

**Relationship Capabilities, Quality, and Innovation
as Determinants of Export Performance***

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ABSTRACT

This paper employs a resource based view perspective to understand how a set of capabilities (organizational learning, relationship, and quality capabilities) influences product strategy (product quality and product innovation) and export performance (relationship performance and economic performance). While using two types of respondents within the same firm, the authors find strong support for the capability-strategy-performance link. Results indicate that managers should invest in relationship management capabilities to improve product innovation and product quality, which in turn will lead to export performance enhancement. Further, findings reveal that though product quality is a critical aspect in international markets, both product innovation and relationship performance play a greater role in enhancing economic performance. Implications for international marketing theory and practice are presented.

Keywords: Export Performance, Resource-based View, Innovation, Quality, Relationship Capabilities

One of the most popular topics in the field of international business has to do with the area of business dynamics and strategy. Within this theme, the subtopic of exporting stands out (Griffith, Cavusgil and Xu, 2008). Although the exporting literature has been described as being of interest for researchers, managers and public policy makers, several important issues still have received scant attention in the field (Diamantopoulos and Kakkos 2007). Some literature has given considerable attention to elements of product strategy because of its central role as an export performance driver. However, such research has often been undertaken without a strong theoretical platform (Morgan, Kaleka and Katsikeas 2004).

More recently, research in the fields of international marketing and export performance is being encouraged to be theoretically driven (Lages and Lages 2004; Douglas and Craig 2006; Styles, Patterson, and Ahmed 2008). While a range of theoretical perspectives have been used, including most recently the real options perspective (Lee, Beamish, Lee, and Park 2009), the three theoretical paradigms used most often are the structure–conduct–performance framework from industrial organization (e.g., Cavusgil and Zou 1994), the relational or behavioral perspective (e.g., Styles, Patterson, and Ahmed 2008), and the resource-based view (RBV) of the firm (e.g., Morgan, Kaleka, and Katsikeas 2004).

In this paper, through the theoretical lens of the RBV of the firm, we present three major contributions to the export performance literature. First, we examine three sets of capabilities as antecedents of product strategy: organizational learning capabilities, relationship capabilities, and quality capabilities. Capabilities have been a central theme of international marketing research (Knight and Cavusgil 2004; Yalcinkaya, Calantone, and Griffith 2007; Zou, Fang, and Zhao 2003). Although recent literature recognize that a wide range of capabilities is required to create value, sustain competitive advantage and achieve superior profitability (Song, Nason, and Di Benedetto 2008; Fang and Zou 2009), there is little empirical evidence of the strategic impact of capabilities on export strategies or their

consequent impact on export performance (see Morgan, Kaleka, and Katsikeas 2004). With resources and capabilities being critical elements in the RBV, this represents a major gap in the application of the RBV to the export setting.

Second, we examine the economic and relationship performance outcomes of product innovation and product quality. Although the relationship between product innovation and export performance has rarely been investigated, “the relationship between product quality and export performance was widely researched and positively associated ($p < .01$)” (Leonidou, Katsikeas, and Samiee 2002, p. 60). However, in a time when product strategies are critical and differential product quality is more difficult to achieve because of rapid imitation by rivals (Zhang, Cavusgil, and Roath 2003), the role of product innovation is becoming increasingly vital to achieve export performance (Atuahene-Gima 1995).

Although the export literature typically proposes a direct relationship between product strategy variables and economic performance, in this study we propose that exporting firms do not rely exclusively on their internal competencies for achieving export performance. International exchange relationships that enable an importer to trust its distant exporter-supplier are not fully understood (Katsikeas, Skarmeas, and Bello 2009; Zaheer and Zaheer 2006). We argue that when firms build on the establishment of solid relationships with their importers, it is easier to realize the full potential of their products (Katsikeas and Dalgic 1995; Ling-yee and Ogunmokun 2001). We expect that product strategy (i.e., both product innovation and quality) contribute to exporter–importer relationships and therefore indirectly contribute to the economic success of the channel relationship (see Bello and Gilliland 1997; Klein, Frazier, and Roth 1990).

Our third contribution is at the methodological level. While the export performance literature tends to use a single respondent within a firm, we use data collected from two different respondents within the same manufacturing exporter to reduce possible common

method bias and ensure that the respondents are knowledgeable about the assessed variables (see Leonidou and Katsikeas 1996). To our knowledge, this is the first study to test a conceptual framework empirically using different respondents to assess the different antecedents of the export performance phenomenon. In this study, the quality manager assesses organizational learning capabilities, quality capabilities, and quality strategy. The person responsible for the export operations assesses relationship capabilities with the importer, product innovation, and export performance.

In the next section we present the theoretical foundations and our conceptual framework. We then discuss the empirical study and present the results. The article concludes with a discussion of the results and implications both for further research and for export practice.

CONCEPTUAL FRAMEWORK AND RESEARCH HYPOTHESES

Barney (1991) addresses the issue of determining which firm resources may lead to sustainable competitive advantage by focusing on internal resources: physical capital, human capital, and organizational capital. The RBV builds on assumptions that strategic resources are heterogeneously distributed across firms and that these differences are stable over time. Firm resources include all assets, capabilities, organizational processes, firm attributes, information, and knowledge that the firm controls to improve its efficiency and effectiveness. As such, firm resource heterogeneity and immobility affect competitive advantage (Barney 1991).

While not explicitly coming under the RBV paradigm, a number of early export performance studies have focused in internal characteristics of firms. Aaby and Slater (1989), in their review of export performance studies, group export determinants into a number of categories, including 'firm' factors.

In the past decade, export performance studies have been more formally anchored in the RBV paradigm. In their study of UK export market ventures, Piercy, Kaleka and Katsikeas (1998) link superior export performance to the establishment of key competitive advantages in terms of specific competencies and capabilities. Wolff and Pett (2000) analyzed single informant data from 157 small firms exporting outside the US and found that small firms differ among themselves with regard to the competitive pattern used in their export activities – larger firms exhibited competitive patterns relative to size related resource base and smaller firm did not. In addition, no significant different in export intensity across three size categories was found. While drawing on the RBV and using data of Chinese exporters, Zou, Fang, and Zhao (2003) found a positive significant relationship between export marketing capabilities and export venture's financial performance. More recently, Morgan et al. (2004) empirically assess predicted relationships using single informant survey data from 287 export ventures. Results broadly support the RBV model whereby resources and capabilities affect export venture competitive strategy choices and the positional advantages achieved in the export market, which in turn affect export venture performance outcomes.

Although the RBV paradigm has been applied in the export setting past studies did not focus on specific capabilities that precede product strategy (e.g. capabilities leading to product quality and innovation), despite the importance of product strategy to export performance (noting that Morgan et al. 2004 did examine this at a higher order level). The primary focus has been on the extent of adaptation to the export market. The rationale was as follows: “(t)he marketing concept dictates that firms should practice market segmentation and design product offerings to suit their target market. Its logical extension, in export marketing, is that firms which select a product adaptation and market segmentation strategy can be expected to perform better than those that do not.” (Cooper and Kleinschmidt, 1985, p. 41).

Within this line of thought some authors found that product adaptation are important ingredients of financial performance (e.g. Lages, Abrantes, Lages 2008). However, other studies found contradictory results. While some found a positive link between adapting products to the local market and performance (Kirpalani and Macintosh 1980; Cavusgil and Zou 1994), others have found that a standard product is more successful (Christensen, Rocha and Gertner 1987) and product adaptation is negatively associated with performance (Amine and Cavusgil 1986). Others found that the impact of product adaptation on export performance depends on the type of performance metric that is being used. For example, Lages, Jap and Griffith (2008) found a significant negative relationship between product adaptation and export performance achievement and a non-significant relationship with export intensity and export performance satisfaction. Cavusgil and Kirpalani (1993) concluded that, "(p)roduct adaptation on initial export entry is not a necessary component of success. However, subsequent adaptation contributes significantly to success." (p.9). These inconsistencies may also be a result of the age the ventures researched.

In line with the contingency theory, the reality may well be that the answer to whether product adaptation is related to export performance is that 'it depends'. A US exporter marketing to Canada may not need their product to undergo and significant adaptation, whereas this may not be the case exporting to South East Asia. Indeed, Styles and Ambler (1997) found that there was little product adaptation undertaken by the UK and Australian SME exporters they studied, and speculated that it may well be that these exporters deliberately chose export markets where the need for adaptation was low due to the substantial resources required to make significant changes to their manufactured products.

Viewing product strategy through the RBV lens allows us to explore a more fruitful area of product related export performance research focusing on constructs such as product uniqueness and quality. Findings relating to these constructs have thus far been more

consistent. For example, product quality has been found to be strongly related to export success (Morgan, Kaleka, and Katsikeas 2004; Michell 1979). In a study of 310 U.K. and West German mechanical-engineering and food-processing firms, Burton and Schlegelmilch (1987, p. 47) find that compared with nonexporters, “exporters are more committed to the development of new products, and in consequence allocate more resources to research and development and pay closer attention to customers’ preferences and product quality.” In a study of 152 Brazilian firms, Christensen, Rocha, and Gertner (1987) find that the formality of the quality control department and the education level of the department head is the characteristic that most discriminates between successful and unsuccessful exporters (“successful” is defined as firms that are still exporting after a six-year period, and “unsuccessful” is defined as firm that ceased exporting activities).

