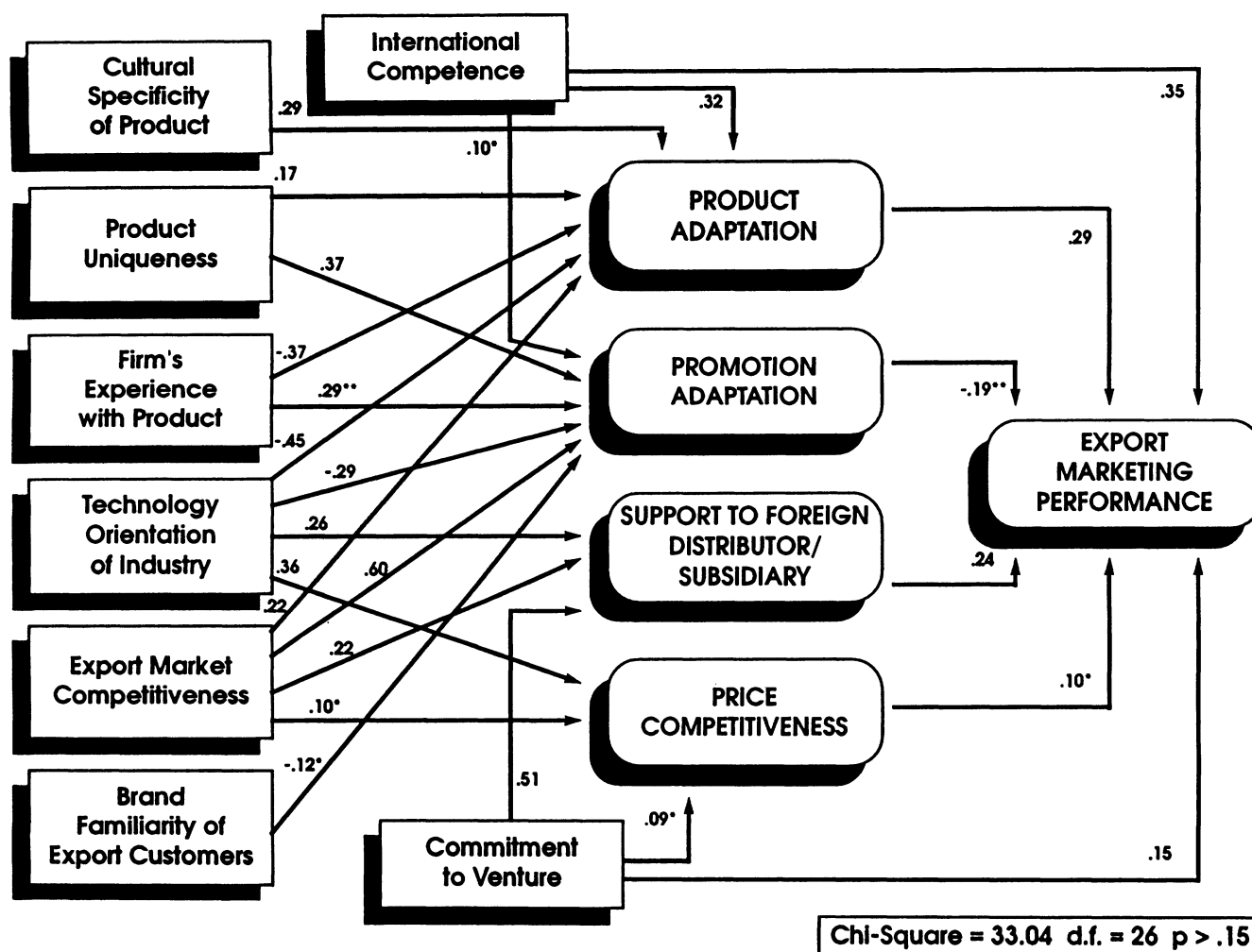
²Following the suggestion of an anonymous *JM* reviewer, separate analyses of the model were performed by splitting the performance composite into individual measures. However, no material change in the conclusions was found, and all models fitted data well. Because individual performance measures are treated as the indicators of the export performance construct, only the results of the analysis on the composite performance scale are presented.

