

Factors Associated with Successful Export Performance: A Study of Thai International Service Firms

Araya HONGCHINDAKET¹
Akkapong KITTISARN
Philip A. NECK

Abstract

International service enterprises have become critical in the global market. As a result, there is an increasing need to investigate what factors contribute to creating successful firms. Meanwhile, creating and maintaining long-term relationships between service firm exporters and business clients are seen as an effective tool to enhance a firm's performance. A proposed follow-up study will develop and empirically test a theoretical framework of the antecedents that cover organizational issues, plural forms of governance mechanism and performance implications of successful inter-firm relationships. This study is designed to extend previous research of the service sector in Thailand.

Keywords: *services export, export performance, international marketing, relationship marketing, relational norms, legal contract.*

JEL classification: F23, M21.

Introduction

Competition in the global business market has strengthened and consumer demands have become increasingly complex (Sherrell and Bejou, 2007). As such, international firms, especially those operating in the business-to-business (B2B) market, must be able to develop and maintain close business relationships with overseas partners (Day, 2000; Zinkhan, 2002).

Successful relationships with foreign partners offer firms a variety of benefits, including greater operational efficiencies, reduced risks (commercial and/or political), gaining speed in getting products to markets, establishing long-term relationships with international suppliers (Cavusgil, 1998) and creating organizational learning and knowledge transfer (Kale, Singh and Perlmutter, 2000). Cross-border inter-firm relationships require a significant commitment investment in terms of time and financial, technological and human resources (Lee and

¹ **Araya HONGCHINDAKET**, Dhurakij Pundit University, Thailand

E-mail: araya_ho@hotmail.com

Akkapong KITTISARN Dhurakij Pundit University, Thailand,

E-mail: akkapong67@hotmail.com

Philip A. NECK, Southern Cross University, Australia

E-mail: pneck@bigpond.com

Cavusgil, 2006). Consequently, many scholars devote considerable attention to identify factors that create successful business relationships and determine optimal B2B exchanges (Vinh, 2009).

At the same time, there has been a significant increase in the global service trade which can be defined as deeds, performances or efforts conducted across national boundaries in critical contact and engagement with foreign cultures (Clark, Rajaratnam and Smith, 1996). The total value of service exports was US\$ 3,780 billion in 2008, rising from US\$ 1,307.1 billion in 1997 (WTO, 2008). In Thailand, the service sector is likewise increasingly important as the total value of \$US 28.8 billion in 2007, increased from \$US 17.6 billion in 2003 (servicethaitrade, 2010), ranking as the twenty-seventh of the world's top service exporters in 2007 (see Table 1) (WTO, 2008). Therefore, it implies that the role of the service sector on both global and national scopes continues to be increasingly important and present significant research opportunities in international services marketing (Javalgi and White, 2002).

Table 1. World's top service exporters in 2007

Country	World Rank	Value \$US bilion	Annual percentage change
United States	1	456.4	15
United Kingdom	2	273.0	18
Germany	3	205.8	15
France	4	136.7	16
Spain	5	128.3	21
Japan	6	127.1	10
Thailand	27	28.8	17

This study identifies and explores key factors driving the export performance of service firms in Thailand. Moreover, the key objective is to investigate the link between successful cross-border inter-firms relationships and service firms' export performances. This study aims to provide further insight for service exporters in establishing, developing and maintaining close relationships with overseas clients to achieve superior export performance. There is also only limited academic research dealing with factors associated with the successful export performance in the service sector, especially in Thailand. The rationale for this study is proposed for academic and operational reasons and to provide a basis to contribute to policies for government and public and private institutions.

1. Literature Review

The following literature review illustrates a connection between the three parent disciplines underpinning this study namely; Resource-Based View Theory, Transaction Cost Analysis Theory and the Relational Exchange Theory, since there is no single theory to explain the complexity and diverse nature of the international marketing of services (Clark et al., 1996). Furthermore, the immediate discipline

that focuses on the emergence and development of service exports in Thailand is also included as part of this review of the literature that is outlined in Figure 1.