Figure 1 presents a conceptual framework, anchored in the RBV, of the firm with a specific focus on product strategy. It models two key elements of product strategy, product innovation and product quality, both of which improve export performance. Furthermore, as we discussed previously, the export performance literature suggests that these elements are critical product-related performance drivers. We model these elements of product strategy as outcomes of three sets of capabilities: organizational learning capabilities, relationship capabilities, and quality capabilities. Then, we hypothesize that product innovation and quality are positively related to two performance outcomes—relationship (with importer/distributor) performance and economic performance.

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Capability Drivers of Product Strategy and Performance

Organizational Learning Capabilities for Innovation. We defined organizational learning capabilities for innovation as the development of knowledge or insights that facilitate

behavioral changes to enhance innovation (Sinkula, Baker, and Noordewier 1997). Recent studies using the RBV from a dynamic perspective, often follow an organizational learning approach (see: Acedo, Barroso and Galan 2006; Özsomer and Gençtürk 2003).

Organizational learning enables firms to improve and innovate continually within the confines of their current business model and to innovate by developing new industry business models or even new industries (Baker and Sinkula 1999; Atuahene-Gima and Murray 2007). Innovation occurs when firms with high learning capabilities encourage employees to question organizational and industry norms and challenge existing assumptions and orthodoxy. In a manufacturing environment, this includes not only broader strategic aspects of the firm's business model but also the products and solutions they provide to customers. This can happen in several ways, including within research-and-development departments and in the close collaboration between the sales and marketing staff, who are highly market and customer focused, and the technical staff, who specialize in the functional and design aspects of the manufactured products.

Evidence of the link between learning (including commitment to learning, open-mindedness, and shared vision) and product performance comes from the work of Baker and Sinkula (1999), who conduct their analysis across a broad range of industries. More recently, Lages, Jap and Griffith (2008) have applied a learning perspective to the study of export performance. More specifically, in an export environment, Morgan, Kaleka, and Katsikeas (2004) find support for a link between product development capabilities and positional advantage, including design and other innovations that result in distinct product offerings. This leads to the first hypothesis:

H₁: There is a positive association between organizational learning capabilities and product innovation.

Relationship Capabilities. Relationship capabilities are a set of intangible assets that reflect a series of interactions occurring between the interrelated parties involved in the export-venture relationship, namely the degree of importer involvement, communication quality of the relationship, long-term relationship orientation, and information sharing between the firm and customers.

Beginning with authors such as Morgan and Hunt (1984) and Webster (1992), as well as the European-based International Marketing and Purchasing group (e.g., Håkansson 1982), increasing attention has been given to the importance of relationships in business in general and marketing in particular over the past two decades. Relationship capabilities are critical for superior performance because by managing customer relationships and being more responsive to customer needs, firms increase their ability to generate tangible benefits, such as effective customer acquisition and retention (Krasnikov and Jayachandran 2008).

In the export performance literature, this has led to theory development and empirical studies examining the importance of various dimensions of exporter–importer relationships to performance (e.g., Styles, Patterson, and Ahmed 2008). A firm’s ability to form and maintain relationships has been found to be a factor that contributes to the success of collaborative ventures (Dyer and Singh 1998). In an international partnership setting, this ability is considered a core competence (Phan, Styles, and Patterson 2005). In exporting, relationship capabilities include an exporter’s ability to share information, communicate, and develop long-term relationships with importers and distributors (Lages, Lages, and Lages 2005). When both parties of a relationship are involved in problem solving, this enhances the probability to reach a mutually satisfactory solution (Mohr and Spekman 1994). Past studies confirm that one of the benefits of a long-term commitment in a channel relationship is the enhancement of business performance (Anderson and Weitz 1992; Weitz and Jap 1995), while Racela, Chaikittisilpa, and Thourunroj (2007) found that greater

cooperation between exporter and their main distributor also leads to enhanced export performance. In explaining how and why relationship capabilities are performance enhancing, Larson (1992) finds that long-term orientation in a business relationship leads to performance-enhancing operational and strategic integration. More specifically, this integration can manifest itself in behaviors and attitudes that lead to better and more efficient decision making, long-term planning, product development in response to local customer needs, knowledge sharing, and the integration of logistics systems.

H₂: There is a positive association between relationship capabilities and (a) product innovation, (b) product quality, and (c) relationship performance.

Prior research (e.g., Ganesan 1994; Morgan and Hunt 1999) has noted that researchers and companies often overlook the importance of relationships for sustainable competitive advantage. Gulati (1999) in particular positions a firm's networks and relationships as value creating resources in themselves, as well as avenues to other resources and capabilities, and thus firmly within the RBV. The implication is that the stronger, and better performing, a firm's relationships are, the better the firm will perform economically (Lages, Silva, Styles and Pereira 2009). In this study, we argue that the impact of product strategy on economic performance can be both direct and indirect because it may be strengthened when solid relationships are established with the importers. This topic has become important during the past decade. In an international context, direct links between relational variables and both relationship and business performance have already been found in a range of settings, such as international joint ventures (Styles and Hersch 2005) and exporting (Styles and Ambler 2000; Styles, Patterson, and Ahmed 2008). Relationships that allow for the joint performance of activities are critical in the exporting arena because of the involvement of both partners (Achrol, Reve, and Stern 1983; Jaworski 1988; Skarmeas and Robison 2008). A solid relationship with the importers will provide "experiential knowledge" about export markets,

which helps convert tacit knowledge into explicit knowledge in ways that lead to economic performance (Johanson and Vahlne 1977; Ling-yee and Ogunmokun 2001). This is consistent with the positioning of relationship and network capabilities and outcomes within the RBV. That is, although internal resources and capabilities have traditionally been considered, recent trends toward networks and interdependence mean that relationships, networks and their outcomes can be considered inimitable and non-substitutable resource that leads to competitive advantage and enhanced economic performance (Gulati, Nohria and Zaheer, 2000). Thus:

H₃: There is a positive association between relationship performance and economic performance.

Quality Capabilities. Quality capabilities gauge the capability of a firm to design, develop, and produce products that fulfil customer needs. Quality capabilities, such as customer focus, top management commitment to quality, employees' quality training, as well as the way employees are empowered and managed, are often identified as critical determinants of quality levels and, subsequently, a source of sustainable advantage (e.g., Ahire, Golhar, and Waller 1996; Douglas, and Judge Jr. 2001; Hall 1992, 1993; Powell 1995). This explains why recent applications of the RBV are also being done in the quality management area (see: Acedo, Barroso, and Galan 2006).

Product quality has been long considered critical for export success. Much of the success of Japanese and German firms late in the twentieth century has been attributed to their emphasis on quality (Ahire, Golhar, and Waller 1996). Studies of Japanese firms, for example, find a range of quality management strategies, such as top management commitment, shop-floor quality control, and product planning (Garvin 1987). Christensen, Rocha, and Gertner (1987) find that the formality of the quality control department and the education level of the department head is the characteristic that most discriminates between

successful and unsuccessful exporters. Finally, Menguc and Auh (2006) suggest that employee–manager coordination is required to develop a firm’s strategic orientation. Within this line of thought, employee training, involvement, and empowerment, as well as top management commitment and customer focus, are critical capabilities that support quality orientation and enhance product quality. While previous export studies have primarily considered the impact of product quality strategy on performance, the theoretical approach of the RBV of the firm suggests that models should also include the capabilities that precede quality, in addition to quality itself. Thus, we propose the following hypothesis:

H₄: There is a positive association between quality capabilities and product quality.

Product Strategy as Performance Driver

This study is based on the premise that product strategy is a key driver of export performance; it builds on Lages, Lages, and Lages’s (2005a) cross-country study of European managers’ perceptions of critical export performance determinants, which finds that product quality is considered the top determinant of export performance. Although there are several studies that confirm a positive relationship between product quality and export performance (Leonidou, Katsikeas, and Samiee 2002), relatively few have empirically analyzed the link between product innovation and export performance. Nevertheless, since the early work of McGuinness and Little (1981), there has been common agreement in the literature that both product quality and product innovation (which leads to distinctiveness) are critical determinants of export performance.

In developing our model with these links between product innovation and quality and performance, we divide performance outcomes into relationship (with importer/distributor) performance on the one hand and economic performance on the other hand. The distinction between the two is important, as is the link between these two performance dimensions. As we noted previously, long-term, quality relationships have been found to be important for

economic performance. Relationship performance is similar to traditional customer satisfaction, which is often considered a lead indicator for financial performance. Viewed as an asset, long-term customer relationships represent future cash flows, while current revenue flows into today's cash flow and short-term economic performance (Srivastava, Shervani, and Fahey 1998); both aspects are important in measuring international marketing performance (Styles and Ambler 2000).

