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## *Entrepreneurial and market-oriented activities, financial capital, environment turbulence, and export performance in an emerging economy*

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**ENTREPRENEURIAL AND MARKET-ORIENTED ACTIVITIES, FINANCIAL  
CAPITAL, ENVIRONMENT TURBULENCE, AND EXPORT  
PERFORMANCE IN AN EMERGING ECONOMY**

**Dr. Nathaniel Boso**

University of Leeds  
N.Boso@Leeds.ac.uk

**Pejvak Oghazi**

Linnaeus University  
Pejvak.oghazi@lnu.se

**John W. Cadogan**

Loughborough University and  
Lappeenranta University of Technology  
j.w.cadogan@Lboro.ac.uk

**Vicky M. Story**

Loughborough University  
V.M.Story@Lboro.ac.uk

**ABSTRACT**

*This study examines the impact of the simultaneous implementation of entrepreneurial and market-oriented export activities on export success and whether this relationship depends on levels of financial capital and market environment turbulence. The findings from a study of 164 Ghanaian exporting small and medium-sized enterprises (SMEs) indicate that high levels of both entrepreneurial and market orientation generate better export performance. The relationship is stronger when firms have greater financial capital and operate in more turbulent export market environments. These results extend existing knowledge of how SMEs can improve export performance by seeking fit between firm-specific capabilities and external environment conditions.*

**Keyword:** exporting SMEs; entrepreneurial orientation; market orientation; export performance; export market turbulence; financial capital; developing economy

## INTRODUCTION

Exporting is a vital strategy for many firms because it enables them to expand markets, gain new customers and improve performance (Cavusgil & Zou 1994; Leonidou, Katsikeas, & Samiee 2002). For example, for firms with substantial exporting operations, there is the opportunity to leverage existing capabilities across different countries to create scale economies otherwise unavailable in home markets (Leonidou et al., 2002). Through exporting, new market opportunities are created to sell new products and connect with important constituencies in different markets (Cavusgil & Zou 1994; Leonidou et al. 2002).

Since the seminal works of Lumpkin and Dess (1996) on entrepreneurial orientation (EO) and Kohli and Jaworski (1990) on market orientation (MO), the two constructs have taken a central position in general management theory and research (e.g. Kirca, Jayachandran, & Bearden, 2005; Rauch, Wiklund, Lumpkin, & Frese, 2009; Baker & Sinkula 2009; Wang 2008; Ellis 2007). Essentially, the two constructs are viewed as critical resources that offer firms the capability to explore evolving entrepreneurial opportunities and exploit existing product market competences (Baker & Sinkula 2009; Bhuian, Menguc, & Bell, 2005; Jaworski, Kohli, & Sahay, 2000), making the explanatory power of EO and MO activities on firm performance, in both domestic (e.g. Rauch et al., 2009; Kirca et al., 2005) and overseas business operations (Balabanis & Katsikea 2003; Cadogan et al. 2009; Zahra and Garvis 2000; Knight and Kim 2009), major themes in scholarly research (e.g. Kropp et al. 2006; Cadogan, Kuivalainen, & Sundqvist, 2009; Zahra & Garvis 2000; Knight & Kim 2009). However, despite years of valuable scholarly insights and extensive managerial interests, there are at least three important areas to extend the existing literature.

First, EO and MO are considered to be important within the context of exporting (Balabanis & Katsikea 2003; Cadogan, Diamantopoulos, & Siguaw, 2002; Ellis 2007). However, previous research has not considered how high EO and high MO activities may complement each other when firms engage in export operations. The strategic orientation literature suggests that a firm's ability to implement high levels of EO and MO activities *simultaneously* may bring about greater benefits, as both orientations have advantages that attenuate for the potential drawbacks of the other (Hakala 2011; Hult & Ketchen 2001). Thus, an export strategy that emphasizes the simultaneous implementation of high levels of both orientations should enable firms to generate greater synergy between entrepreneurial abilities and market-oriented competences to enhance performance in foreign markets (Atuahene-Gima & Ko 2001). However, despite the potential insights that this multifaceted export strategy offers for small business theory development and practice, the effects that high levels of both export EO and MO activities have on SME performance in export markets remains under-researched.

Second, research looking at how firms apply EO and MO capabilities in export markets has not examined key contingency factors, such as resource requirements and environmental conditions, that may shape the success of a strategy that simultaneously focuses on high levels of both EO and MO activities. Importantly, the literature suggests that SME exporters may struggle to effectively convert their exporting activities into higher performance because of resource limitations and a lack of experience in foreign operations (Kropp, Lindsay, & Shoham, 2008; Knight & Kim 2009). While the dominant approach in the small business literature is to test the impacts in main-effect only or two-way

contingency effect models (e.g. Lumpkin and Dess 2001; Alpkın, Yılmaz, & Kaya, 2007; Renko, Carsrud, & Brannback, 2009; Knight & Kim 2009), we model the impacts of simultaneously high EO and MO, financial capital and export market environmental turbulence fit on export performance in three-way interaction models. This approach draws on the organizational configuration literature (Meyer, Tsui, & Hinings, 1993; Ketchen, Thomas, & Snow, 1993; Short, Payne, & Ketchen, 2008) and the literature on complementarities in organizations (Ennen & Richter 2010) to argue that the elements of simultaneous EO and MO activities, financial resources and environmental conditions may coalesce to enhance firm performance in export markets.

Third, given that much of the work on EO and MO has been based on relatively wealthy Western economies, one could question whether the findings from these studies can be generalized to non-Western economy settings (Aulakh, Kotabe, & Teegan, 2000; Alpkın, Yılmaz, & Kaya, 2007; Wright, Filatchev, Hoskisson, & Peng, 2005; Burgess & Steenkamp 2006). While there are some studies on EO and MO from developing economies, much of the latter are based on samples from Asia (especially China) and a few on samples from Central and Eastern European countries. Despite the socio-economic and institutional similarities that developing economies may share, it is also true that widespread differences exist among them on such key issues as culture (including social norms and values) and levels of risk and uncertainty (Acquaah 2007). Interestingly, very few EO and MO studies focus on Africa (e.g. Kropp, Lindsay, & Shoham, 2006; Kuada & Buatsi 2005), even though this continent contains unique cultures (Goedhuys & Sleuwaegen 2000) and numerous emerging economies (Hoskisson, Eden, Lau, & Wright,

2000). Thus, in view of the importance of context in theory development (Hoskisson et al. 2000; Wright et al., 2005), researching EO and MO activities in an African setting should be a useful extension of the existing literature, and shed new light on the relationships between firms' strategic orientations and overseas business success.

