

Achieving Financial Export Performance: Contribution of External Resources

Phadett Tooksoon

Faculty of Business Administration, Rajamangala University of Technology Lanna

Tak Campus, Tak 63000, Thailand

Tel: 66-81-680-4687 E-mail: p_tooksoon@hotmail.com

Osman Mohamad

Graduate School of Business, Universiti Sains Malaysia

11800 Penang, Malaysia

Tel: 60-1-3423-6298 E-mail: osman@usm.my

Abstract

This study focuses on the relationship between networking with external organizations and export performance among Thailand manufacturing exporting firms in the agro-based sector. The fifteen external organizations identified as capable of assisting exporters that are defined as external resources are government agencies, financial institutions, trade associations, knowledge institutions, and business associates. The analysis revealed that the commitment to network with external organizations explain the variations in export performance. The external resources that contribute positively to export performance are financial institutions, and business associates. The contribution government agencies are also statistically significant but show a negative association; trade associations and knowledge institutions are not associated with export performance. The results appeared to concur with some of the previous studies conducted in other developing nations.

Keywords: Networking, External organization, Export performance, Thai exporters

1. Introduction

Nations in the world have provided infrastructure to facilitate the business operations to ensure economic growth. Moreover, the economy is dependent on external market. The competitiveness and hence performance of Thai's manufacturing exporting firms depends on its ability to mobilize available resources within the firm as well as those make available outside the firm. The governments working closely with the private sector try to upgrade firm's capability in effectively service foreign market. Firms from developing nations are often characterized as poor resources. Firms with limited resources can enhance their competency by soliciting resources make available through public programs and other services offered by external parties. The resources could be in the forms of financial assistance and grants as well as information and experiential knowledge. Moreover, knowledge is one of the intangible asset that contributes to sustainable competitive advantage and hence performance. Firm specific knowledge includes technological know-how, marketing knowledge, and management expertise (Wernerfelt 1984; Barney 1991; Kaleka 2002) and it is also one of the key triggers of firm's motivation to venture into international markets (Johanson & Vahlne 1977; Makino, Beamish & Zhao 2004; Chan, Shaffer & Snape 2004; Wei & Lau 2005). Knowledge building requires top management commitment as resources must be channeled towards such activities. It is contingent upon the firms to commit and invest resources to network with these service providers. This paper presents the outcome of a study on the extent of commitment by Thailand manufacturing exporting firms in soliciting information and collaborating with external organizations. In addition it is hypothesized that interaction with the identified organizations will enhance firm's export performance.

2. Literature Review

An economy that is dependent on trade needs to mobilize resources to ensure that external demand is effectively serviced by firms at the micro level. To achieve this objective, many nations have set up agencies that corroborate with the private sector to promote export entrepreneurial culture. Such initiative is undertaken to overcome weaknesses and shortage of resources that hinders many firms from fully exploiting business opportunities in overseas market (Seringhaus & Rosson 1991; Francis & Collins-Dodd 2004). The ultimate

objective of any export assistance programs and irrespective of the status of the organizing bodies is to enhance competitiveness. As postulated by networking approach of internationalization, a firm must network with external organization to acquire knowledge and experience not available within the firm (Pfeffer & Salancik 1978; Johanson & Mattson 1988; Leenders & Gabbay 1999; Guillen 2002). Through networking a firm has the opportunity to identify new opportunities, obtain knowledge, and learn from the experience of other firms (Ellram & Hendrick 1995; Cooper et al., 1997; Thompson 2001). Selected empirical studies on the importance of networking with external organizations are presented in Table 1.

The findings from a study involving Korea manufacturing firms show that networking with venture capital company and university as well as research institute are positively associated with organizational performance. However, networking with financial institutional and government agency does not have significant effect on sales growth (Lee, Lee & Pennings 2001). The importance of networking in China has been widely discussed and Yiu, Lau and Bruton (2007) provides a contrasting scenario as institutional network ties with government agencies and financial institutions are crucial in venturing into international markets. Networking with other institutions such as trade associations and suppliers are also positively related to international venturing. Evidence from other countries such as Australia (Mort & Weerawardena 2006), New Zealand (Chetty & Holm 2000), and German (Ritter & Gemunden 2003) also support the proposition that networking is important in international venture. Similarly it has been established by Pongpanich and Phitya-Isarakul (2008) that Thai fruit exports exporting to China relied on business network which included growers, exporters, and freight providers to build their competitiveness and achieve better export performance. This study is undertaken to further understand the commitment of management among firms in the agro-based sector in Thailand towards networking with organizations that could provide resources which otherwise may not be available within the firm. Base on the literature review, this study seeks to identify: networking with which organization contribute to export performance? These relationships are represented in Figure 1.