³In attempting to interpret the estimates of the path coefficients, it should be noted that the standard error estimates for path coefficients pro-

duced by usual OLS regression analysis could be biased due to correction for attenuation. Therefore, the corresponding t-test on these estimates also can be biased. Based on the magnitude of path coefficient, it was decided that a coefficient whose absolute value exceeds .25 would suggest a strong relationship, whereas a coefficient whose absolute value is between .15 and .25 would suggest a moderate relationship, and a coefficient whose absolute value is below .15 would suggest a weak or no relationship. This interpretation of path coefficients is conservative but similar to the one by Hunter, Gerbing, and Boster (1982).

FIGURE 3

OLS Estimates of Path Coefficients on the Hold-out Subsample



*Non-significant relationship

**Refuted hypothesis

pects of product adaptation, poor choice of distributors, and errors in pricing. As such, the study provides support for the role management plays in export market ventures through appropriate strategy formulation and execution. Performance in export ventures is enhanced when management has international competence, is committed to the venture, adapts the product to meet export customer requirements, and provides strong support to its foreign distributor/subsidiary.

A finding that was not anticipated is the moderate and inverse relationship between promotion adaptation and export performance. Previous findings generally support the notion that promotion adaptation can better match the firm's offering to export customers' expectations and should lead to better performance. Our results point to the existence of a more complex relationship. The fact that enhanced performance does not result from adaptation of promotional strat-

egy raises several possibilities. One is that, at least for the types of products included in the sample, adapting communication strategies can take away from the universal appeal of certain export products. A second explanation is that inappropriate and/or costly adaptation can lead to poor performance. Managers can use poor judgment in altering the positioning or promotional mix; the execution could be poor; or the timing of promotion adaptation could be wrong. A third explanation lies in the sensitivity of promotional efforts to cross-cultural variables. Advertising is highly bounded by culture, and export customers could be less responsive to promotion that fails to precisely match their cultural preferences. During the interviews, the more experienced managers warned against a sweeping generalization on the usefulness of promotion adaptation. They emphasized the need to study customer specifications and preferences in advance and engage in adjustments only as a re-

TABLE 4
Summary Assessment of Research Hypotheses

| Factor | Hypothesis | Expected Sign | Path Coefficient | Assessment |
|--|-----------------|---------------|------------------|------------|
| Export Marketing Performance | | | | |
| Product Adaptation | H _{1a} | + | .29 | S |
| Promotion Adaptation | H _{1b} | + | -.19 | R |
| Support to Foreign Distributor/Subsidiary | H _{1c} | + | .24 | S |
| Price Competitiveness | H _{1d} | + | .10 | n.s. |
| International Competence | H _{1e} | + | .35 | S |
| Commitment to the Venture | H _{1f} | + | .15 | S |
| Product Adaptation | | | | |
| International Competence | H _{2a} | + | .32 | S |
| Product Uniqueness | H _{2b} | + | .17 | S |
| Cultural Specificity of Product | H _{2c} | + | .29 | S |
| Export Market Competitiveness | H _{2d} | + | .22 | S |
| Firm's Experience with Product | H _{2e} | - | -.37 | S |
| Technology Orientation of Industry | H _{2f} | - | -.45 | S |
| Promotion Adaptation | | | | |
| International Competence | H _{3a} | + | .10 | n.s. |
| Product Uniqueness | H _{3b} | + | .37 | S |
| Export Market Competitiveness | H _{3c} | + | .60 | S |
| Firm's Experience with Product | H _{3d} | - | .29 | R |
| Brand Familiarity of Customers | H _{3e} | - | -.12 | n.s. |
| Technology Orientation of Industry | H _{3f} | - | -.29 | S |
| Support to Foreign Distributor/Subsidiary | | | | |
| Commitment to the Venture | H _{4a} | + | .51 | S |
| Export Market Competitiveness | H _{4b} | + | .22 | S |
| Technology Orientation of Industry | H _{4c} | + | .26 | S |
| Price Competitiveness | | | | |
| Commitment to the Venture | H _{5a} | + | .09 | n.s. |
| Export Market Competitiveness | H _{5b} | + | .10 | n.s. |
| Technology Orientation of Industry | H _{5c} | + | .36 | S |

Notation: S = supported; n.s. = not significant; R = refuted

sponse to solid evidence from the market. Indeed, further research is necessary to shed light on this unexpected finding.