The key customers for exporters (i.e., distributors and importers) are essentially resellers. As such, their performance is dependent in part on the extent to which they can offer their customers (e.g., retailers, industrial end users) high-quality, innovative products. Thus, the state of the relationship between the exporter and the importer is strongly influenced by the extent of innovation and quality level of the exporter's products. Formally,

H₃: There is a positive association between (a) product innovation and relationship performance and (b) product quality and relationship performance.

Due to the nature of the exporting context, firms cannot rely solely on their internal capabilities and strategies for achieving export success. To realize their full potential, firms are often pushed into looking beyond their own boundaries and also benefit from the competencies of their foreign partners. Thus, in addition to the indirect influence on economic performance through relationship performance (for the relationship performance–economic performance link, see H₃), we expect that product innovation and quality have other nonrelational effects that enhance economic performance (Alvarez, 2004). Support for this assertion comes in part from Lee et al. (2009) who found a positive relationship between R&D and export intensity, as well as Zhang, Di Benedetto and Hoenig (2009), who found a positive relationship between product innovation and innovation performance. We argue that innovative, high-quality products lead to positional advantages that drive end-user demand

and the ability to charge price premiums, thus improving revenue and margin. We cover these additional effects in the following hypothesis:

H₆: There is a positive association between (a) product innovation and economic performance and (b) product quality and economic performance.

METHOD

Survey Instrument Development

Before conducting the main study, we used exploratory research to refine all the items. First, several expert judges assessed face validity (cf. Hunt, Sparkman, and Wilcox 1982). A panel of academic experts with knowledge in international marketing, exporting, operations management, and/or quality management discussed all the measures in depth. This stage was critical in evaluating the pertinence of the measures and identifying problematic issues within the research context.

Following the initial purification process, a revised version of the questionnaire emerged from a series of structured face-to-face interviews. These interviews involved three export managers, three quality managers, and two managing directors of manufacturing firms operating in different industry sectors. This stage helped evaluate further individual item content, clarify the instructions, design the type of response format and evaluate the respondent's competence. More specifically, although the literature might suggest obtaining data on all dimensions of export performance from two (or more) informants and then considering interrater reliability, our preliminary interviews revealed that although the respondents are knowledgeable regarding their own fields of expertise, they would not be knowledgeable enough to answer all the questions and, consequently, would prefer different questionnaires to be developed for those responsible for export operations and those responsible for quality management. As a consequence of pre-test recommendations, some

questions changed from the quality manager's questionnaire to the export manager's questionnaire (and vice-versa). The pre-test also revealed that although the RBV literature (e.g. Morgan, Kaleka, and Katsikeas 2004) proposes to measure strategy variables relative to competitors, our preliminary interviews revealed that several managers found very hard to do it because although they are aware about competitors' performance, they lack competitors' strategic information. Indeed, preliminary findings revealed that competitors' strategy is confidential in the majority of the cases. As a consequence it is very hard, even for top managers, to compare its strategy (e.g. product innovation and product quality strategy) versus competitors' strategy. This view is aligned with other recent papers in the field (e.g. Yalcinkaya, Calantone, and Griffith 2007) that uses RBV as a theoretical background and do not use competitors as a reference. This approach enabled us to reduce response bias.

This study uses a single export venture as the unit of analysis (i.e., a single product or product line [or group of products] exported to an importer in a foreign market). In most recent export performance research, the export venture is the primary unit of analysis (e.g., Lages, Jap, and Griffith 2008; Morgan, Kaleka, and Katsikeas 2004). We ensured variation in export venture performance. Half of the sample (53.6%) responded regarding the most successful export venture, and the rest of the sample answered regarding export ventures not performing so well (see Morgan, Kaleka, and Katsikeas 2004; Weiss, Anderson, and MacInnis 1999).

Data Collection Procedure

The final data are from Portuguese exporting firms; we chose Portugal because of its exporting situation in the European Union (EU), with several interconnected potential exporting industries in which the country can build (Porter 2003). We use a multi-industry sample to increase observed variance and strengthen the generalizability of our findings (Bello and Gilliland 1997; Morgan, Kaleka, and Katsikeas 2004; Samiee and Anckar 1998).

In line with recent literature in export marketing, this study focuses exclusively on manufacturing firms (Morgan, Kaleka, and Katsikeas 2004), excluding service firms and those engaged in primary industries because of their idiosyncratic international expansion patterns, regulatory requirements, and performance characteristics (see Zou and Cavusgil 2002). The data for the main study are from a random sample of 1332 exporting manufacturing firms listed in a Portuguese governmental agency database (ICEP 2004). This database contains the firm's name, address, telephone number, e-mail, and key contact people for all Portuguese exporting firms. Data collection occurred in 2006. In line with recommendations received during the preliminary interviews, we sent the two questionnaires, a postage-paid return envelope, and a cover letter to the managing director of each of the 1332 Portuguese firms. We sent a reminder three weeks later to the nonrespondents, followed by another reminder eight weeks after that. In the initial cover letter, we assured confidentiality, promised to provide the findings in return for a completed questionnaire, and asked the managing director to select and write the selected export venture in the two questionnaires.

To ensure that the informants were sufficiently competent to provide the required information accurately, we asked that they pass the questionnaire to the person in the company in charge of export operations and to the person responsible for quality management. The job titles of the people responsible for export management included president, exporting director, managing director, marketing director, supply-chain director, and operations management director. Job titles of the people responsible for quality management operations included quality director, quality manager, industrial director, production director, services director, and coordinator of quality and environment.

Research Setting and Assessment of Nonresponse Bias

Of the 1332 initial mailings, the postal service returned 53 envelopes from firms that had either closed or moved without leaving a forwarding address. This reduced the sample size to 1279 companies. Of these, a total of 112 companies returned both questionnaires (i.e., one questionnaire answered by the export manager and another one by the quality manager) for a raw response rate of 8.8 percent (112/1279). Following previous research (Menon et al. 1999; Lages, Lages, and Lages 2005b; Cort, Griffith, and White 2007), in order to find out the effective response rate, we employed a systematic selection procedure and selected 177 companies (14% of the targeted firms) for follow-up contacts via telephone. We started by conducting a first follow-up contact with 77 firms to determine undeliverable rates. This revealed that 32 percent of the envelopes did not reach the managing director to whom they were addressed and 27 percent reported a corporate policy of managers not responding to academic surveys. Hence, after considering the undeliverable rates, our initial sample size was reduced to 524 companies.

Then, we conducted a second follow-up contact with more 100 firms in order to determine noncompliance rates associated with this innovative approach to data collection (in which each exporting company had to use two different respondents to fill out the two questionnaires). If the initial mailing has arrived to the managing director, in order to be eligible to answer, firms had to have exporting activities during 2004 and 2005 as well as have two different responsables for quality and exporting operations. This second follow-up contact revealed that 20 percent of the contacted companies had one person accumulating several functions. For example, in some companies (often family-owned and small-sized companies) the managing director is simultaneously in charge of quality, marketing and export management. In other cases the marketing manager accumulated the marketing function with the role of export manager and sales director; or the production director

assumes a wide range of functions such as logistics, quality and R&D management. Hence, results indicated that only 80 percent of the sample frame fills the second required criteria. In sum, the two follow-up contacts suggested that as few as 419 of the 1279 firms surveyed should be considered, yielding an approximate effective response rate of 26.7 percent (112/419).

We tested for nonresponse bias by comparing early and late respondents (we define early respondents as the first 75% to return questionnaires and late respondents as the last 25%) with respect to the number of years of exporting, number of full-time employees, number of export markets, and age of the export venture. The lack of significant differences between the early and late respondents suggests that response bias was not a significant problem in the study (Armstrong and Overton 1977).

Assessment of Common Method Bias

Although we used two different types of respondents, some of independent and dependent variables had to be collected from the same respondent. In addition, given that this study is cross-sectional in nature common method variance could also have inflated or deflated construct relationships. In order to safeguard against common method bias we followed some of the procedural remedies suggested by (Podsakoff, MacKenzie, and Podsakoff 2003). First, in terms of measurement context effects, we used paper-and-pencil administrated questionnaires as opposed to face-to-face interviews. Second, in terms of common rater effects, we protected respondents' anonymity to reduce evaluation apprehension and urged them to answer questions as honestly as possible considering that there were no right or wrong answers. Third, in terms of item characteristics effects, we created simple, specific and concise items. Fourth, respondents were not aware of our conceptual model, preventing them from providing answers based on their beliefs of how the model variables should be related. Fifth, the measures included in the final model come from two different sources (informants).

Finally, we used the Harman single-factor test, a statistical remedy commonly used to control for common method bias (cf. Podsakoff, MacKenzie, and Podsakoff 2003). This test required us to load all items used to measure both independent and dependent variables into a single exploratory factor analysis. If common method bias is a problem, a single factor should emerge from the data or one factor should explain the majority of the variance. The non-rotated solution EFA analysis produced 14 factors with eigenvalues greater than 1. Taken together, the 14 factors explained 77% of the variance in the data, with the first extracted factor without rotation accounting for 28% of the variance in the data. Given that more than one factor was extracted and less than 50% of the variance can be attributed to the first factor, the results suggest that common method bias is unlikely to be a significant issue with the collected data. We also used two separate method bias EFA tests for different informants.