3. Research Methodology

This is a cross-sectional study using mail survey. The highly structured survey instruments were mailed to managers in agro-based manufacturing exporting firms listed in Exporter Directory of Department of Export Promotion (DEP) Thailand 2007. According to interview from managers, a total of 15 organizations were identified as being capable of enhancing exporters' effort to venture into international markets. All of them can be classified into five dimensions of networking resources namely government agencies, financial institutions, trade associations, knowledge institutions, and business associates. The respondents were requested to indicate to what extent their companies have committed resources towards establishing relationship with these organizations on a 5-point Likert scale ranging from 1 = not at all, to 5 = a great extent. Response to financial measure of export performance (export sales growth and export profitability) were solicited on a 5-point Likert-type scale ranging from 1 = much below expectation, to 5 = much above expectation. A total of 113 responses were received, giving a response rate of 15.26 percent. The unit of analysis is organization. The profiles of firms participating in this survey were presented in Table 2.

3.1 Data Analysis

The perceived export performance in Table 3 shows that Thai exporters rated their export performance rather modest as the overall mean stood at 2.57, and a standard deviation was .86. As regards to management commitment to network with external organizations, the pattern of mean values and standard deviation are presented in Table 4. The ranking of the mean value showed that Thai agro-based firms committed resources towards establishing relationship with business associates (3.14) was higher when compared to government agencies (2.82), and this was followed by financial institutions (2.78), trade associations (2.54), and knowledge institutions (2.04). On the ranking of all items measuring external organizations, it was noted the top five external organizations that registered the highest mean value were Commercial Bank (mean value = 3.76), this was followed by Department of Export Promotion: DEP-Thai (mean value = 3.27), Transportation & Logistics Companies (mean value = 3.25), Raw Material Suppliers (mean value = 3.23), and Distributors & Export Trading Company (mean value = 2.95). The findings showed that Thai's exporters allocated minimal resources to establish relationship with respect to 3 organizations, they are Thai packaging association (mean value = 2.08), University professor (mean value = 2.08), and Media organizations (mean value = 1.79).

3.2 Correlation

Table 5 presents the results of Pearson's correlations. The relationships among variables of the study showed that four dimensions of networking resources consisted of financial institutions ($r = .31, p < .01$), trade associations ($r = .23, p < .05$), knowledge institutions ($r = .23, p < .05$), and business associates ($r = .35, p < .01$) are positively

and significantly correlated with financial measure of export performance while government agency is not correlated with financial measure of export performance. All other correlations are modestly low, and there is no problem of multicollinearity between the independent variables. It can be concluded that discriminant validity has been established (Hair et al., 2006).

4. Findings

In order to determine if the commitment of resources in networking with external organizations contributes to the variations in export performance, a multiple regression analysis is conducted. The results of regressions analysis on the relationship between networking resources and export performance are presented in Table 6. The results show that four dimensions of networking resources explained 18 percent of the variation in export performance. The significant F-statistics ($p < .01$) suggested that the model is adequate. From the regression model, it can be observed that two dimensions of networking resources namely financial institutions ($\beta = .27, p < .10$), and business associates ($\beta = .30, p < .05$) are statistically significant and have a positive relationship with export performance while government agencies ($\beta = -.24, p < .05$) is significant but negatively related to export performance. The remaining two external organizations, trade association and knowledge institution, do not contribute to the variations in export performance.

5. Discussions

Investing resources in building networks is fundamental in knowledge accumulation and in enhancing managerial capability. The findings of this study show that allocation of resources towards these activities explained the variation in export performance. This is in particular with respect to develop relationship and business associates. This finding is consistent with Chetty and Holm (2000) and Pongpanich and Phitya-Isarakul (2008). Contacts and interaction with business associated contribute positively towards knowledge such as in identifying new opportunities, and learn from experiences of other firms. Exporting required additional resources and capital outlay. As such maintaining close working relationship with financial institutions is also important. This finding concurred with the findings by Yiu, Lau and Burton (2007). The negative association between government agencies and export performance tend to suggest that the government role in enhancing firm performance is minimal but necessary. The result is not surprising as previous studies on export promotion programs have produced mixed results. The kind of assistance needed by exporters differed across firms' level of export involvement (Kotabe & Czinkota 1992). It appears that firms' own experiential knowledge and knowledge from parties closely associated with their business are more valued.