What Determines Product Adaptation?

Consistent with the standardization literature (e.g., Buzzell 1968; Douglas and Wind 1987; Jain 1989), a high degree of product adaptation is found when the firm is internationally competent; the product is unique, new, or culture specific; the industry is less technology intensive; or the export market is competitive. A product that is unique to the domestic market, new to the company, or culture specific could have limited acceptance in the export market. Similarly, a competent firm understands the idiosyncracies of the export market and is able to respond to the local conditions by an adaptation strategy (Douglas and Craig 1989). In a competitive export market, a high degree of product adaptation also is needed due to intense competitive pressure, because product adaptation can help gain a competitive superiority over rivals (Hill and Still 1984). Responding managers in technology-intensive industries such as scientific instruments or medical equipment argued for universal acceptability of their products. This contention is verified in the findings. In fact, technology orientation emerges as the strongest determinant of product adaptation.

What Determines Promotion Adaptation?

As noted previously, for the cases studied, adapting promotional aspects of the marketing strategy could affect performance negatively. Nevertheless, there is a tendency to alter the promotional strategy when the product has some unique features or it is not a technology-intensive product. The results suggest, however, that promotion adaptation is prompted largely by the competitive pressures in the export market. Indeed, responding managers said that promotional efforts were very much dictated by market pressures, as well as environmental factors such as media availability in the export market. Contrary to expectations, the results suggest that promotion adaptation tends to be high for an established product. Presumably, greater experience with the product affords management a better understanding of what can facilitate or hinder a product's potential in the export markets.

What Determines Support to Distributor/Subsidiary?

Some of the managers interviewed did not hesitate to equate success in export markets with their ability to initiate and sustain strong and mutually beneficial relationships with their foreign partners. Companies provide ongoing sup-

port to their foreign distributors/subsidiaries in the form of sales force training, technical assistance, marketing know-how, promotional support, and so on. Perhaps not surprisingly, the most critical determinant of such support turned out to be management's commitment to the export venture. Indeed, responding managers often cited channel support as a logical consequence of commitment to the venture. For relatively less experienced managers, an often complex aspect of export marketing was selecting, motivating, and evaluating foreign distributors. Competitiveness of export market also seems to compel managers to strengthen distributor/subsidiary capabilities in the export market. Finally, support to distributor/subsidiary appears to be more likely in technology-intensive industries. When the product has a high degree of technological complexity, the manufacturer engages in training and technical support activities to properly equip the distributor/subsidiary in the export market (McGuinness and Little 1981).

What Determines Price Competitiveness?

Of the three proposed determinants of price competitiveness, only the technology orientation of industry emerged as a significant variable. It appears that managers are not resorting necessarily to price as a competitive weapon as a result of either market pressures or higher commitment to the venture. This could reflect a preference for nonprice competition. Nevertheless, a competitive pricing strategy is used more frequently in technology-intensive industries. Conceivably, firms try to recover their investments in technology by broadening the customer base in export markets via competitive pricing.

Implications for Management

The results point to tangible outcomes of marketing strategy. Companies can improve their performance in export market ventures through deliberate implementation of appropriate marketing strategies. Such strategies should be co-aligned with (adapted to) the context of the export venture as defined by internal forces, such as firm and product characteristics, and external forces, such as industry and export market characteristics. Planning and execution of an export venture must be incorporated into the firm's strategic management process. A firm that sets no strategic goals for its export venture is less likely to make the venture a long-term success.

Several specific normative prescriptions are justified by the findings. First, export performance can be enhanced substantially through product adaptation strategy. The nature and optimal degree of product adaptation, however, should be determined by the interplay of internal and external forces. Specifically, a high degree of product adaptation should be sought when a firm has substantial international competence or little experience with the product, the product is culture specific or unique, the industry is technology-intensive, and the export market is competitive.