### **Theoretical background and hypotheses**

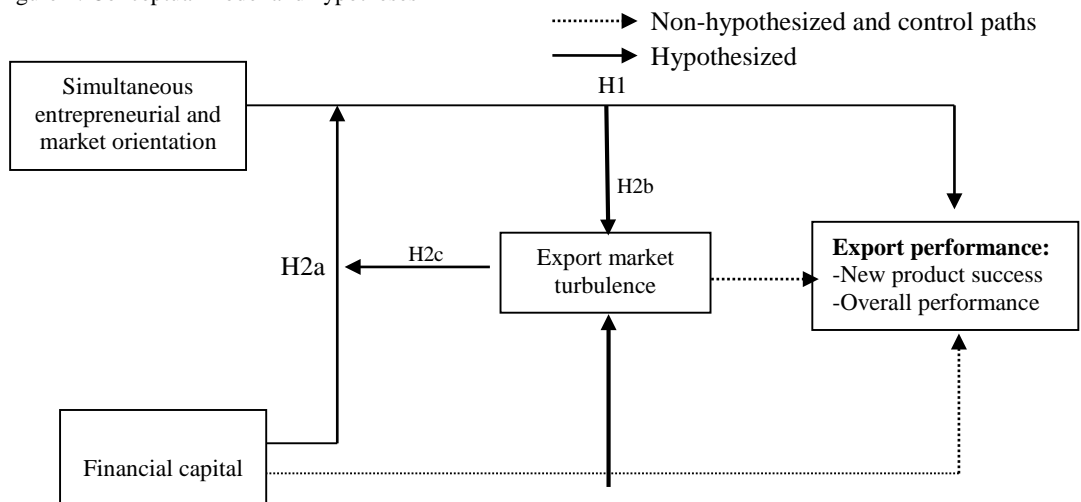
The key focus of EO and MO activities is superior customer value creation and delivery relative to market competitors. Although scholars have examined several aspects of strategic orientation, a firm's ability to simultaneously implement both EO and MO is arguably a key activity for driving superior performance (Webb, Ireland, Hitt, Kistruck, & Tihanyi, 2011). While export EO activity refers to a firm's propensity to innovate, take risks, act proactively and aggressively, and encourage autonomous decision-making in export markets (Balabanis & Katsikea 2003), export MO relates to the processes that firms use to generate, disseminate and respond to market intelligence in foreign markets (Cadogan et al. 2009). Among exporting firms operating in a developing economy, empirical evidence regarding the benefits of the simultaneous implementation of entrepreneurial and market-oriented activities in export operations remains fragmented (Li, Zhao, Tan, & Liu, 2008; Boso, Cadogan, & Story, 2012). Furthermore, the literature also highlights that a firm's ability to simultaneously implement both EO and MO is likely to be a necessary but not a sufficient condition for superior performance attainment (Webb et al. 2011). Although these firm-level activities may drive superior performance, firms are likely to be more successful if they seek fit between these strategic activities, financial resources and the environment (Ketchen et al. 1993; Meyer et al. 1993; Short, Payne, & Ketchen, 2008). This

configurational approach is in line with the organizational complementarity logic, which posits that when firms seek fit between two or more attributes there is the possibility that doing more of one activity may increase the value of doing more of the others (Ennen & Richter 2010). This is especially true in the export context, which is more complex and challenging (Murray, Gao, & Kotabe, 2011). Against this background, this study contributes to the existing literature by examining whether firms that seek to develop fit between a combined EO and MO activity, financial capital and export market environment turbulence can achieve superior performance in export markets than firms that do not.

The focus on financial capital stems from the fact that both EO and MO activities consume firm financial resources (Cadogan et al. 2009; Voss, Sirdeshmukh, & Voss, 2008), therefore, their benefits in export markets may be facilitated when firms have greater access to financial capital (Wiklund & Shepherd 2005). According to Cooper, Gimeno-Gascon, and Woo (1994) new business opportunities should be pursued in line with resources available to firms. We define financial capital

as the extent to which finances are available and accessible to the firm to fund export operations (Wiklund & Shepherd 2005; Cooper et al. 1994). Accordingly, we argue that the probability of substantial concurrent EO and MO efforts generating improvements in export performance is dependent on having a large export budget. In addition, we theorize that because high levels of both EO and MO may be required more in some environments and less in others, the success of such an export strategy may depend on the conditions prevailing in a firm’s overseas markets. The literature on contingency theory suggests that export market environmental turbulence provides an appropriate condition for greater investments in EO and MO activities (Balabanis & Katsikea 2003). We define export market environment turbulence as the degree of hostility and uncertainty in a firm’s foreign markets (Zahra & Garvis 2000). As such, we propose that high investment in both EO and MO activities is most justified in turbulent export market environments. Figure 1 displays the conceptual model for this study and the following sections present the theoretical arguments and hypotheses developed.

Figure 1: Conceptual model and hypotheses



***Simultaneous EO and MO activities and export performance***

In the context of export operations, entrepreneurial-oriented activity captures how firms use exploratory processes to compete in foreign markets (Balabanis & Katsikea 2003). Because entrepreneurial-oriented exporters highlight innovativeness and emphasize the intensive launch of new products in overseas markets they are often successful in targeting premium market segments, charging high prices and "skimming" the market ahead of their competitors (Hult, Hurley, & Knight, 2004). Moreover, the pioneering advantage-seeking activities of EO enable exporters to get ahead of overseas market rivals through superior value creation and delivery (Zahra & Garvis 2000). However, there is a downside to over-emphasizing entrepreneurship in export operations: such activities are riskier and have foreign market performance consequences that can be very uncertain (Zahra & Garvis 2000). Hence, there is a requirement for firms to combine high levels of entrepreneurial activities with stronger market-oriented processes, because market-oriented activities involve the process of improving existing market offerings to meet the needs and preferences of the existing customer base (Kirca et al. 2005). With high MO activities firms can provide a buffer for more exploratory entrepreneurial export activities.