Due to sample size limitations it was not possible to run in LISREL a unique measurement model that includes all the measures assessed by both the quality manager and export manager. All the variables collected from the quality manager were entered together into an exploratory factor analysis. The non-rotated solution EFA analysis produced 8 factors with eigenvalues greater than 1. These 8 factors explained 75% of the variance in the data, with the first extracted factor accounting for 42% of the variance in the data. The same procedure was followed for the variables collected from the export manager. In this case, the analysis produced 7 factors with eigenvalues greater than 1. Taken together, these 7 factors explained 77% of the variance in the data, with the first extracted factor accounting for 31% of the variance in the data. If common method bias was a problem, a single factor should emerge from the data or one factor that explains the majority of the variance. No such factors were evident in the two exploratory factor analysis performed, which suggests that common method bias does not appear to be a problem in this study.

Data Profile

The Portuguese exporting industry consists primarily of small to mid-sized firms. Exporters from all the Portuguese regions participated in the survey. The average annual export sales of these firms ranged from €1.6 million to €1 million, with 27% of the firms having export sales below €1.6 million, 67% from €1.6 million to €46 million, and 6% over €46 million. With regard to the number of full-time employees, 9% of the firms have between 35 and 49 employees, 36% have 50–99 employees, 48% have 100–500 employees, and 7% have more than 500 employees.

The majority of participating firms have significant experience in international business. The number of years that firms in the sample had engaged in exporting operations averaged 22 years ($SD = 13.3$; range = 3–100); 11% had 3–9 years, 25% had 10–15 years, 51% had 16–30 years, and 13% had more than 30 years. On average, companies had been working for 11 years with the selected importers. Approximately 80% of the respondents reported on export ventures with other EU countries, and the remainder reported on export ventures with non-EU countries. The leading countries in the sample are Spain (21%), France (19%), the United Kingdom (13%), Germany (10%), the United States (8%), the Netherlands (5%), and Brazil (5%). The average sales volume of the selected export venture ranged from €500,000 to €1.6 million.

Respondents also indicated the number of years they worked in the company and in their specific functions. Those responsible for export operations had an average of 13 years experience in the firm and had been in the same business function for 9 years. On average, respondents responsible for quality management had 12 years experience in the company and had been in the same business function for 9 years. Collectively, this indicates that though the titles of the respondents' positions may be wide ranging, they all seem to have significant knowledge and be highly involved in exporting and quality management activities.

MEASURES

Export Performance

Katsikeas, Leonidou, and Morgan (2000) conducted a meta-analysis in which they group export measures into economic and noneconomic measures. In this study, we use both types of measures. We define economic performance as the extent to which firms achieve their results relative to their competitors in terms of sales, market share, profitability, and sales revenue from new products (Morgan, Kaleka, and Katsikeas 2004). We use relationship performance as the noneconomic measure of export performance. Relationship performance helps assess the establishment and maintenance of good relationships with the importer in the foreign market (Cavusgil and Zou 1994). Thus, relationship performance refers to the extent to which the importer is loyal, the extent to which there is a solid relationship with the exporter, the extent to which the company is well perceived, and the importer's overall satisfaction with the product/service offering.

Product Strategy

Product innovation strategy can be defined as the strategic posture of the firm (e.g., Boeker 1989; Chandler and Hanks 1984) that reflects the firm's commitment to developing and offering products that are new to the firm and/or to the market (Li and Atuahene-Gima 2001). We define product quality strategy as a reflection of a firm's commitment to developing and delivering products that enhance the customer's perception of quality and superiority over competing products (Menon, Jaworski, and Kohli 1997).

Capabilities

While Morgan, Kaleka, and Katsikeas (2004) developed a comprehensive model of export performance with an overall measure of export venture capabilities, our aim is to 'drill down' and explore in detail the product and relationship sides of capabilities. In order to do so, we

build on the innovation (e.g. Henard and Szymanski 2001; Sinkula, Baker, and Noordewier 1997), quality (e.g. Hackman and Wageman, 1995; Flynn, Schroeder, and Sakakibara 1995, Powel 1995) and relationship marketing literatures (e.g. Ganesan 1994, Menon et al. 1999, Lages, Lancastre, and Lages 2008, Skarmeas and Robson 2008) to explore three capabilities that are critical to achieve competitive advantage. These are (1) organizational learning capabilities for innovation, (2) quality capabilities, and (3) relationship capabilities.

Organizational learning capabilities for innovation. From a strategic standpoint, firm capabilities related to product innovation are central to continued corporate survival (Henard and Szymanski 2001). We measured organizational learning capabilities for innovation as a higher-order construct that includes three reflective scales: commitment to learn, shared vision, and open-mindedness to innovation (see Sinkula, Baker, and Noordewier 1997). We define commitment to learning as the degree to which an organization values, invests in, and promotes learning. The more an organization values learning, the more likely it is that learning will occur. Shared vision refers to a broad focus on learning through incorporating the vision of various employees across different levels. Open-mindedness to innovation refers to the extent to which a firm stimulates innovation activities (Calantone et al. 2006). It is the capability of the firm to critically evaluate the organization's operational routine and generate, accept, and implement innovative ideas (see Sinkula, Baker, and Noordewier 1997).

Relationship capabilities. Relationship capabilities are rare, difficult for competitors to replicate, and critical for creation of sustainable competitive advantage (Ganesan 1994; Lages, Lages and Lages 2005; Ling-yee 2007; Mohr and Spekman 1994). As a consequence, a critical challenge in international business is to prevent relationships' dissolution in order to avoid significant losses (Zhang, Griffith and Cavusgil 2006). We measured relationship capabilities as a higher-order construct that includes four reflective scales: importer

involvement, communication quality of the relationship, long-term relationship orientation, and information sharing.

Communication quality of the relationship evaluates the extent to which there is a permanent interaction between members of both sides of the dyad in charge of strategy (Menon, Bharadwaj, and Howell 1996). Long-term relationship orientation is critical to sustain competitive advantage and develop a mutual dependence of outcomes in such a way that joint relationship outcomes are expected to profit from the relationship in the long run (Ganesan 1994). We define amount of information sharing as the extent to which the importer openly shares information that may be useful to the relationship with the exporter (Cannon and Homburg 2001). Finally, we define importer involvement as the capability of the exporter to maintain a closed contact with the importer and to solve quality problems efficiently through constant feedback (Flynn, Schroeder, and Sakakibara 1994).

Quality capabilities. Quality capabilities include top management commitment to quality, employee involvement, employee quality training, employee empowerment, and customer focus (Ahire, Golhar, and Waller 1996; Hackman and Wageman 1995; Powell 1995). We define top management commitment as the extent to which an organization encourages the practices and behaviours that lead to quality performance throughout the organization. It refers to the extent to which top management sets quality goals, allocates resources, and evaluates performance based on quality criteria (Flynn, Schroeder, and Sakakibara 1995). We define employee involvement as the extent to which an organization encourages employees to provide suggestions and puts those solutions into practice (e.g., by creating quality improvement teams). Employee quality training refers to the extent to which teams, managers, and employees are motivated and engage in frequent quality-training programs. Frequent training provides opportunities for employees to broaden their quality knowledge

and skills, which leads to individual growth and teamwork efficiency in implementing quality strategies (Flynn, Schroeder, and Sakakibara 1994). We define employee empowerment as the extent to which employees are authorized to participate in the decision-making process, inspect their own jobs, and find and fix existing problems (Ahire, Golhar, and Waller 1996; Seibert, Silver, and Randolph 2004). The use of decentralized decision making enables employees to be more motivated and reach personal goals and, at the same time, to handle uncertainty and promote the efficiency of the decision-making process (Flynn, Schroeder, and Sakakibara 1994). Finally, customer focus involves gathering and generating information (e.g., through customer surveys, by monitoring complaints) and then disseminating the findings within the firm (Ahire, Golhar, and Waller 1996; Narver and Slater 1990).

ANALYSIS

Measurement Model

We sourced measures from the literature and, in some cases, modified them for the current research context (cf. Churchill 1979). The final set of items and scale reliabilities appear in Appendix A. We evaluated construct reliability using a measure of internal consistency, namely, composite reliability (ρ) (Bagozzi 1980). All constructs (both first and second order) met the suggested minimum acceptable value for composite reliability of .7 (Nunnally 1978). In this research, all constructs are reliable, with measures of internal consistency that exceed .833 (see Appendix A).

We assessed the measurement model proprieties and analyzed the structural model using partial least squares (PLS) with Smart PLS 2.0 (Ringle, Wende, and Will 2005). We made this choice largely because PLS makes minimal demands on sample size, thus making it especially appropriate for testing structural models with relatively small sample sizes (Barclay and Smith 1997). Although PLS estimates both factor loadings and structural path

simultaneously, we followed the procedure that Hulland (1999) suggests in the evaluation of PLS models. We analyzed the research model and interpreted it in two steps: we assessed the reliability and validity of the measurement model, and then we assessed the structural model. To assess convergent validity, we measured the average variance extracted (AVE) (Fornell and Larcker 1981) for all constructs (both first and second order). It is recommended that the AVE should be greater than .5, meaning that 50% or more variance of the indicators should be accounted for. All AVE values (see Appendix A) are greater than .5, indicating convergent validity. We assessed individual item reliability by examining the loadings (or simple correlations) of the items on their respective construct. A rule of thumb is to accept items with loadings of .7 or more, which implies that there is more shared variance between the construct and its measure than there is error variance (Chin 1998). This is applicable to variables with reflective indicators and higher-order factors with molecular orientation, which is the case of the second-order factors we studied.