Second, because management's international experience, competence, and commitment to the venture also contribute to export performance, companies have much to gain if they hire or train qualified personnel, accumulate interna-

tional experience in a programmatic manner, and allocate sufficient resources to fully capitalize on export market opportunities. Perhaps the best investment companies can make in this context is in strengthening their human resource capabilities. A long-term approach to cultivating international market opportunities is clearly appropriate, given the amount of learning that has to take place for successful international marketing operations. Companies must "institutionalize" international operations to cultivate international competence and ensure consistent commitment to international operations.

Third, managers are advised to develop a network of competent foreign distributors and strengthen their ability to perform marketing, distribution, and customer service functions through appropriate support and training. Such support is especially crucial in technology-intensive industries and competitive export markets. Establishment of a mutually beneficial partnership with overseas distributors or subsidiaries would complement other strengths and contribute to success in foreign markets. Finally, companies can seek competitive pricing to maintain an advantageous position in the export market. Nevertheless, relative to strategies such as support to foreign distributor/subsidiary or product adaptation, competitive pricing is a minor determinant of export performance. Therefore, nonprice competitive weapons such as emphasizing product features, technological superiority, quality, and patents should not be neglected.

Given the unexpected negative impact of promotion adaptation on export performance, recommendations for adapting the promotional aspect of export marketing strategy have to be qualified. Clearly, simplistic adaptation without a careful examination of customer needs and potential response is not advisable. Similarly, companies with extensive experience with the product should not assume automatically that they know how to promote their products in foreign markets. It is essential that any decision in promotion adaptation be based on a sound analysis of costs, benefits, and competitive market considerations.

Directions for Further Research

Several limitations of this research should be noted with a view toward extending the present study. First, the strategy-performance relationship can be investigated by a longitudinal design spanning longer than the first five years of the ventures, thus gaining a richer understanding of the dynamics and complexity of the relationship.

Second, despite the large number of variables included in the study, not all potentially relevant variables have been explored. We investigated only technology intensiveness and intensity of price competition in the industry. Other industry structure variables, such as presence of foreign competition, government intervention, and competitors' strategy should be studied in the future. Similarly, the effects of industry classification and organization structure, which are not assessed in this study due to the intragroup heterogeneity of the sample in terms of technology intensiveness of the industry or lack of measures, should be studied in the future.

Third, we measured whether an export venture is profitable, but not the level of profitability, because responding managers were reluctant or unable to reveal relevant information. Further research could remedy this problem and assess the effect of marketing strategy on the level of profitability in export ventures. Furthermore, we relied largely on managers' retrospective perceptions to operationalize the variables. Though it has been demonstrated (e.g., Schwenk 1985) that this approach to data collection is generally reliable and valid, the findings can be strengthened with more objective data.

Fourth, the sample we used does not constitute a random sample, because only those managers who were qualified for and willing to participate in the study were interviewed. Generalization of the research results should be made with caution. A fruitful direction for further research is to replicate the principal features of this study within different regions, and/or different countries. Finally, a full information technique such as Maximum Likelihood could not be applied in this study because of the moderate sample size and relative complexity of the model. As a result, the model estimates obtained by the centroid method and path analysis are statistically less efficient than what would have been possible if a full information technique had been used. Additional research should attempt to provide estimates obtained by a full information technique such as Maximum Likelihood. To achieve this, a larger sample size and multiple indicators for all factors should be sought.

Conclusion

The present study has extended the literature on marketing strategy and export marketing performance in several areas. First, the present study has substantiated the empirical link between marketing strategy and performance in the context of export market ventures. The results support the contention that firms can achieve better performance in international markets through deliberate marketing strategy implementation. Second, the study has overcome the conceptual and methodological weaknesses inherent in previous exporting studies. Together with the constructs and the measure-

ments developed, the unified theoretical framework of export marketing strategy and performance, which has been verified here, can serve as a foundation for further research in export marketing. Third, the study has contributed to a more comprehensive understanding of the success factors in export marketing. Marketing strategy, firms' international competence, and managerial commitment have emerged as key success factors in export marketing.