However, it is equally important to note that although market-oriented export activities may be less risky and have performance outcomes that are more certain, returns on high MO activities may be lower, and firms that over-emphasize MO activities may also suffer structural inertia, reduced creativity levels, and become less receptive to new market opportunities (Cadogan et al. 2009). Such structural deficiencies inherent in market-oriented processes can be attenuated

by entrepreneurial-oriented export activities. Accordingly, there is an imperative for exporting firms to develop high levels of both EO and MO activities to attenuate for the drawbacks of each other.

The call for simultaneous efforts towards both EO and MO activities in foreign markets is supported by the literature. First, the literature on complementarity in organizations suggests that there is a "beneficial interplay of the elements of a system where the presence of one element increases the value of others" (Ennen & Richter 2010, p. 207). Second, organizational ambidexterity logic supports the view that EO and MO activities are inseparable (He & Wong 2004), interdependent (He & Wong 2004) and complementary organizational processes (Hughes, Hughes, & Morgan 2007). Third, strategic orientation theory proposes that firms can achieve greater success if EO and MO activities are strategically integrated (O'Reilly & Tushman 2008). Building on these logics, we posit that EO and MO activities complement each other, such that firms implementing high levels of both simultaneously should benefit. Specifically, where MO activities are high, exporting firms with greater EO will take risks and innovate in an environment with better intelligence of market conditions and of the likely responses of customers and competitors. This is most likely because MO makes exporters wiser (Cadogan et al. 2009). With greater levels of MO, exporting firms are more prudent with their proactive market timing and targeting decisions due to better market understanding. Competitively aggressive behavior is carefully and realistically focused, and the maverick-like behavior of employees is well targeted at well-defined export customer needs and preferences, leading to superior export performance. Similarly, increasing

levels of export MO is mainly a response to current export market demands indicating that firms that emphasize high levels of MO alone may be limited to addressing only articulated customer needs and preferences, and thus risk missing opportunities to develop stronger innovative products that export customers cannot describe (Li et al. 2008; Bhuian et al. 2005). Such limitations may be compensated by focusing efforts on developing high levels of MO and EO capabilities simultaneously in export operations. Accordingly, we hypothesize that:

**H1:** An export strategy emphasizing high levels of both EO and MO is positively related to export performance.

### **Fit between EO and MO activities, financial capital and export environment turbulence**

Effective implementation of high levels of both EO and MO activities in export markets requires substantial capital investments (Wiklund & Shepherd 2005). For example, Jaworski, Kohli, and Sahay, (2000) argue that efforts to seek greater alignment between market-driving and market-driven capabilities require substantial capital investments in structural processes that ensure an effective balance. The literature on complementarity also indicates that the system embeddedness generated by combining heterogeneous activities can pose significant challenges for firms in terms of resource requirements (Ennen & Richter 2010). Firms with greater financial capital are more flexible to explore and experiment with riskier entrepreneurial opportunities in export markets without worrying too much about the financial ramifications for existing export market competences. Greater financial capital may reduce firms' fears with regard to the potential failure of exploratory activities and concerns about structural inertia due to being overly

market-oriented. Whereas, limited financial capital may force firms to cut corners to save money, thus, reducing their capacity to grow in overseas markets. The extant literature provides some empirical evidence to support this proposition. For example, Goedhuys and Sleuwaegen (2000, p.123) note that "financial constraints continue to play a major restraining role for entrepreneurship and firm growth" in Sub-Sahara Africa. Additionally, Arenius and Minniti (2005) argue that at low levels of finance the likelihood of growing entrepreneurial ventures is reduced. Accordingly, exporting SMEs implementing EO and MO activities concurrently in developing economies, like those in Sub-Sahara Africa, may have their export budgets over-stretched, as such activities consume significant amount of resources (Cadogan et al. 2009; Voss et al. 2008). In this respect, the benefits of strong EO and MO efforts on export performance should increase when access to financial capital is high.

Additionally, it is also argued that investing in the development of export strategies is most beneficial when appropriate export environmental conditions apply (Cadogan et al. 2009; Zahra & Garvis 2000; Kropp et al. 2008). Cadogan et al. (2009), for example, argue that when environmental conditions are relatively benign, greater investments in export MO activities may not be maximally beneficial in the sense that firms face fewer challenges that require the use of these activities. Similarly, Zahra and Garvis (2000) contend that because hostile foreign market environments have demand conditions that are constantly shifting and competitive activities that are increasingly intense and diverse, there is a greater imperative for firms in such environments to focus more on EO activities to boost performance. Furthermore, firms that have high levels of both EO and MO activities

may not be operating at an optimal level in more benign export market environments; in such environments investing less in EO and MO may improve performance. In the particular case of developing economies, it is likely that greater investments in the development of EO and MO activities may be more critical for performance improvement given that environment conditions in those economies (especially in Sub-Sahara Africa) are less predictable compared to developed economies (Acquaah 2007).

However, a central premise of the configurational approach is that firms that seek fit between their strategic activities, their resources and the environment should perform better than comparable firms that only seek alignment between two of the factors (Wiklund & Shepherd 2005; Short et al. 2008). We capture this configuration logic by modelling a three-way interaction between (a) high levels of EO and MO activities, (b) financial capital and (c) export market environment turbulence. There are some conceptual arguments backing the notion that fit between these sets of variables will produce stronger export performance outcomes. First, Cooper et al. (1994) assert that financial capital can be a key resource that helps firms transform specific strategies in turbulent environments to enhance performance because financial capital is more “liquid and flexible and can rapidly be directed toward new initiatives, should new opportunities arise” (Wiklund & Shepherd 2005, p. 79). Furthermore, some empirical evidence indicates that small businesses in developing economies struggle to convert strategic capabilities into performance in hostile and more demanding environment conditions (e.g. Li et al. 2008; Kropp et al. 2006). Hostile activities of competitors, changes in market demand and the wider macro environment

provide greater uncertainty and this may render a previously valuable strategy obsolete within a short period of time (Miller & Shamsie 1996). Thus, firms with deeper pockets should be better able to sustain a strategy that focuses on high levels of both EO and MO in more turbulent environments. Therefore, we hypothesize that:

**H2 (a):** The relationship between the joint implementation of high levels of EO and MO and export performance increases in strength as levels of financial capital increase in magnitude.

**H2 (b):** The relationship between the joint implementation of high levels of EO and MO and export performance increases in strength as levels of export environment turbulence increase in magnitude.