One measure used to evaluate discriminant validity in PLS is the AVE. This measurement can be compared with the shared variance among the latent variables (i.e., the square root of the AVE should be greater than the correlation between a construct and any other construct) (Chin 1998). Appendix B reveals that this condition is satisfied for all constructs included in the model; that is, all the diagonal elements are significantly greater than the off-diagonal elements in the corresponding rows and columns. A second way to evaluate discriminant validity is to examine the factor loadings of each item (Chin 1998). Each item should load higher on the construct of interest than on any other factor. The analysis of the factor loadings and cross-loadings for all the 66 items shows that each item loaded higher on its theoretical construct than on any other factor (see Appendix C), indicating discriminant validity. Although some cross-loadings exceeded .50, each of the 66 items loaded higher on

its theoretical construct than on any other factor. Indeed, all the loadings associated to each factor are equal or higher than .70, with 64 out of 66 loadings being over .75.

Structural Model Estimation

We ran a structural PLS model to test the hypotheses. We control for firm's size (i.e. number of FT employees) in order to diminish the potential spurious effects of this variable. We tested the structural model in two stages. First, we evaluated the explanatory power of the structural model, and second, we examined the level of support for the individual hypothesis. Because PLS does not attempt to minimize residual item covariance, there is no summary statistic to measure the overall fit of the models, as in the case with covariance-based techniques. We used variance explained (R^2) of the endogenous or dependent variables and significance of the path coefficients to test the proposed model. Significance levels and estimates of confidence intervals are not directly provided by PLS. Consistent with Chin (1998), to evaluate the significance of parameter estimates, we used a bootstrapping method of "sampling with replacement" to reestimate the parameters. We used the vector of parameter estimates, obtained from 1000 bootstrapping runs, to generate standard errors and t-statistics.

FINDINGS

We assessed significance of the parameter estimates using t-values. The estimation results for the significant structural paths appear in Figure 2. Figure 2 also shows the variance explained (R^2) in the endogenous constructs, the standardized coefficients, and t-values for the model tested. The R-square indicates the amount of variance explained by the model (Chin 1998). According to Falk and Miller (1992), the variance explained values of the endogenous variables should be greater than or equal to 10%. This condition is satisfied for all the endogenous variables in the research model. The overall model explained 34% of the

variance in economic performance, 27% of the variance in relationship performance, 43% of the variance in product quality, and 25% of the variance in product innovation.

In addition to the R-square, to evaluate the explanatory power of the structural model, we calculated the effect size (f^2) of each independent variable on economic performance, relationship performance, product quality, and product innovation (endogenous variables). Using the guidelines for interpretation that Chin (1998) provides, we found a large effect size for relationship performance ($f^2 = .27$), a medium effect size for product innovation strategy ($f^2 = .11$), and a small effect size for product quality strategy ($f^2 = .01$) on economic performance. Product innovation and relationship capabilities had a small effect on relationship performance (.01 and .06, respectively), and product quality had a medium effect (.13). We used a similar approach to analyze the effects of each independent variable on product innovation and product quality strategy. We found a somewhat large effect for quality capabilities and relationship capabilities on product quality (.22 and .29, respectively). Finally, we found a medium effect of organizational learning capabilities on product innovation ($f^2 = .07$) and a medium effect of relationship capabilities on product innovation (.17).

INSERT FIGURE 2 ABOUT HERE

We found empirical support for eight of the ten proposed hypotheses. Specifically, H_1 predicted that organizational learning capabilities would positively influence product innovation. H_1 was fully supported (.251, $p < .05$). H_2 predicted that relationship capabilities would positively influence product innovation (H_{2a}), product quality (H_{2b}), and relationship performance (H_{2c}). We found highly significant support for H_{2a} (.380, $p < .001$), H_{2b} (.434, $p < .001$), and H_{2c} (.253, $p < .01$). H_3 predicted that relationship performance would be positively related to economic performance. H_3 is fully supported through a highly significant effect (.483, $p < .001$). H_4 predicted that quality capabilities would positively influence the

degree of product quality. This hypothesis was also supported through a highly significant effect (.372, $p < .001$). H₅ predicted a positive association between relationship performance and product innovation (H_{5a}) and product quality (H_{5b}). We found only partial support for H₅. Although we found a nonsignificant relationship for H_{5a} (-.106, n.s.), we found a highly significant relationship in support of H_{5b} (.387, $p < .001$). Finally, H₆ predicted a positive relationship between economic performance and product innovation (H_{6a}) and product quality (H_{6b}). We also found only partial support for H₆. Although product innovation produced a highly significant, positive effect on economic performance (.302, $p < .01$), product quality did not have a significant effect on economic performance (-.05, n.s.).

THEORETICAL AND MANAGERIAL IMPLICATIONS

This study was motivated by a desire to gain a better understanding of the relationship between firm capabilities and product strategy. As such, we employed an RBV perspective to understand how a set of three capabilities (organizational learning, relationship capabilities, and quality capabilities) influences product strategy (product innovation) and export performance (relationship performance and economic performance). Our findings offer insights into these issues and provide significant implications for international marketing theory and practice.

In terms of method, our approach of testing hypotheses using data collected from two different respondents within the same manufacturing exporter enabled us to assess the key theoretical constructs in a more robust manner. Specifically, those managers with the greatest knowledge and experience (e.g, quality manager for organizational learning capabilities, quality capabilities, and quality strategy; and the export operations manager for relationship capabilities with the importer, product innovation, and export performance), were able to give the most valid data to test the hypothesized relationships and thus provide a “truer” test of the theory than a single informant study may have done. Despite the difficulties involved

in this procedure, we would suggest a similar approach of matching informants to capabilities/resources be taken in future studies.

We adopted the RBV to examine capabilities as a foundation of product strategies. Previous export performance studies have focused primarily on the extent of standardization/adaptation from an often atheoretical standpoint with contradictory findings. Other studies have examined the impact of product quality and uniqueness/innovation on export performance and found a positive relationship, but again have seldom been anchored in any theoretical paradigm. As Zou and Stan (1998) noted, the export performance literature has had a relatively poor record of using robust theoretical frameworks to underpin empirical studies. In contrast, the focus on product strategy through the application of the RBV has provided theoretical insights as well as empirical evidence as to what capabilities are required to achieve these critical product strategy outcomes. The support from this study for the capability–strategy–performance framework provides further evidence of the usefulness of applying the RBV to the export setting and should encourage researchers to examine the capability drivers of other aspects of export strategy, such as pricing and communications.

The study also reinforces the positioning of relational resources and capabilities within the RBV framework, with the findings indicating that relational variables did indeed provide competitive advantage and enhance economic performance. Thus, researchers should look to not only include resources and capabilities internal to the firm, but also those external to firms that are unique, inimitable and enhance their own competitive advantage (Gulati, Nohria and Zaheer, 2000).

From a managerial perspective, management might explore and enhance “low-cost” capabilities, such as relationship capabilities, to survive and grow in the ongoing recession. While this applies to all settings, it is particularly relevant to the SME context where firms often have limited resources within their boundaries and must rely heavily on partners –

particularly internationally. We found evidence to support the argument that when firms build on the establishment of solid relationships with their importers they are more likely to realize the full market potential of their products (Katsikeas and Dalgic 1995; Ling-ye and Ogunmokun 2001). We found that product strategy (i.e., both product innovation and quality) enhances exporter–importer relationships and in this way indirectly contribute to the economic success of the channel relationship (Bello and Gilliland 1997; Klein, Frazier, and Roth 1990).

The results also indicate complex relationships between different product strategies and export performance measures, thus highlighting the importance of employing multiple measures of product strategy and export performance. A significant finding is that quality, even though it is often considered the top determinant of export performance by both academics and managers, is not enough to ensure economic performance in export markets. Is it possible that export managers and researchers are overly concerned with basic aspects of firm survival in the international arena, such as product quality, while overlooking critical determinants of international differential advantage, such as product innovation? Our results provide support for the view that though product quality might be a qualifier in today’s global markets, product innovation plays a major role in enhancing economic performance. Moreover, this study suggests that both relationship capabilities and relationship performance are critical determinants of economic performance. Thus, managers should invest in both product innovation and relationship management capabilities. Relationship capabilities enable firms to improve product innovation and product quality, which in turn leads to export performance enhancement.

LIMITATIONS AND DIRECTIONS FOR FURTHER RESEARCH

The foregoing interpretations of the findings must be tempered with the limitations of the study. From a methodological perspective, the usual limitations of the survey method apply.

The question of generalization inevitably arises from the use of a limited number of participants and extrapolating samples to populations. Although a great effort has been done to ensure variability in terms of the export performance measure (cf. Morgan, Kaleka, and Katsikeas 2004; Weiss, Anderson, and MacInnis 1999), we obtained limited variability in some of the other variables. We encourage future research in this field to overcome this issue.