APPENDIX A A Profile of the Sampled Export Ventures

| Dimension | Range | % of Ventures |
|---|---------------------|---------------|
| Firm Size (number of full-time employees) | | |
| | Less than 50 | 24.8 |
| | 50-499 | 26.7 |
| | 500-4,999 | 15.3 |
| | 5,000 or more | 33.2 |
| Annual Sales of Firm (in thousands of dollars) | | |
| | Less than 1,000 | 11.2 |
| | 1,000-9,999 | 15.7 |
| | 10,000-99,999 | 20.2 |
| | 100,000-1,999,999 | 18.0 |
| | 2,000,000 or more | 34.8 |
| Years of Firm's International Operation | | |
| | 5 years | 10.8 |
| | 5-10 | 13.7 |
| | 11-24 | 23.0 |
| | 25-39 | 22.5 |
| | 40 or more | 29.9 |
| Number of Markets in Which Firm Operates | | |
| | 1-5 | 18.8 |
| | 6-24 | 17.2 |
| | 25-39 | 24.5 |
| | 40-59 | 30.7 |
| | 60 or more | 8.9 |
| Type of Product | | |
| | Consumer products | 47.5 |
| | Industrial products | 42.6 |
| | Other | 9.8 |
| Number of Industries From Which the Sample is Drawn | | 16 |
| Number of Markets Where Export Ventures Took Place | | 15 |

APPENDIX B Variables Investigated and their Measurement Scales

| | | | | | | | |
|--|-----------------|---|---|---|---|---|-----------------------|
| Export Marketing Strategy: | | | | | | | |
| Degree of target market specification | Vague | 1 | 2 | 3 | 4 | 5 | Clear |
| Number of export customers | Few | 1 | 2 | 3 | 4 | 5 | Many |
| Level of export sales goal set for the venture | Modest | 1 | 2 | 3 | 4 | 5 | High |
| Degree of initial product adaptation | None | 1 | 2 | 3 | 4 | 5 | Substantial |
| Degree of product adaptation subsequent to entry | None | 1 | 2 | 3 | 4 | 5 | Substantial |
| Extent to which product label is in local language | None | 1 | 2 | 3 | 4 | 5 | Substantial |
| Degree of adaptation of product positioning strategy | None | 1 | 2 | 3 | 4 | 5 | Substantial |
| Degree of adaptation of packaging | None | 1 | 2 | 3 | 4 | 5 | Substantial |
| Degree of adaptation of promotional approach | None | 1 | 2 | 3 | 4 | 5 | Substantial |
| Overall support to foreign distributor/subsidiary | None | 1 | 2 | 3 | 4 | 5 | Considerable |
| Amount of training to sales force of foreign distributor/subsidiary | None | 1 | 2 | 3 | 4 | 5 | Considerable |
| Extent of promotion support provided to foreign distributor/subsidiary | None | 1 | 2 | 3 | 4 | 5 | Considerable |
| Degree of price competitiveness in the export market | Not competitive | 1 | 2 | 3 | 4 | 5 | Extremely competitive |
| Type of distribution channel used in export market | | | | | | | |
| 1. Independent local distributor | | | | | | | |
| 2. Independent local distributor with company office | | | | | | | |
| 3. Company-owned subsidiary | | | | | | | |

Firm Characteristics:

| | | | | | | |
|---|--------------------------|---|---|---|---|----------------|
| Number of full-time employees: | | | | | | |
| Sales volume (last three-year average): | | | | | | |
| Firm's relative position in industry | Minor | 1 | 2 | 3 | 4 | 5 Dominant |
| Amount of firm's international experience | None | 1 | 2 | 3 | 4 | 5 Considerable |
| Percentage of sales/profits derived from foreign operations | | | | | | |
| _____ % of total sales | _____ % of total profits | | | | | |
| Number of years firm has been involved in international business? | _____ years | | | | | |
| Number of foreign markets in which firm has regular operations? | | | | | | |
| Amount of resources firm has for export development | None | 1 | 2 | 3 | 4 | 5 Substantial |
| Extent of careful planning for this venture | None | 1 | 2 | 3 | 4 | 5 Substantial |
| Extent of management commitment to the venture | None | 1 | 2 | 3 | 4 | 5 Substantial |
| Extent of resource commitment to the venture | None | 1 | 2 | 3 | 4 | 5 Substantial |