**H2 (c):** The increase in the strength of the relationship between the joint implementation of high levels of EO and MO and export performance occurring as levels of financial capital increase is greater when environmental turbulence is higher.

## METHODOLOGY

### *Research setting*

This study involves a multi-industry survey of small and medium sized enterprises (SMEs) exporting from Ghana, a Sub-Sahara African country. The choice of Ghana for this study is appropriate for several reasons. First, Ghana is one of the very few developing Sub-Saharan African countries to successfully operate an open market economy, and to have benefited from the market-based programs of the Breton Wood institutions such as the International Monetary Fund (IMF) and the World Bank (Weissman 1990). As such, Ghana provides an interesting context to examine how market-based theories regarding EO and MO generalize to developing economy contexts.



Second, a recent World Bank Group report indicates that Ghana has achieved a middle income status with significant increases in GDP per capita (World Bank Group 2011). Even more significant is that Ghana's growth is driven primarily by export activities of small and medium sized enterprises (Abor & Quartey 2010). Third, the World Bank 2011 'Doing Business' survey suggests that Ghana is a global top performer: access to business credits is improving, and overall, Ghana has remained one of the easiest place to do business in Sub-Sahara Africa (World Bank Group 2011). This means that the business environment in Ghana is one of the most conducive in Sub-Sahara Africa. Thus, studying small business exporters operating in Ghana provides an interesting setting to study market-based theories in a non-Western economy context (Acquaah 2007).

### Data Collection

The sampling frame was a directory of exporters provided by the *Ghana export promotion authority*, which is the national focal point for the development and promotion of export activities in Ghana. To supplement this list, we also used the *Ghana business directory* as it provides information on Ghanaian businesses that have overseas operations, and has been used in previous studies (e.g. Acquaah 2007). These directories provide names, addresses, and telephone numbers of senior company executives including Chief Executive Officers (CEOs), and are available in electronic and print formats. Thus, given the difficulty in identifying a single database of SMEs with significant export activities (Zahra, Ireland, & Hitt, 2000), particularly in a developing economy like Ghana (Khavul, Perez-Nordtvedt, & Wood, 2010), we relied on multiple data sources. In addition, given the scarcity and inaccuracy that may be associated

with databases from developing countries (Peng & Heath 1996), we then screened the firms to ensure that the following study criteria were met: (1) that the firms were independent entities and were not part of any company group or chain (Wiklund & Shepherd 2011); (2) that the companies were entrepreneurial firms owned and controlled by private individuals with majority ownership (Goedhys & Sleuwaegen 2010); (3) that the firms had an international focus (Kropp et al. 2006); (4) that the firms were SMEs employing between five and 249 full-time staff (Goedhys & Sleuwaegen 2010; Wiklund & Shepherd 2011); and (5) that there was complete contact information on the CEO (Khavul et al. 2010). Thus, included in the sample are SMEs that engaged in productive export business activities (Kropp et al. 2006). As with previous studies in developing countries (e.g. Li & Atuahene-Gima 2001; Khavul et al. 2010), data was collected on-site, as postal and electronic mailing systems are less developed. A total of 332 active exporters qualified and agreed to be interviewed. The local branch of an international research consultancy firm was then hired to administer the questionnaires on-site and were personally briefed and supervised by a member of the research team.

In the end, total useable responses were obtained from 164 firms, representing a 49.4% response rate. To corroborate the data from the CEOs, telephone calls were made to 16 finance managers (10%) randomly selected from the 164 exporting firms on key firm demographic variables (annual sales volume, number of countries a firm exported to, and firm profitability). The data from the finance managers were compared with that obtained from the CEOs, and non-significant mean differences were obtained ( $p > 0.5$ ). The firms in our sample operated in multiple industries

such as cookware, textiles and garment, food and beverages, crafts, agro-processing, security, and financial services, which are representative of developing economy industries. The firms employed an average of 56 full-time employees. The average percentage export sale was 61% of total annual sales. On average, the firms have been exporting for more than six years (but less than ten years) at the time of this study.

### ***Instrument development***

We used a combination of literature-based and fieldwork insights to specify the domain of, and develop multiple indicators to tap, each construct in a systematic instrument development process. To evaluate the suitability of the questionnaire items to the Ghanaian environment, a pilot test on the preliminary draft questionnaire was conducted with 20 exporters from Accra, Kumasi, Secondi-Takoradi, and Tema, which are the major metropolitan areas for export activity in Ghana (although Tamale is a major commercial center for export activity in the Northern region of Ghana, this was excluded due to severe logistical challenges). Collecting data from these metropolitan areas helped to ensure face validity. On the basis of the feedback obtained from the pilot study, the study items were further revised. To avoid duplication, the 20 exporters were excluded from the final data set.

Given our anticipation of low mail survey participation in Ghana, we used face-to-face interviews whereby our trained interviewers handed in the questionnaires to the respondents to complete at their leisure and these were later collected on an agreed date. There were, however, a few occasions (nine cases) when the interviewers assisted the respondents to complete the questionnaires instantly. To ensure reliable responses, the

four interviewers were trained extensively to ensure that they did not introduce any biases by prompting respondents during the interview. They were also trained to understand the objectives of the study, the importance of a number of administrative elements like assuring respondents of the confidentiality of their answers and filling in the questionnaire completely, and how to answer any clarification questions. Since the interviewers clarified questions or answers on the spot, reliability of the data was enhanced. Honesty of information was explicitly requested from the informants. The informants were motivated by assuring them of the complete confidentiality of their answers, the opportunity to receive a summary of the research findings and participation in a free seminar/workshop on the research results.

To capture informant competency, each respondent was asked to report on a 7-point Likert scale (1 = strongly disagree; 7 = strongly agree) their: 1) knowledge of the issues under examination; 2) accuracy of the information provided on the questionnaire; and 3) confidence about the answers to the questions (Hultman et al. 2009). A mean score of 6.58 (std. = 0.58) was recorded for knowledge of issues, 6.46 (std. = 0.52) for accuracy of responses, and 6.66 (std. = 0.56) for confidence in answers. The approach taken in this study is in line with existing research in developing countries (Wood et al. 2011; Khavul et al. 2010). To corroborate the data from the in-person surveys, follow-up telephone calls were made to 10% of the 164 CEOs to re-ask the questions. The results show that there are not significant differences in the answers provided.