6. Conclusions

The findings of the study show that networking with financial institutions, and business associates are a strong determinant of export performance in Thailand. The managers of Thai's exporters who intend to expand their company's business to international markets and increase the contribution of export to overall performance should take notice of the important of committing their resources towards building close working and effective relationships that will ensure smooth flow of products to the export markets. The study focuses on only the firms in the agricultural sector; however, one of the major limitations of this study is the small number of firms responding to the survey. Additionally, the findings could not be generalized to other industries or the other countries. More researches need to be carried out to determine the pattern of networks in other sectors that used to enhance their competitiveness in international markets.

References

- Barney, J. (1991). Firm resources and sustained competitive advantage. *Journal of Management*, 17(1), 99-120
- Chan, L. L. M., Shaffer, M. A., & Snape, E. (2004). In search of sustained competitive advantage: the impact of organizational culture, competitive strategy, and human resources management practices on firm performance. *International Journal of Human Resources Management*, 15(1), 17-35
- Chetty, S. K., & Holm, D. (2000). Internationalization of small to medium sized manufacturing firms: a network approach. *International Business Review*, 9(1), 77-93
- Cooper, M., Ellram, L., Gardner, J., & Hank, A. (1997). Meshing multiple alliances. *Journal of Business Logistics*, 18(1), 67-89
- Ellram, L., & Hendrick, T. (1995). Partnering characteristics: A dyadic perspective. *Journal of Business Logistics*, 16(1), 41-64
- Francis, J., & Collins-Dodd, C. (2004). Impact of export promotion programs on firm competencies, strategies and performance: The case of Canadian high-technology SMEs'. *International Marketing Review*, 21(4/5), 474

- Guillen, M. F. (2002). Structural inertia, imitation, and foreign expansion: South Korean firms and business groups in China, 1987-95. *Academy of Management Journal*, 45(3), 509-525
- Hair, J. F., Black, W. C., Babin, B. J., Anderson, R. E., & Tatham, R. L. (2006). *Multivariate Data Analysis: International Edition*, 6th ed., Pearson Prentice-Hall, New Jersey.
- Johanson, J., & Vahlne, J. E (1977). The internationalization process of the firm: a model of knowledge development and increasing foreign markets commitment. *Journal of International Business Studies*, 8(1), 23-32
- Johanson, J., & Mattsson, L. G. (1988). *Internationalization in industrial systems: A network approach*. In Hood, N. & Vahlne, J.-E. (eds.), "Strategies in Global Competition", Antony Rowe: London, 287-314
- Kaleka, A. (2002). Resources and capabilities driving competitive advantage in export market: guidelines for industrial exporters. *Industrial Marketing Management*, 31, 273-283
- Kotabe, M., & Czinkota, M. R., (1992). State Government Promotion of Manufacturing Exports: A Gap Analysis. *Journal of Interrogational Business Studies*, 23(4), 637-658
- Lee, C., Lee, K., & Pennings, J. M. (2001). Internal capabilities, external networks, and performance: a study on technology-based ventures. *Strategic Management Journal*, 22, 615-640
- Leenders R. T. A., & Gabbay, S. M. (1999). *An agenda for the future. In corporate Social Capital and Liability*. Leenders R. T. A. J., Gabbay S. M. (eds.) Kluwer: New York. 483-494
- Makino, S., Beamish, P. W., & Zhao, N. B. (2004). The characteristics and performance of Japanese FDI in less developed and developed countries. *Journal of World Business*, 39(4), 337-392
- Mort, G. S., & Weerawardena, J. (2006). Networking capability and international entrepreneurship how networks function in Australia born global firms. *International Marketing Review*, 23(5), 549-572
- Pfeffer, J., & Salancik, G. R. (1978). *The external control of organizations: A resources dependence perspective*. Harper & Row: New York.
- Pongpanich, C., & Phitya-Isarakul, P. (2008). Enhancing the competitiveness of Thai fruit exporters: an empirical study in China. *Contemporary Management Research*, 4(1), 15-28
- Ritter, T., & Gemunden, H. G. (2003). Network competence: its impact on innovation success and its antecedents. *Journal of Business Research*, 56(9), 745-55
- Seringhaus, F. H. R., & Rosson, P. J. (1991). *Export Development and Promotion: The Role of Public Organization*. Kluwer Academic Publishers. 1991
- Thompson, G. (2001). *Supply chain management building partnerships and alliances in international food and agribusiness*. Rural Industries Research and Development Corporation, April
- Wei, L. Q., & Lau, C. M. (2005). Market orientation, HRM importance and competency: determinants of strategic HRM in Chinese firms. *Journal of Human Resource Management*, 16(10), 1901-1918
- Wernerfelt, B. (1984). A resource-based view of the firm. *Strategic Management Journal*, 5, 171
- Yiu, D. W., Lau, C., & Bruton, G. D. (2007). International venturing by emerging economy firms: the effects of firm capabilities, home country networks, and corporate entrepreneurship. *Journal of International Business Studies*, 38, 519-540