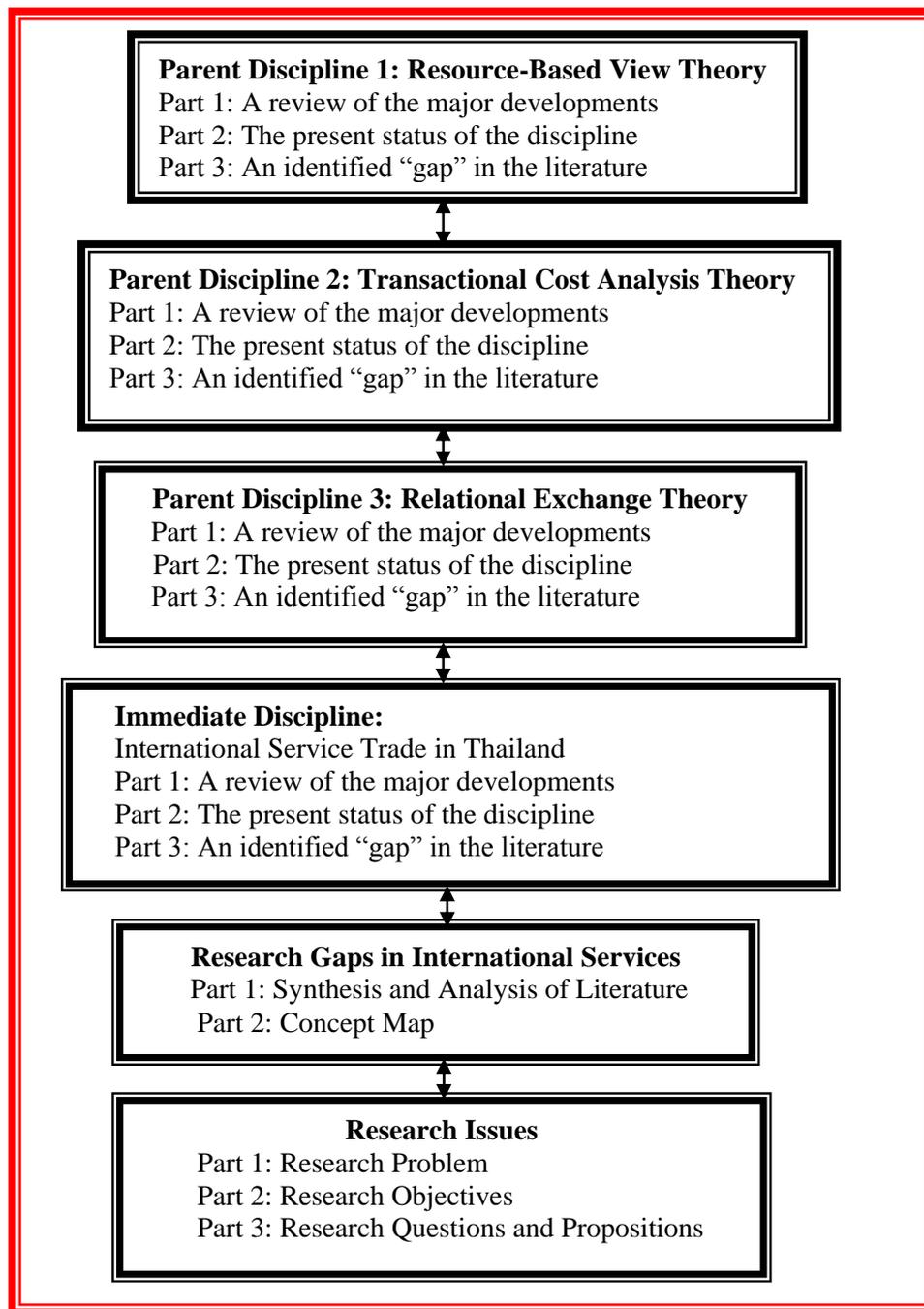


Figure 1. The literature review framework

2. Conceptual framework

The conceptual framework for this study develops from three parent disciplines and one immediate discipline.

2.1 Resource-Based View of the firm (RBV)

Resource-Based View of the firm (RBV) has been employed by numerous scholars in various studies since the 1980s (Wernerfelt, 1984). RBV focuses on showing how a sustainable competitive advantage is developed when a firm uses its internal resources (assets and capabilities) (Barney, 1991). Such resources are seen as imperfectly mobile and heterogeneous across firms (Hunt and Morgan, 1995). Moreover, these resources should meet four characteristics defined as rare, valuable, inimitable and nonsubstitutable (Barney, 1991) for a firm to develop and sustain a competitive advantage. Findings from international services marketing research have identified that a service provider will be successful in its exporting activities when it possesses strong internal resources and is able to utilize these resources to achieve a competitive advantage (Javalgi and Martin, 2007; La, Patterson and Styles, 2005). The RBV approach is also valuable when conducting export marketing research, since it provides a rich theoretical framework for various export models that can be conceptualized and empirically tested (Dhanaraj and Beamish, 2003).

The application of RBV has also been extended to international relationship marketing study (La, Patterson and Styles, 2009). According to Roath and Sinkovics (2005), RBV offers a strong foundation in which investments in relationships are seen to contribute to satisfying relationships facilitating the creation of competitive advantage (Hamel, Doz and Prahalad, 1989).

2.2 Transaction Cost Analysis Theory (TCA)

Transaction Cost Analysis Theory (TCA) explains the situation when firms engaging in inter-firm relationships face potential opportunistic behaviour from their partners coupled with exchange hazards including specialized asset investments, difficulty in performance measurement and uncertainty (Williamson 1985, 1996). Thus, firms develop governance arrangements that require “comprehensive contracting whereby all relevant future contingencies pertaining to the supply of a good or service are described and discounted with respect to both likelihood and futurity” (Williamson 1985, P.69). These arrangements are seen as contractual safeguards that help minimize costs and performance losses that may result from exchange hazards (Heide, 1994).