### **Measures**

All items used in the current study were retrieved from the existing literature.

Specifically, following pre-tests, items were adapted from previous studies by making changes to words and sentences to enhance understanding in exporting context (Li and Atuahene-Gima 2001; Acquah 2007). Table 1 indicates items that were newly developed, those that were adapted, and those that were taken verbatim from previous studies.

EO was operationalized as comprising of five behavioural dimensions: product innovativeness (itself measured by product innovation intensity and product innovation novelty), risk-taking, proactiveness, competitive aggressiveness and autonomy as they apply in firm's export operations (e.g. Lumpkin & Dess 1996; Jambulingam, Kathuria, & Doucette, 2005; Kuivalainen, Sundqvist, & Servais, 2007; Hughes & Morgan 2007). The product innovativeness items are developed from Miller and Friesen (1982), Hughes et al. (2007) and Calantone, Cavusgil, & Zhao, (2002). The risk-taking measures were sourced from Jambulingam et al. (2005) and Morgan and Strong (2003). Proactiveness measures were mostly based on those used by Kuivalainen et al. (2007), Covin and Slevin (1989) and Jambulingam et al. (2005). Competitive aggressiveness was derived from the works of Covin and Slevin (1989), Lumpkin and Dess (2001) and Jambulingam et al. (2005). Autonomy items were developed from Hughes and Morgan (2007) and Jambulingam et al. (2005). A single score was subsequently created for EO by averaging across the individual items that tap the five dimensions. We operationalized MO as a three-dimensional construct with sub-dimensions comprising of export market intelligence generation, dissemination and responsiveness using Cadogan et al.'s (2009) 'export market orientation' scale. A single score was then created for MO by calculating the average across the individual items.

Because we have conceptualized simultaneous EO and MO activities as the joint implementation of both EO and MO in export operations, we operationalize the simultaneous EO-MO construct by averaging across the EO and MO scores.

Financial capital was operationalized to comprise of two dimensions: availability of financial resource and the level of financial resource accessible by the firms. For the access to financial capital dimensions, two items were adapted to export context from the 'financial capital' scale developed by Wiklund and Shepherd (2005). An additional item was then developed to tap the extent to which firms can easily access finances for their export operations. With respect to availability of financial capital dimension, new items were developed based on Cooper et al. (1994) to reflect the extent to which export managers are satisfied with financial capital within the firm to support export operations. An overall financial capital score was obtained by averaging across financial capital accessibility and financial capital availability scores.

To measure export market environment turbulence, we adapted to export context two items from adapted from Jambulingam et al.'s (2005) 'competitive intensity' scale and one item from Zahra and Garvis' (2000) 'foreign environment hostility' scale to assess the rate of competitive intensity and level of new product decline in firms' export markets. Export new product success is defined as the extent to which firms' new product objectives are met in terms of revenue, sales growth, and number of new export market segments entered with new products (Atuahene-Gima, Slater, & Olson, 2005; Langarek, Hultink, & Robben, 2004). Overall export performance is defined as the extent to which overall firm profitability and sales objectives are met

(Racela, Chaikittisilpa, & Thoumrungroje, 2007).

We controlled for the possible influence of relative firm size, international experience and industry types (e.g. Kuivalainen et al. 2007; Wang 2008). Firm size was measured by the logarithm transformation of the total number of full-time employees. We assessed export experience by taking the logarithm transformation of the total number of years a firm had been exporting. Industry type was measured as a dummy variable that comprised of manufacturing = 1, services = 2 (Wang 2008). In addition, because we argue for a three-way interaction between the simultaneous implementation of EO and MO, financial capital and export environment turbulence, we also control for all lower-order interactions in accordance with the literature (e.g. Cadogan et al. 2009).

### Method bias assessment

In line with the literature (e.g. Podsakoff, MacKenzie, & Jeong-Yeon, 2003; Chang, van Witteloostuijn, & Eden, 2010), we followed several steps to check for a possible influence of common method bias (CMB). First, we estimated three competing bias models: method 1 involved estimation of a method-only model in which all indicators were loaded on a single latent factor. The fit indexes (i.e. Chi-square ( $\chi^2$ ) = 4,909.481; degrees of freedom (df) = 779; Root Mean Square Error of Approximation (RMSEA) = 0.159; Non-Normed Fit Index (NNFI) = 0.329; Comparative Fit Index (CFI) = 0.363) produce a poor-fitting model. Method 2 was a trait-only model in which each indicator was loaded on its respective latent factor. The results show excellent model fit:  $\chi^2$  (df) = 832.16 (769); RMSEA = 0.022; NNFI = 0.95; CFI = 0.95. In method 3, a method and trait model was estimated involving inclusion of a

common factor linking all the indicators in model 2. Results show a non-significant improvement in model fit:  $\chi^2$  (df) = 832.15 (754); RMSEA = 0.025; NNFI = 0.94; CFI = 0.95. Comparison of the three models indicates that model 2 and model 3 are superior to model 1, and that model 3 is not substantially better than model 2. This shows that no single factor accounts for most of the variance in the measures, suggesting that CMB is not a problem (Podsakoff et al. 2003). Second, as an alternative to the single-factor test, we followed Lindell and Whitney's (2001) method marker variable test to analyze the correlation between a marker variable and the constructs in our model. The marker variable used was "our export operations are diverse", which is theoretically not related to any construct in our model. Results show non-significant relationships, with correlations ranging from -0.02 to 0.08. Third, we argue that because our model includes multiple interactive effects CMB is unlikely because respondents would find it difficult to form mental models of the relationships under study (Chang et al. 2010; Podsakoff et al. 2003); hence we contend that CMB does not have a substantial influence on our results.

## ANALYSIS

### Measurement model assessment

Exploratory factor analysis (EFA), using principal axis factoring extraction and oblimin rotation, was performed to select items that loaded on a factor so that preliminary scales could be provided for further validation. Accordingly, items with poor loadings (<0.5) were deleted from the item bank. The final EFA model produced a 14 factor solution with Eigenvalues greater than 1, accounting for 79% of the total variance. Subsequently, items that passed the EFA evaluation were entered into confirmatory factor analysis (CFA) for further assessment using the LISREL 8.7 and maximum likelihood estimate method. Results, as presented at the bottom of Table 1,

show that the fit for the CFA model is excellent, returning a non-significant Chi-square value (at 5%), and with all fit heuristics falling within recommended criteria: the ratio of chi-square to degrees of freedom is 1.08 ,

the Root Mean Square Error of Approximation (RMSEA) = 0.02; the Non-Normed Fit Index (NNFI) = 0.95; the Comparative Fit Index (CFI) = 0.95; and the Incremental Fit Index (IFI) = 0.96.