Table 1. Finding of networking

Authors	Methodology	Variables		Finding
		Dependent	Independent	
Chetty & Holm (2000)	- Case study - 4 Manufacturing - New Zealand	Internationalization - Global success	- Business network	Business networks are important to internationalization. Network partners extend, penetrate and integrate international markets.
Lee, Lee & Pennings (2001)	- Mail survey - 128 Firms from KSMBA - Korea	Organizational performance	External network - Partnership linkages - Sponsorship linkages Control Variable; firm size, firm age, experience, and number of competitors	- Partnership; enterprises, venture capital company, university and research institute, are positive associated organizational performance. - Sponsorships; financial institutional, government agency do not significant associated.
Ritter & Gemunden (2003)	- Interview - mail survey - 308 Industrial Companies - German	Innovation success	Network competencies - Access to resources - Network orientation of human resources - Corporate culture	Network competence positive influence between organization and the firm's product and innovation process success.
Babakus, Yavas & Haahti (2006)	- Mail survey - 75 Firms Finland - 111 Firms Sweden - 71 firms Norway	Export performance	Networking - Domestic networking - Foreign networking Control Variable - Firm size	Foreign networking has a significant positive impact on export performance, while domestic networking did not significant.
Mort & Weerawardena (2006)	- Case study - Six case study in the industry - Australia	International marketing performance	Networking capability	Networking capability facilitates the development of knowledge-intensive and innovative products, resulting in superior international market performance.
Yiu, Lau & Bruton (2007)	- Mail survey - 274 Firms - China	International venturing	- Business network - Institutional network	Business network ties and institutional network ties are positively related with international venturing
Zhou, Wu & Luo (2007)	- Mail survey 129 Firms and 30 telephone interview top management - China	Export performance - Export growth - Profitability - Sales growth	Networking in Guanxi Network - Local government agency - Local social network - Local community	Networking from Guanxi network in Chinese firms the results indicate that Guanxi network in local government agency, local social network, and local community are positive significant related with export performance.
Chen, Tzeng, Ou & Chang (2007)	- Mail Survey - 104 Firms - Taiwan	Export venture Performance	External network - Business network - Network partners	Business network and network partners are positive significant related with export performance.
Pongpanich & Phitya-Isarakul (2008)	- Mail Survey - 16 interview - Thai fruit exports - Thailand	Export Performance	Business network (Partnership)	Business network; growers, exporters, freight providers to importers are important for competitive and export performance of Thai fruit exports.

Source: Compiled by Author

Based on the above discussion, this study seeks to answer the following research questions:

1. What is the commitment of Thailand manufacturing exporting firms in networking with external organizations?

2. Networking with which organizations contributes to export performance?

Table 2. Background information of respondent firms (n = 113)