Although the conceptual framework may achieve a greater level of validity and rigor by including perspectives from two types of respondents, the study is not entirely comprehensive in nature. Despite the extensive number of constructs included in this research, the results should be considered in the light of high cross loadings on some of the measures. In addition, the tested model does not include environmental determinants of export performance. Further research needs to explore the role of external factors in explaining relationship and economic performance in export markets. Another possible, yet difficult, research pursuit may include the longitudinal tracking of export performance effects (see: Lages and Montgomery 2004; Lages, Lages and Lages 2006; Lages, Jap, and Griffith 2008). What is the short and long-term impact of past export performance on the definition of quality and innovation strategies? In the same way, cross-country studies of a more in-depth nature may reduce the limitations stemming from single-country samples. That said, such longitudinal and cross-cultural studies would require a consistent and universally accepted measurement for export performance, an impossible goal for current export performance research. Thus, in light of the context and the cross-section of different management representatives participating in this study, their significant knowledge of export operations performance, and their low levels of nonresponse bias, the proposed study represents a high level of methodological rigor and presents great potential for future development.

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Figure 1: Conceptual Framework and Research Hypotheses

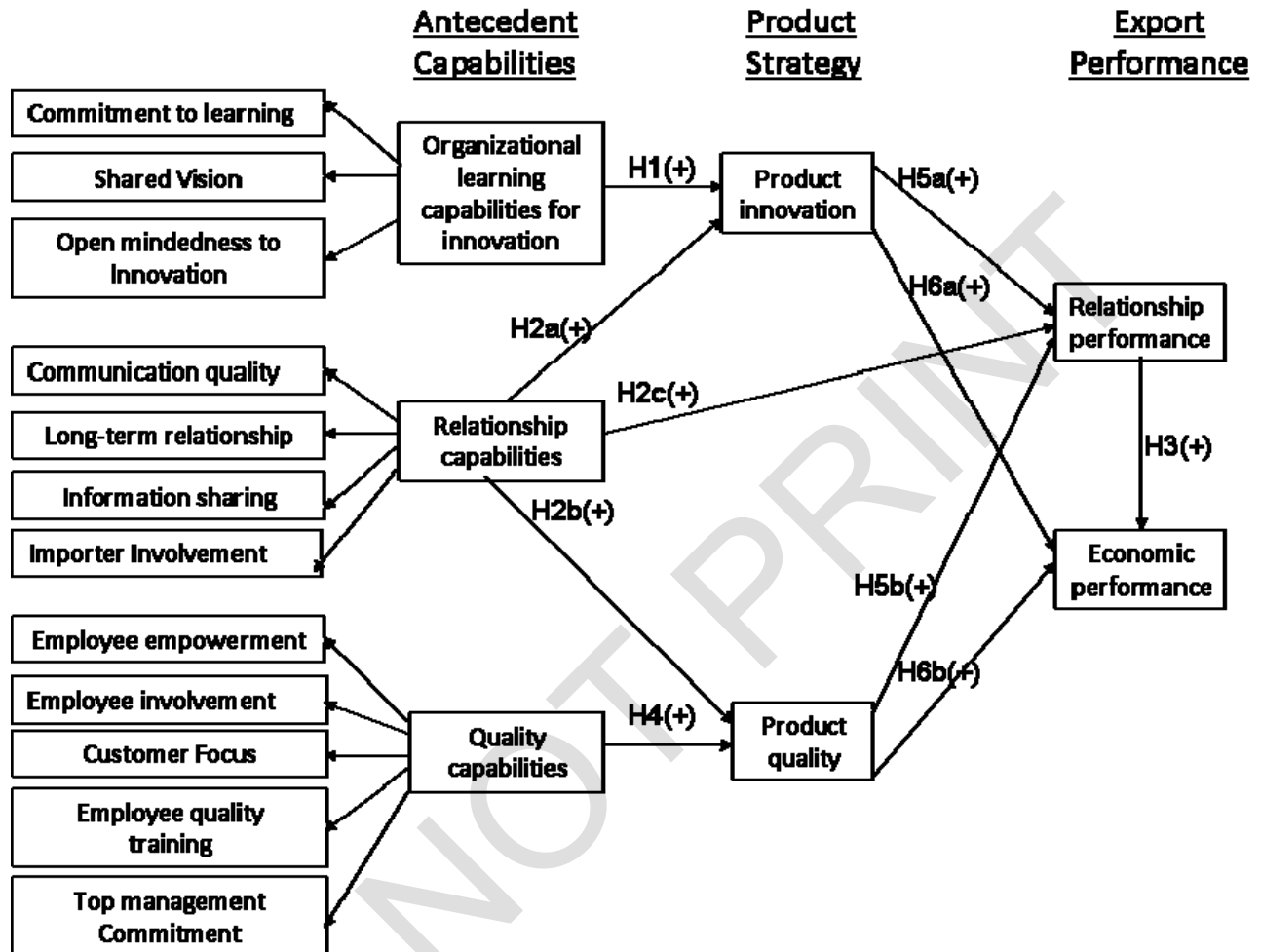
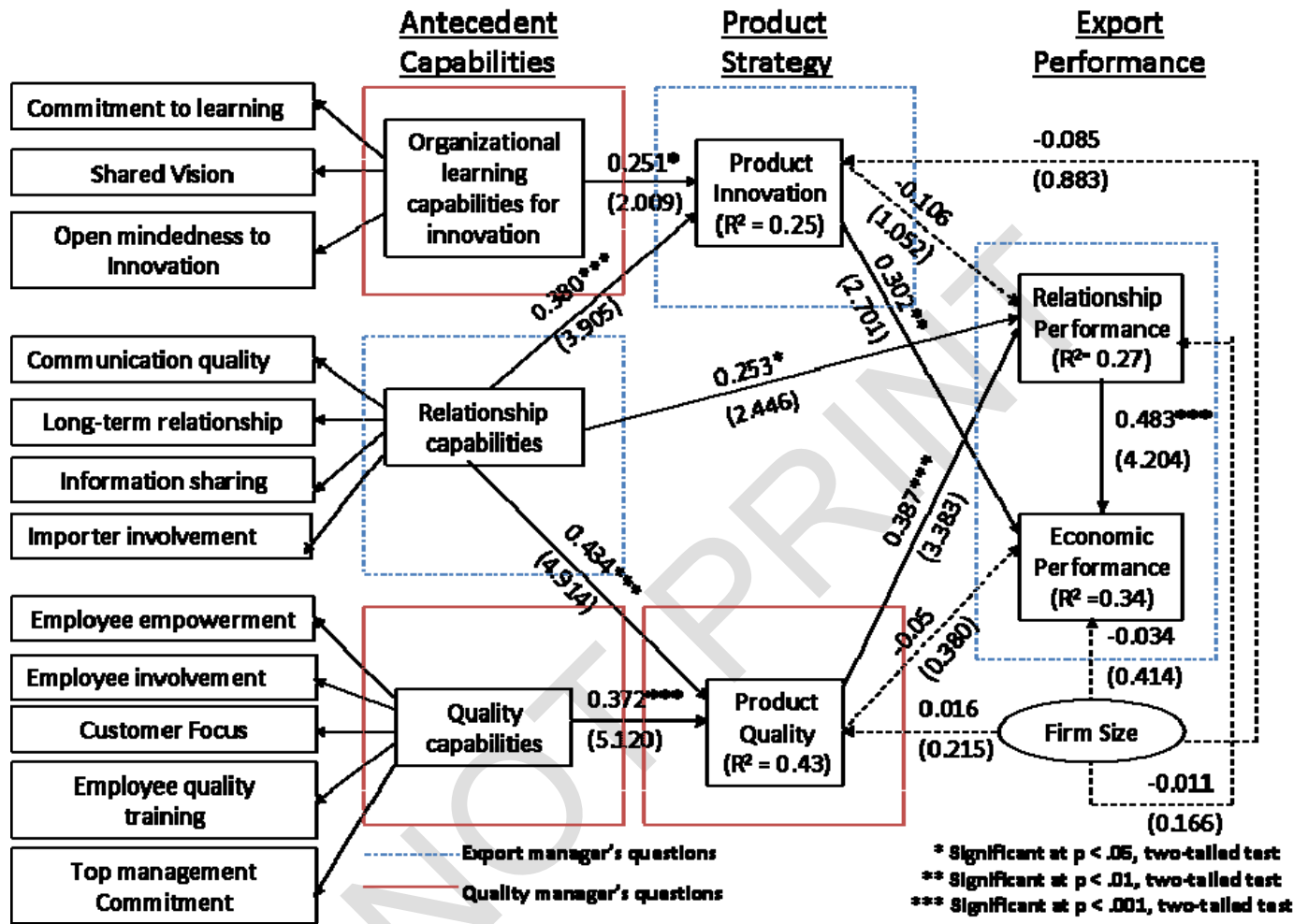


Figure 2: Empirical Model



APPENDIX A: SCALE ITEMS AND RELIABILITIES

EXPORT PERFORMANCE

Question: How do you evaluate the following export venture results compared with your main competitors in 2005?