Item description	Std. load.	CR	AVE
<b>Product innovation intensity</b>		0.91	0.77
-Our business venture has produced more new products/services for our export markets than our key export market competitors during the past five years	0.89		
-On average, each year we introduce more new products /services in our export markets than our key export market competitors	0.88		
-Industry experts would say that we are more prolific when it comes to introducing new products/services in our export markets	0.87		
<b>Product innovation Novelty</b>		0.89	0.74
Relative to competitors, the products/services we offer in our export market(s) are:			
-Revolutionary	0.86		
-Inventive	0.78		
-Novel	0.91		
<b>Risk-taking</b>		0.86	0.60
-Export Manager in our venture, in general, tend to invest in high-risk export projects	0.75		
-This business venture shows tolerance for high risk export projects	0.87		
-Our export strategy is characterized by a strong tendency to take risks	0.65		
-Taking chances is part of our export business strategy	0.82		
<b>Proactiveness</b>		0.79	0.56
-We seek to exploit anticipated changes ahead of our rivals	0.74		
-We act opportunistically to shape the export envir. in which we operate	0.78		
-Our foresight makes us a leader in our export market	0.73		
<b>Competitive aggressiveness</b>		0.83	0.62
-We typically adopt an “undo-the-competitor” posture in export markets	0.75		
-We tend to target our export competitors’ weaknesses	0.87		
-We take hostile steps to achieve export competitive goals	0.73		
<b>Autonomy</b>		0.82	0.60
-Export personnel behave autonomously in our export operation	0.74		
-Export personnel act independently to carry out their export ideas through to completion	0.88		
-Management approves of independent activities by our staff to develop new export opportunities	0.70		
<b>Intelligence generation</b>		0.76	0.52
-In our export operations, we generate a lot of information concerning trends (e.g., regulations, technological developments, political, economic) in our export market.	0.70		
-In our export operations, we are fast to detect fundamental shifts in our export environment (e.g., regulation, technology, economy	0.74		
-In our export operations, we periodically review the likely effect of changes in our export environment (e.g., regulations, technology).	0.67		
<b>Intelligence dissemination</b>		0.83	0.62
-In our export operations, too much information concerning our export competitors is discarded before it reaches decision makers. (R)	0.74		
-In our export operations, information that can influence the way we serve our export customers takes forever to reach export personnel. (R)	0.89		
activities often reaches relevant personnel too late to be of any use. (R)	0.65		
-In our export operations, information about o export competitors’			

Item description	Standardized loadings	CR	AVE
<b><i>Intelligence responsiveness</i></b>		0.81	0.59
-In our export operations, if a major competitor were to launch an intensive campaign targeted at our foreign customers, we would implement a response immediately.	0.70		
-In our export operations, we are quick to respond to significant changes in our competitors' price structures in foreign markets	0.81		
-In our export operations, we rapidly respond to competitive actions that threaten us in our export markets.	0.80		
<b><i>Financial Capital Availability</i></b>		0.79	0.56
-Export managers are satisfied with the financial capital available to them for export operations	0.66		
-Financial constraints do not impede our export activities	0.80		
- Our export operations are better financed than our key competitors' operations	0.78		
<b><i>Financial Capital Accessibility</i></b>		0.84	0.64
-The export unit has easy access to financial capital to support its export operations.	0.75		
-We have substantial financial resources at the discretion of export managers for funding export initiatives.	0.82		
-If we need more financial assistance for our export operations, we could easily get it.	0.84		
<b><i>Export market Turbulence</i></b>		0.82	0.61
- In our export markets there are lots of new competitors.	0.82		
- In our export markets products become obsolete quickly in our export markets due to competition.	0.78		
-Our export markets are noted for competition between companies.	0.68		
<b><i>Export new product success</i></b>		0.84	0.63
Compared with your business venture's export objectives, how well have you performed on each of the following indicators?			
-Export sales of new products or services	0.86		
-Growth in export sales of new products or services	0.84		
-Number of new export markets entered	0.67		
<b><i>Overall Export Performance</i></b>		0.91	0.76
Regarding your overall export objectives, how well has your business performed?			
-overall export profitability	0.82		
- overall export sales performance	0.96		
- overall export performance	0.81		
<b><i>Informant Quality</i></b>			
-Questionnaire deals with issues I am very knowledgeable about	-	-	
-My answers to the questions in the questionnaire are very accurate	-	-	
<b>Goodness of Fit Statistics</b>			
$\chi^2$ (d.f.)	$\chi^2$ /d.f.	p-value	RMS EA
832.16 (769)	1.08	0.06 <sup>a</sup>	0.022
	NNFI	CFI	IFI

Note: R = Reversed coded item; CR = Construct Reliability; AVE = Average Variance Extracted; a = Not significant at 5%

As can be seen in Table 1, the completely standardized factor loadings for all items are significant at 1% level or better, and the Composite Reliability (CR) and Average Variance

Extracted (AVE) values for each latent construct are greater than 0.60 and 0.50 respectively, exceeding the benchmarks recommended in the literature (Bagozzi & Yi 1988).

Table 2 presents summaries for descriptive statistics and inter-construct correlations for

each construct studied. Thus, from Table 1 and Table 2, we establish that all constructs studied have sufficient construct reliability (as shown by their respective CR values), and discriminant validity (as AVE value for each construct is larger than the squared correlation between any pair of constructs; and as cross-loadings and correlated error terms are absent from the CFA model). Thus, we are confident that our measures can be used for theory testing purposes.