Demographic	Categories	Respondents	Percentage
Product Category	1. Cereals products 2. Live plant/ Fresh products 3. Canned products 4. Chilled/ Frozen products 5. Dried/ Dehydrate products 6. Semi-process food products 7. Others	20 12 26 18 21 6 10	17.7 10.6 23.0 15.9 18.6 5.3 8.8
Export Experience	1. Less than 10 years 2. Between 11 - 20 years 3. More than 20 years	72 32 9	63.7 28.3 8.0
Firm Size	1. SMEs (<=200 employees) 2. Large (>200 employees)	91 22	80.5 19.5
Separate Export Department	1. Yes 2. No	86 27	76.1 23.9
Export Dependence	1. Less than 25 percent 2. Between 26 – 50 percent 3. Between 51 – 75 percent 4. More than 75 percent	24 16 20 53	21.2 14.2 17.7 46.9
Most of Significant Export Market	1. ASEAN countries 2. Developed countries 3. Others	46 44 21	41.4 39.6 18.9

Table 3. Export performance

Export Performance	Mean (Std. Div.)
Financial Measure of Export Performance	
1. Export sales growth	2.76 (1.01)
2. Export profitability	2.38 (.88)
Overall Mean (Std. Div.)	2.57 (.86)

5-point Likert scale ranging from 1 = much below expectation, to 5 = much above expectation

Table 4. Networking resources

Dimension of Networking Resources	Mean	Ranking
Government Agencies		
1. Department of Export Promotion: DEP Thai	3.27	2
2. The Broad of Investment of Thailand: BOI	2.37	9
Overall Mean (Std. Div.)	2.82 (1.01)	
Financial Institutions		
1. Export-Import Bank of Thailand: EXIM-Bank	2.30	10
2. Small and Medium Enterprise Development Bank: SME Bank	2.15	12
3. Commercial Bank	3.76	1
4. Insurance Company	2.92	6
Overall Mean (Std. Div.)	2.78 (.89)	
Trade Associations		
1. Thai Chamber of Commerce	2.88	7
2. Thailand Exporter Association	2.65	8
3. Thai Packaging Association	2.08	13
Overall Mean (Std. Div.)	2.54 (1.05)	
Knowledge Institutions		
1. University Professor	2.08	14
2. Research Institute	2.25	11
3. Media Organization	1.79	15
Overall Mean (Std. Div.)	2.04 (.89)	
Business Associates		
1. Transportation & Logistics Companies	3.25	3
2. Distributors & Export Trading Company	2.95	5
3. Raw Material Suppliers	3.23	4
Overall Mean (Std. Div.)	3.14 (1.02)	

5-point Likert scale ranging from 1 = not at all, to 5 = a great extent

Table 5. Pearson's correlation between variables

Variables	1	2	3	4	5	6
1. Government Agencies	1					
2. Financial Institutions	.57**	1				
3. Trade Associations	.54**	.80**	1			
4. Knowledge Institutions	.46**	.49**	.47**	1		
5. Business Associates	.47**	.68**	.66**	.40**	1	
6. Export Performance	.06	.31**	.23*	.23*	.35**	1

** Correlation is significant at the 0.01 level (2-tailed).

* Correlation is significant at the 0.05 level (2-tailed).

Table 6. The relationship between networking resources and export performance

Variables	Export Performance	
	Beta	t-value
Independent Variables (Networking Resources)		
Government Agencies	-.24	-2.13**
Financial Institutions	.27	1.70*
Trade Associations	-.12	-.79
Knowledge Institutions	.14	1.33
Business Associates	.30	2.39**
R ²	.18	
R ² Change	.18	
F-Change	4.68***	

Note *** Sig p < .01, ** Sig p < .05, *Sig p < .10

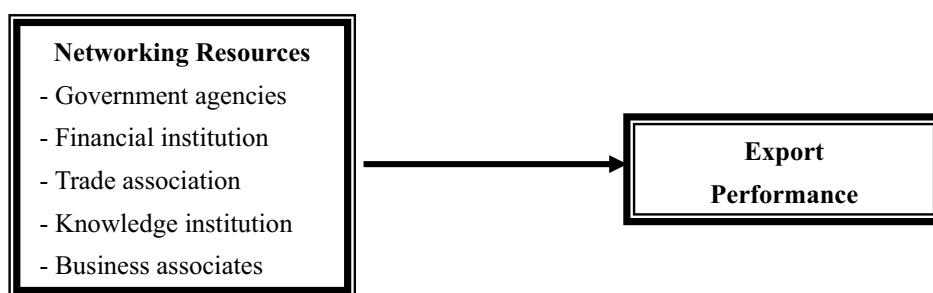


Figure 1. Conceptual Framework