(Scale: 1 = “much worse,” and 7 = “much better”)

Economic Performance^a ($\rho_{vc(n)} = .856/\rho = .960$)

(adapted from Morgan, Kaleka, and Katsikeas 2004)

EP1	Export sales volume	.938
EP2	Export market share	.933
EP3	Profitability	.917
EP4	Percentage of sales revenue derived from products introduced in this market during the past three years	.914

Relationship Performance with the Importer^a ($\rho_{vc(n)} = .803/\rho = .924$)

(adapted from Morgan, Kaleka, and Katsikeas 2004)

RP1	Quality of your company’s relationship with the importer	.899
RP2	Reputation of your company for the importer	.885
RP3	Importer loyalty to your firm	.904

PRODUCT STRATEGY

Question: When considering the product of the selected export venture, what is your opinion concerning the following sentences?

(Scale: 1 = “strongly disagree,” and 7 = “strongly agree”)

Product Quality^b ($\rho_{vc(n)} = .696/\rho = .873$)

(Adapted from Menon, Jaworski, and Kohli 1997)

PQ1	Our importer often praises our product quality.	.813
PQ2	The quality of our products and services is better than of our major competitors.	.817
PQ3	Our importer is firmly convinced that we offer very good quality products.	.872

Product Innovation^a ($\rho_{vc(n)} = .763/\rho = .941$)

(Adapted from Sarin and Mahajan 2001; Zhou et 2005)

PI1	Several product-related innovations were introduced during the development of this product.	.801
PI2	Compared to similar products developed by our competitors, our product will offer unique features/attributes/benefits to the customers.	.869
PI3	Our product introduces many completely new features to this class of products	.913
PI4	Our product is highly innovative, replacing an inferior alternative.	.896
PI5	Our product incorporates a radically new technological knowledge.	.883

ORGANIZATIONAL LEARNING CAPABILITIES FOR INNOVATION

Second-order factor ($\rho_{vc(n)} = .632/\rho = .837$)

Question: With regard to your company situation, to what extent did you agree or not with the following sentences?

(Scale: 1 = “strongly disagree,” and 7 = “strongly agree”)

Commitment to Learning^b ($\rho_{vc(n)} = .811/\rho = .945$)

(Adapted from Baker and Sinkula 1999)

CL1	Managers basically agree that our business unit's ability to learn is the key to our competitive advantage.	.892
CL2	The basic values of this business unit include learning as a key to improvement.	.919
CL3	The sense around here is that employee learning is an investment, not an expense.	.877
CL4	Learning in my organization is seen as a key commodity necessary to guarantee organizational survival.	.913

Shared Vision^b ($\rho_{vc(n)} = .743/\rho = .935$)

(Adapted from Baker and Sinkula 1999)

SV1	There is a well-expressed concept of who we are and where we are going as a business unit.	.829
SV2	There is a total agreement on our business unit vision across all levels, functions, and divisions.	.888
SV3	All employees are committed to the goals of this business unit.	.867
SV4	Employees view themselves as partners in charting the direction of the business unit.	.852
SV5	Top leadership believes in sharing its vision for the business unit with the lower levels.	.872

Open-Mindedness to Innovation^b ($\rho_{vc(n)} = .752/\rho = .960$)

(Adapted from Baker and Sinkula 1999, Homburg and Pflesser 2000, Zhou et al. 2005)

OI1	We particularly emphasize innovativeness and creativity.	.882
OI2	We are very open toward innovations (e.g., related to product or process).	.890
OI3	Our company pays close attention to innovation.	.883
OI4	Our company promotes the need for product development and utilization of new resources.	.898
OI5	Our company emphasizes the need for innovations for development.	.881
OI6	Our business unit places a high value on open-mindedness.	.790
OI7	Managers encourage employees to “think outside the box.”	.844
OI8	Original ideas are highly valued in this organization.	.865

RELATIONSHIP CAPABILITIES

Second-order factor ($\rho_{vc(n)} = .558/\rho = .833$)

Question: With regard to firm's relationship with the importer of the selected export-venture, how do you classify the following sentences?

(Scale: 1 = "strongly disagree," and 7 = "strongly agree")

Communication Quality of the Relationship^a ($\rho_{vc(n)} = .821/\rho = .948$)

(Adapted from Menon, Bharadwaj, and Howell 1996; Menon et al. 1999)

CQ1	The parties involved had continuous interaction during implementation of strategy.	.838
CQ2	The strategy's objectives and goals were communicated clearly to involved and concerned parties.	.920
CQ3	Team members openly communicated while implementing the strategy.	.932
CQ4	There was extensive formal and informal communication during implementation.	.930

Long-Term Relationship Orientation^a ($\rho_{vc(n)} = .685/\rho = .897$)

(Adapted from Ganesan 1994)

LR1	Maintaining a long-term relationship with this importer is important to us.	.862
LR2	We focus on long-term goals in this relationship.	.877
LR3	We believe that over the long run, our relationship with the importer will be profitable.	.808
LR4	We are willing to make sacrifices to help this importer from time to time.	.758

Amount of Information Sharing^a ($\rho_{vc(n)} = .631/\rho = .837$)

(Adapted from Cannon and Homburg 2001)

IS1	The importer frequently discussed strategic issues with us.	.775
IS2	This importer openly shared confidential information with us.	.818
IS3	This importer rarely talked with us about its business strategy. (R)	.789

Importer Involvement^a ($\rho_{vc(n)} = .752/\rho = .924$)

(Flynn, Schroeder, and Sakakibara 1994)

II1	We are frequently in close contact with this importer.	.847
II2	Our importer seldom visits our plant. (R)	.843
II3	This importer gives us feedback on product quality.	.898
II4	This importer gives us feedback on product delivery.	.879

QUALITY CAPABILITIES

Second-order factor ($\rho_{vc(n)} = .571/\rho = .869$)

Question: With regard to your company situation, to what extent did you agree or not with the following sentences?

(Scale: 1 = “strongly disagree,” and 7 = “strongly agree”)

Top Management Commitment^a ($\rho_{vc(n)} = .717/\rho = .910$)

(Adapted from Ahire, Golhar, and Waller 1996)

TC1	Our performance evaluation by top-level management depends heavily on quality.	.720
TC2	Top-level managers allocate adequate resources toward efforts to improve quality.	.897
TC3	We have clear quality goals identified by top-level managers.	.885
TC4	At company wide meetings top-level managers often discuss the importance of quality.	.873

Employee Involvement^b ($\rho_{vc(n)} = .758/\rho = .862$)

(Adapted from Ahire, Golhar, and Waller 1996)

EI1	All employee suggestions are evaluated.	.899
EI2	Most employee suggestions are implemented.	.842

Employee Quality Training^b ($\rho_{vc(n)} = .665/\rho = .908$)

(Adapted from Ahire, Golhar, and Waller 1996)

ET1	Resources are available for employee quality training in our plant.	.849
ET2	There is almost always some kind of employee quality training going on in our plant.	.913
ET3	Plant managers are often involved in quality training.	.836
ET4	Most employees in our plant are trained to use quality problem solving techniques such as cause and effect diagrams, Pareto.	.763
ET5	Most employees in our plant are do not view each new quality seminar or training program as “just another fad.”	.698

Employee Empowerment^b ($\rho_{vc(n)} = .814/\rho = .946$)

(Adapted from Ahire, Golhar, and Waller 1996)

EE1	Line workers are encouraged to fix problems they find.	.875
EE2	Line workers are given the resources necessary to correct quality problems they find.	.903
EE3	Line workers have technical assistance available to them to help them solve quality problems.	.914
EE4	A problem-solving network is available to line workers in solving quality-related problems.	.918

Customer Focus^b ($\rho_{vc(n)} = .624/\rho = .869$)
 (Adapted from Ahire, Golhar, and Waller 1996)

CF1	Manufacturing managers are aware of the results of customer satisfaction surveys.	.767
CF2	A summary of customer complaints is given to manufacturing managers regularly.	.803
CF3	To achieve greater customer satisfaction, our company actively seeks ways to improve our products.	.810
CF4	Our company has been customer focused for the past two years.	.780

^aConstructs were developed with data collected from the manager responsible for export operations.

^bConstructs were developed with data collected from the manager responsible for quality management.

Notes: $\rho_{vc(n)}$ = variance extracted (Fornell and Larcker 1981), and ρ = composite reliability (Bagozzi 1980). (R) indicates items that were reverse-coded. The values (in bold) next to each item are standardized loadings.

Appendix B: Means, Standard Deviation, and Correlation Among Constructs

	M	SD	1	2	3	4	5	6	7
1. Organizational learning capabilities for innovation	5.50	.92	.795						
2. Relationship capabilities	5.43	.90	.269	.747					
3. Quality capabilities	5.29	.85	.741	.305	.756				
4. Product innovation	4.47	1.33	.340	.432	.302	.873			
5. Product quality	5.27	.89	.414	.550	.508	.431	.834		
6. Economic performance	4.50	1.21	.224	.213	.223	.361	.304	.925	
7. Relationship performance	5.43	.90	.219	.418	.267	.169	.479	.506	.896

Notes: The diagonal (in bold) shows the square roots of the AVE.