Table 2: Descriptive statistics and inter-construct correlation

Variables	Mean	SD	1	2	3	4	5	6	7	8
1. Simultaneous EO and MO	4.80	0.67	1							
2. Financial capital	4.22	1.21	0.37**	1						
3. Environ. turbulence	4.94	1.25	0.27**	0.13	1					
4. Export new product success	4.56	1.05	0.34**	0.33**	0.25**	1				
5. Overall export performance	4.63	0.91	0.36**	0.28**	0.21**	0.55**	1			
6. Relative firm size	4.58	0.71	0.10	-0.05	-0.00	0.15	0.03	1		
7. Export experience	1.59	0.50	0.02	0.04	0.02	-0.06	-0.06	-0.04	1	
8. Industry type	1.13	0.34	-0.10	-0.13	-0.18*	-0.09	-0.02	-0.09	0.03	1

**Note:**

\*\* Correlation is significant at the 0.01 level (2-tailed test);\* Correlation is significant at the 0.05 level (2-tailed test); SD: Standard Deviation

**Hypothesis Testing**

To test our hypotheses, several multiplicative interactions were created (Aiken & West 1991; Ping 1995). To attenuate for potential multicollinearity problems due to our use of interactive terms, all measures involved in multiplicative interactions were residual-centered using the procedure recommended by Little, Bovaird, & Wildaman, (2006). Subsequently, we used ordinary least squares (OLS) and hierarchical moderated regression

analysis to test our hypotheses. First we examined factors driving export new product success, and then we assessed the effects of these same factors on overall export performance. Thus, two regression equations were estimated. First, we estimated regression Equation 1 to determine the impact of the independent variables on export new product success:

**Equation 1:**

$$\text{success} = \alpha_1 E + I + R + F1 + F2 + [F1 \times F2] + \text{SEM} + [\text{SEM} \times F1] + [\text{SEM} \times F2] + [F1 \times F2] + [\text{SEM} \times F1 \times F2] + e_1$$

Where: SEM = simultaneous EO and MO; F1 = financial capital; F2 = export environment turbulence; E = export experience; I = industry; R = relative firm size. Having estimated Equation 1 and noted the results, Equation 2 was then assessed:

**Equation 2:**

$$= \alpha_1 + E + I + R + F1 + F2 + [F1 \times F2] + \text{SEM} + [\text{SEM} \times F1] + [\text{SEM} \times F2] + [F1 \times F2] + [\text{SEM} \times F1 \times F2] + e_1$$

To test the hypothesized relationships in Equation 1 and Equation 2, we followed tradition to perform hierarchical regression analyses (Cohen et al. 2003). This technique assesses the impacts of additional variables over and above the effects of variables in previous regression models. Typically, the importance of additional variables in a regression model is determined by observing the statistical significance of changes in adjusted R<sup>2</sup> values. Tables 3A and 3B present summaries of the findings of the six regression models estimated in this study. As can be seen from Tables 3A and 3B, the findings indicate that the F-values for the full regression models are highly significant with values ranging between 7.42 and 8.38 ( $p < 0.01$ ). None of the regression equations have multicollinearity problems: the largest variance inflation factor (VIF) is 1.55, which is well within the recommended limit of 10. In the baseline models (i.e. Model 1), only the impacts of the control variables on export new product success and overall performance respectively, were examined. In Model 2, simultaneous EO and MO activities, financial capital,

environment turbulence and lower-order interactive variables were added. In Model 3, the three-way interaction involving the “simultaneous EO and MO activities x financial capital x environment turbulence” multiplicative term was added to the model. From Tables 3A and 3B, it can be seen that changes in the adjusted R<sup>2</sup> values are significant at 5%.

Regarding the specific hypotheses, it is imperative to note that H<sub>1</sub> is nested within H<sub>2a</sub>, H<sub>2b</sub> and H<sub>2c</sub>, such that support is provided for H<sub>1</sub> even if the t-values for H<sub>1</sub> are non-significant and those for H<sub>2a</sub>, H<sub>2b</sub> and H<sub>2c</sub> are significant. In other words, H<sub>1</sub>, H<sub>2a</sub>, H<sub>2b</sub> and H<sub>2c</sub> are all supported if the t-value for H<sub>2c</sub> is positive and significant. The study argues in H<sub>1</sub> that the relationship between simultaneous EO and MO activities and export performance is positive. Hypothesis 1 is supported since the simultaneous EO and MO activities variable is positively and significantly related to both export new product success ( $\beta = .16$ ;  $t = 1.85$ ;  $p < .05$ ) and overall export performance ( $\beta = .24$ ;  $t = 2.80$ ;  $p < .01$ ). In support of H<sub>2a</sub>, H<sub>2b</sub> and H<sub>2c</sub>, findings from the study indicate that the three-way interaction between simultaneous EO and MO activities, financial capital and export market environment turbulence (i.e. H<sub>2c</sub>) is positive and significant for both export new product success ( $\beta = 0.20$ ;  $t = 2.72$ ;  $p < .01$ ), and overall export performance ( $\beta = 0.22$ ;  $t = 2.90$ ;  $p < .01$ ). Thus, the findings provide support for our hypothesis that the impact of simultaneous EO and MO activities on export performance is stronger (and more positive) when levels of financial capital and export market environment turbulence increase in magnitude.



Table 3

Dependent variable: export new product success									
Hypotheses	Model 1			Model 2			Model 3		
	Unstand ardized Coef.	Standar dized Coef.	T- values	Unstand ardized Coef.	Standa rdized Coef.	T- values	Unstanda rdized Coef.	Standa rdized Coef.	T- values
Industry type	-.23	-.07	-.95	.02	.01	.07	.05	.02	.22
Export experience	-.12	-.06	-.73	-.19	-.09	-1.24	-.22	-.12	-1.49
Firm size	.21	.14	1.79*	.17	.12	1.59	.17	.12	1.63
Financial capital				.19	.22	2.81**	.19	.22	2.87**
Environment									
turbulence				.13	.15	1.97*	.08	.10	1.24
Financial capital									
x Environment									
turbulence				-.01	-.02	-.24	-.02	-.04	-.56
H1 Simultaneous EO									
and MO				.22	.14	1.65*	.25	.16	1.85*
H1& Simultaneous EO									
H2a and MO x									
financial capital				.02	.03	.31	-.01	-.01	-.10
H1& Simultaneous EO									
H2b and MO x									
environment									
turbulence				.12	.12	1.47	.15	.15	1.84*
H1, Simultaneous EO									
H2a, and MO x									
H2b financial capital x									
& environment									
H2c turbulence							.70	.20	2.72**
F-value			1.71*			6.36**			7.42**
R <sup>2</sup>			.03			.22			.26
Adjusted R <sup>2</sup>			.01			.18			.21
ΔR <sup>2</sup>			-			.19***			.04**

**Discussions and implications**

This study develops and tests a model that depicts the export performance impacts of fit between simultaneous EO and MO activities, financial capital and export environment turbulence. The model is tested among a sample of SMEs exporting from Ghana. The findings from this research indicate that simultaneously focusing on higher levels of both EO and MO leads to stronger export performance. The results also suggest that this relationship is stronger (and more positive) when firms have stronger financial capital and when firms operate in more turbulent export

market environments. The findings have important research and managerial implications.