Product Characteristics:

| | | | | | | | | |
|--|---------------------|-----------------------|----------------------------|---|---|---|---|---------------------|
| Type of product | 1. Consumer product | 2. Industrial product | 3. Other (describe): _____ | | | | | |
| Strength of patent (if any) | | Very weak | 1 | 2 | 3 | 4 | 5 | Ironclad |
| Value of product: export sales price per unit | | \$_____ | | | | | | |
| Amount of training salesforce needs to handle product | | None | 1 | 2 | 3 | 4 | 5 | Substantial |
| Extent to which product is established with firm | | Product new to firm | 1 | 2 | 3 | 4 | 5 | Established product |
| Age of product since commercialization: | | _____ | years | | | | | |
| Degree of uniqueness of product (design, features, etc.) | | Wide appeal | 1 | 2 | 3 | 4 | 5 | Unique |
| Degree of cultural specificity of product | | Not culture-specific | 1 | 2 | 3 | 4 | 5 | Culture-specific |
| Product's service/maintenance requirements | | None | 1 | 2 | 3 | 4 | 5 | Considerable |

Industry Characteristics:

| | | | | | | |
|--|--------------------------|---|---|---|---|------------------------|
| Name of industry: | | | | | | |
| Degree of technology orientation of industry | Not technology-intensive | 1 | 2 | 3 | 4 | 5 Technology-intensive |
| Extent of price competition in industry | Low | 1 | 2 | 3 | 4 | 5 High |

Export Market Characteristics:

| | | | | | | |
|---|--------------------|---|---|---|---|--------------------|
| Name of export market: | | | | | | |
| Demand potential in export market | Limited | 1 | 2 | 3 | 4 | 5 Extensive |
| Cultural similarity of export market to home market | Dissimilar | 1 | 2 | 3 | 4 | 5 Similar |
| Sophistication of marketing infrastructure in export market | Not well-developed | 1 | 2 | 3 | 4 | 5 Highly developed |
| Competitive intensity in export market | Not competitive | 1 | 2 | 3 | 4 | 5 Very competitive |
| Degree of product exposure in export market | Limited | 1 | 2 | 3 | 4 | 5 Extensive |
| Degree of product familiarity of export customer | Unfamiliar | 1 | 2 | 3 | 4 | 5 Familiar |
| Extent of legal and regulatory barriers in export market | None | 1 | 2 | 3 | 4 | 5 Extensive |

Export Performance of the Venture:

- a) What were the initial strategic objectives set by the management in entering this market? Select the appropriate objective(s). Assume that you have 100 points to distribute among the selected objectives proportional to their importance, how would you allocate the points so that the total adds up to 100?

Initial strategic objectives

- Gain a foothold in the export market
- Increase the awareness of our product/company
- Respond to competitive pressure
- Improve our company's market share position
- Expand strategically into foreign markets
- Increase the profitability of the company
- Just respond to enquiries from abroad
- Other (specify) _____

Importance

| |
|-------|
| _____ |
| _____ |
| _____ |
| _____ |
| _____ |
| _____ |
| _____ |
| _____ |

- b) Which of the above objectives were achieved in the first five years of this venture? Please circle the letter to the left corresponding to the objectives.
- c) How would you rate the performance of this venture in the first five years? Please circle the appropriate number on a scale of 1 to 10 with 1 being unsuccessful and 10 being successful.
- | | | | | | | | | | | | |
|--------------|---|---|---|---|---|---|---|---|---|----|------------|
| unsuccessful | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | successful |
|--------------|---|---|---|---|---|---|---|---|---|----|------------|
- d) Please indicate sales growth rates of this venture in the first five years by checking the appropriate category in each column.
- | Sales Growth | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 |
|---------------------|---------------|---------------|---------------|---------------|---------------|
| Negative | _____ | _____ | _____ | _____ | _____ |
| No growth (0%) | _____ | _____ | _____ | _____ | _____ |
| 1–5% | _____ | _____ | _____ | _____ | _____ |
| 6–10% | _____ | _____ | _____ | _____ | _____ |
| 11–15% | _____ | _____ | _____ | _____ | _____ |
| 16–20% | _____ | _____ | _____ | _____ | _____ |
| over 20% | _____ | _____ | _____ | _____ | _____ |
- e) Was this export venture profitable in the first five years?
- | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 |
|---------------|---------------|---------------|---------------|---------------|
| Y / N | Y / N | Y / N | Y / N | Y / N |

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