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Appendix C: Item loading and Cross-Loading

Item	EP	RP	PQ	PI	CL	OI	SV	CQ	IS	II	LR	CF	EI	EE	ET	TC
EP1	.939	.511	.278	.316	.141	.187	.230	.146	.051	.137	.123	.220	.229	.056	.247	.204
EP2	.933	.483	.321	.348	.142	.218	.324	.253	.122	.177	.117	.236	.225	.063	.264	.246
EP3	.917	.399	.242	.300	.173	.202	.232	.142	.071	.175	.145	.209	.217	.061	.252	.185
EP4	.913	.469	.276	.368	.093	.109	.139	.174	.136	.155	.143	.126	.123	-.070	.148	.104
RP1	.447	.899	.447	.155	.134	.156	.217	.261	.262	.346	.274	.340	-.001	.190	.136	.176
RP2	.431	.885	.368	.129	.115	.188	.202	.269	.220	.281	.276	.294	.077	.211	.142	.210
RP3	.480	.904	.464	.170	.166	.173	.190	.301	.317	.267	.309	.337	.147	.124	.149	.181
PQ1	.216	.452	.815	.380	.309	.215	.234	.264	.414	.287	.324	.310	.141	.263	.164	.368
PQ2	.291	.063	.815	.366	.235	.335	.229	.402	.119	.389	.291	.401	.189	.355	.370	.457
PQ3	.247	.160	.873	.340	.406	.347	.387	.355	.320	.465	.427	.421	.208	.358	.343	.390
PI1	.274	.176	.283	.799	.265	.249	.167	.310	.166	.376	.221	.174	.099	.015	.273	.306
PI2	.321	.163	.399	.870	.356	.292	.296	.287	.076	.359	.194	.217	.253	.031	.343	.243
PI3	.318	.168	.455	.912	.281	.297	.219	.417	.202	.334	.169	.173	.227	.078	.284	.280
PI4	.312	.152	.366	.895	.172	.234	.187	.435	.220	.391	.203	.184	.213	.069	.293	.260
PI5	.348	.176	.368	.885	.292	.295	.273	.384	.154	.296	.150	.223	.158	.023	.347	.377
CL1	.106	.138	.356	.309	.892	.637	.432	.248	.109	.315	.239	.369	.356	.379	.374	.458
CL2	.090	.091	.378	.312	.919	.635	.511	.264	.128	.329	.292	.426	.318	.360	.544	.560
CL3	.138	.111	.324	.218	.877	.552	.484	.149	.077	.299	.212	.328	.367	.348	.477	.440
CL4	.196	.198	.315	.281	.913	.578	.491	.117	.046	.323	.268	.383	.412	.334	.587	.499
OI1	.144	.111	.349	.231	.580	.882	.555	.183	.120	.115	.102	.465	.390	.313	.455	.633
OI2	.196	.198	.385	.369	.622	.890	.574	.186	.068	.224	.174	.498	.503	.411	.511	.637
OI3	.226	.133	.259	.281	.584	.883	.507	.158	.049	.085	.053	.438	.447	.347	.443	.590
OI4	.130	.110	.341	.308	.616	.898	.606	.195	.111	.139	.061	.523	.569	.393	.544	.634
OI5	.221	.176	.382	.357	.574	.881	.589	.284	.126	.181	.072	.551	.500	.365	.519	.623
OI6	.097	.181	.224	.194	.544	.790	.621	.123	-.034	.036	.109	.361	.465	.279	.403	.507
OI7	.131	.211	.290	.233	.580	.844	.650	.218	.042	.225	.130	.467	.554	.387	.450	.542
OI8	.188	.211	.301	.188	.529	.865	.620	.073	.031	.081	.055	.440	.544	.364	.379	.523

Appendix C (continuation): Item Loading and Cross-Loading

Item	EP	RP	PQ	PI	CL	OI	SV	CQ	IS	II	LR	CF	EI	EE	ET	TC
SV1	.350	.301	.377	.309	.472	.622	.829	.307	.153	.185	.106	.548	.395	.371	.599	.601
SV2	.181	.147	.238	.205	.424	.573	.888	.221	.024	.215	.067	.427	.377	.253	.478	.509
SV3	.202	.230	.344	.213	.464	.562	.867	.201	.056	.198	.051	.456	.427	.280	.548	.562
SV4	.135	.136	.248	.175	.419	.549	.852	.104	.039	.159	-.040	.352	.381	.237	.458	.477
SV5	.203	.159	.279	.226	.511	.622	.872	.275	.163	.170	-.039	.479	.398	.248	.480	.410
CQ 1	.170	.240	.338	.380	.191	.126	.167	.838	.338	.471	.266	.143	-.111	.067	.063	.096
CQ 2	.222	.371	.389	.368	.238	.254	.316	.920	.377	.537	.243	.379	-.023	.189	.226	.274
CQ 3	.143	.254	.381	.387	.199	.189	.230	.932	.392	.425	.258	.249	-.072	.118	.222	.215
CQ 4	.166	.250	.389	.394	.155	.170	.220	.930	.357	.391	.233	.288	-.030	.147	.294	.268
IS1	.127	.206	.276	.243	.093	.165	.137	.358	.775	.252	.383	.082	-.034	-.042	.025	.144
IS2	.022	.245	.251	.082	.000	-.124	-.064	.225	.818	.287	.390	.077	-.139	.049	-.081	-.027
IS3	.096	.266	.260	.114	.150	.158	.176	.383	.789	.183	.230	.251	-.057	.115	.075	.171
II1	.176	.324	.496	.353	.311	.146	.171	.393	.339	.847	.558	.295	.024	.209	.147	.227
II2	.147	.293	.442	.314	.380	.181	.226	.395	.288	.843	.548	.312	.061	.294	.278	.308
II3	.125	.298	.343	.348	.262	.102	.152	.450	.219	.898	.499	.251	.062	.234	.183	.147
II4	.152	.240	.328	.374	.267	.119	.197	.516	.210	.879	.387	.238	.042	.222	.198	.182
LR1	.100	.322	.382	.171	.250	.087	.036	.210	.287	.581	.862	.141	-.032	.130	.080	.159
LR2	.060	.200	.327	.240	.293	.155	.103	.230	.320	.501	.877	.212	.073	.193	.215	.262
LR3	.228	.313	.396	.175	.259	.120	.107	.243	.413	.431	.808	.228	.007	.129	.182	.249
LR4	.082	.221	.281	.113	.119	-.010	-.151	.234	.398	.380	.758	.093	-.017	.109	-.015	.090
CF1	-.034	.156	.288	.033	.245	.286	.311	.116	.116	.164	.115	.767	.269	.398	.406	.530
CF2	.202	.318	.336	.117	.399	.420	.436	.219	.128	.319	.232	.803	.377	.449	.484	.428
CF3	.225	.348	.363	.200	.258	.458	.457	.308	.130	.208	.109	.810	.438	.372	.496	.499
CF4	.266	.315	.454	.340	.419	.536	.455	.280	.154	.304	.191	.780	.400	.491	.434	.515
EI1	.093	.023	.209	.21	.387	.546	.433	-.155	-.123	.003	.024	.438	.899	.462	.480	.433
EI2	.301	.136	.168	.160	.308	.445	.361	.066	-.036	.103	-.010	.380	.842	.362	.368	.316
EE1	.040	.132	.274	-.007	.366	.382	.293	.127	-.024	.264	.170	.484	.465	.875	.412	.394
EE2	-.020	.101	.291	-.044	.283	.328	.244	.138	.015	.210	.093	.427	.400	.903	.319	.345
EE3	.048	.232	.433	.073	.380	.368	.283	.136	.088	.234	.161	.520	.422	.914	.342	.440
EE4	.030	.223	.417	.107	.387	.408	.339	.124	.083	.284	.184	.516	.435	.918	.419	.488
ET1	.184	.142	.326	.244	.408	.443	.460	.142	.018	.159	.142	.528	.416	.362	.849	.583
ET2	.223	.164	.354	.337	.464	.406	.464	.209	.013	.206	.130	.518	.458	.336	.913	.546
ET3	.283	.186	.325	.288	.495	.554	.516	.138	.046	.190	.146	.479	.469	.409	.836	.608
ET4	.125	.052	.201	.325	.494	.369	.495	.225	.019	.247	.166	.433	.322	.254	.763	.520
ET5	.168	.083	.246	.249	.385	.399	.510	.212	-.090	.148	-.023	.378	.318	.323	.698	.410
TC1	.102	.163	.336	.159	.365	.497	.365	.163	.118	.117	.257	.389	.290	.188	.369	.720
TC2	.253	.260	.454	.334	.486	.677	.552	.221	.153	.253	.220	.571	.408	.386	.588	.897
TC3	.189	.154	.432	.278	.433	.486	.518	.225	.103	.214	.113	.547	.363	.452	.657	.885
TC4	.118	.136	.416	.333	.545	.631	.547	.188	.042	.236	.223	.577	.404	.491	.574	.873

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