First, the finding that joint EO and MO efforts are positively related to export new product success and overall export performance extends the notion that SMEs in developing economies must maintain a dynamic blend of entrepreneurial zeal and market-oriented activity to enhance performance in foreign markets (Balabanis & Katsikea 2003; Kropp et al. 2006). Pursuing an export strategy that emphasizes strong elements of both activities

helps firms to identify and explore new market possibilities while also exploiting existing export market knowledge (Knight & Kim 2009; Webb et al. 2011). The need to connect EO processes with MO activities is particularly important for African SME exporters in the sense that focusing on both activities helps firms to tailor their entrepreneurial innovations to the needs and preferences of both current and future export market customers (Lu & Beamish 2004; Nachum 2003). This conclusion is an extension of previous Chinese context research, which argued that EO and MO activities individually contribute to superior performance in the Chinese transitional economy (e.g. Li et al., 2008; Li & Atuahene-Gima 2001). We contribute to the existing literature by showing that simultaneous implementation of both EO and MO activities in export operations offers exporting SMEs in developing economies the synergy (which comes from combining export market intelligence competences with entrepreneurial capabilities) to enhance performance in foreign markets.

Second, the existing literature highlights the potential costs of developing and maintaining entrepreneurial and market oriented activities simultaneously as well as the benefits involved (Hakala, 2011). In extending these previous studies, findings from our study indicate that increasing levels of both EO and MO along with greater availability and access to financial capital in turbulent export market environments increase the probability of export new product success and overall export business success. This finding is important because research shows that limited credit facility is a major barrier to the success of entrepreneurial ventures in many African countries and this lack of finance tends to limit the capacity of African SMEs to compete in

the global marketplace (Bianchi 2010; Abor & Quartey 2010). With greater access to finances in an increasingly turbulent export markets, for example, Ghanaian exporters can be more flexible and proactive in investing in high quality innovations without worrying too much about the risk of failure. Greater access and availability of finance in turbulent export markets also enables investments in developing a more accurate export intelligence system to ensure proper export market positioning of entrepreneurial innovations for greater competitive advantage and performance. Thus, we also add to the existing literature by showing that when export market environment conditions are more turbulent, stronger entrepreneurial and market-oriented activities are needed concurrently to keep pace with such turbulence, and greater export finances can facilitate the successful implementation of these EO and MO activities in more hostile export market environments.

### **Managerial Relevance**

This research generates several managerial implications that need explicating. First, the finding that the simultaneous development of high levels of both EO and MO is associated with new export product success and overall export performance indicates that SME export managers in African developing economies can be confident that consistently developing and cultivating entrepreneurial- and market-oriented activities in export operations, and building internal organizational mechanisms that effectively and efficiently integrate the two capabilities will deliver stronger performance outcomes in foreign markets. Because of the complementarity between the two orientations, with one compensating the shortcomings of the other, the task of export managers is to ensure that no one orientation is emphasized to the exclusion of the other.

For example, investing more in EO activities in export operations could be disruptive if such exploratory export operations fail to materialize. In the same way, paying too much attention to MO behaviors can lead to decreased creativity levels and a reduced capacity to take advantage of new export market opportunities. Hence, a balanced strategy involving a joint implementation of EO and MO activities in export operations helps to tightly integrate the entrepreneurial process with marketing activities within the firm (Webb et al. 2011).

Second, in order for SME exporters operating in developing countries to sustainably implement high levels of both EO and MO in export markets, they need greater financial supports, and there should be a strong environmental justification for such investments. In other words, because the joint implementation of both EO and MO in export operations can involve substantial resource commitment, its quality can best be maintained when firms have greater financial capital and allocate these financial resources to EO and MO activities. Although we are told that financial capital is difficult to come by in many African economies and SMEs are particularly constrained in accessing finances (Abor & Quartey 2010), firms that are fortunate to have access to finances should find it much easier to exploit the benefits that high levels of both EO and MO activities bring in their export operations. The fit between investments in EO and MO activities and financial capital is even more vital when firms are operating in more turbulent export market environments. Thus, export managers in Sub-Saharan Africa have the responsibility to ensure that when they are faced with high export market environment turbulence they need look to gain access to financial resources that will

support the joint implementation of EO and MO activities.

The findings that finance availability and environment conditions have a direct influence on the success of export market-based strategies of developing economy SMEs implies that policy makers in developing economies must ensure that there is greater export finance assistance to exporting SMEs because it helps such firms to better implement their export strategies in more turbulent export market environments. Alternatively, assessment of whether an exporting SME qualifies for governmental and/or private venture capital supports may be based on whether the firm is entrepreneurial and market-oriented enough in its export operations. The injection of such a requirement is likely to encourage SMEs to develop entrepreneurial activities that address specific customer requirements in export markets.

### **Study limitations and direction for further research**

On a final note, it is necessary to highlight that although this study expands knowledge on the relationships between the joint implementation of EO and MO and new product success and firm performance in the context of exporting SMEs in developing countries, the results should be taken as tentative given the cross-sectional nature of the data used. Collecting new product success and firm performance data from second informants or even from secondary data sources may help to further improve confidence in the relationships examined in this study. To cross-validate the results reported in this study and to further broaden our knowledge on the relationships studied here, future studies should also consider collecting longitudinal data. Developing

country SMEs that use other modes of international operation (e.g. licensing and joint ventures) could also be the context of future research as the nature of these modes of foreign market operation may be substantially different from exporting. This study is conducted in Ghana, a Sub-Sahara African country that is under-going political, economic, social and technological transitions. It is, therefore, important that the results are replicated and extended in other major emerging economies (e.g. Brazil, China, India, Russia, and South Africa). Substantively, the mechanisms through which joint implementation of EO and MO activities drive export performance in SMEs could be the subject of future research. For example, it could be argued that export specific marketing strategies (e.g. export marketing program adaptation versus standardization) may mediate the link between joint EO and MO activities and export success.

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