Some researchers suggest that a contract can be unwritten, oral, informal or simply an understanding (Ring and van de Ven, 1992), whereas others suggest that contracts should be formulated in a formal way, referring to written contracts (Lusch and Brown, 1996).

TCA has been influential in international relationship marketing studies (Gencturk and Aulakh, 2006; Yu, Liao and Lin, 2006) since contractual arrangements help structure the relationships between exporters and foreign

customers, by reducing risks and uncertainties (Zhang, Cavusgil and Roath, 2003). Roxenhall and Ghauri (2004) also considered the signing contract a ritual in today's business dealings because contracts affirm the existence of the agreements or business deals and act as a major means of structuring relationships between exporters and foreign partners. Especially, in the case of service exports, explicit contracts also facilitate a harmonious relationship (Ring and van de Ven, 1992) by formally specifying rewards and punishment in the contract, establishing long-term orientation and commitment, and providing for alternative partners in the case of exchange defects (Williamson, 1985).

2.3 Relational Exchange Theory (RET)

While TCA is criticized for overfocusing on efficiency and cost minimization (Zhang, Cavusgil and Roath, 2003), relational exchange theory (RET) can overcome such criticisms because it encourages exchange partners to effectively administer their relationships by concentrating on relational norms (Heide and John, 1992). Relational-based governance, compared to contractual-based governance, is a less explicit form of governance mechanism (Yu, Liao and Lin, 2006) and refers to “interfirm exchange which includes significant relationship-specific assets” (Zaheer and Venkatraman, 1995, p.374).

Relational-based governance is useful for moderating contract enforcement when conflict situations arise (Kaufmann and Stern, 1988). Hence, relational-based or norms-based governance is an important mechanism to improve the exchange performance of inter-firm relationships (Heide and John, 1990). However, only few international relationship marketing studies employed RET over the past decade (Styles, Patterson and Ahmed, 2008). This research, therefore, proposes to adopt RET in the study since it effectively provides “a more insightful and complete understanding of exporting” (Leonidou, 2003, p.130).

Based on the theoretical foundation as set out above, the researcher proposes to adopt a preliminary conceptual framework as shown in Figure 2.

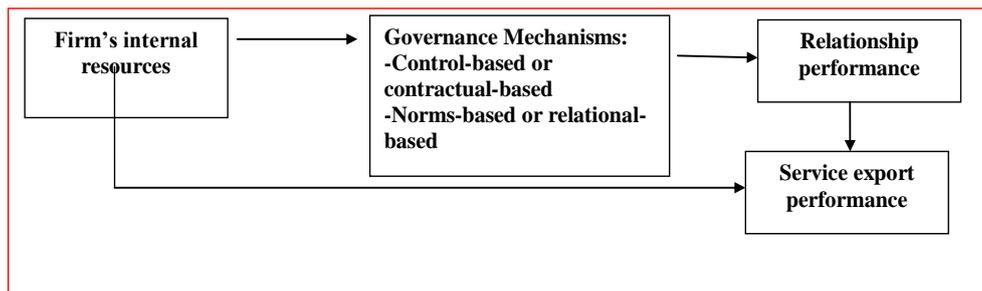


Figure 2. Preliminary conceptual framework for RET

The review of literature indicates that there is a significant need to make a full understanding of how the internal factors have impacted on both governance norms, which in turn, have influenced the success of service exporters specifically in the context of the Thai service firms.

3. Research Issues

The development of a preliminary conceptual framework allows the researcher to delineate and focus on important aspects of this study. Moreover, defining the research problem sets the stage for proposing the research questions which defines approaches to answer the research problem. By adopting this process the research problem, questions, objectives and propositions can be developed.

3.1 *The Research Problem*

This study sets out to define the factors associated with success of export performance in the context of service and how successful relationships between service exporters and their overseas clients lead to successful export performance. A review of extant literature helps establish the research problem that is now proposed:-

“How do cross-border inter-firm relationships influence the export performance of international service firm?”

3.2 *The Research Questions, Research Objectives and Research Propositions*

Because service exporters and traditional merchandise exporters possess different characteristics, they exhibit distinctively different behaviours (Andersen, 2006). Moreover, key success factors that drive service exports and merchandise exports performance must be considered as definitely different.

It is not only that these two types of exporters have different key success factors, but the key factors driving service export performance are also different in degree from those that drive export performance in selling merchandise goods. For example, service exporters exhibit lower levels of market oriented behaviour than product exporters (Cadogan et al., 2002) while the performance of service exporters is determined by the level of export commitment and firm size to a much higher degree than for product-oriented exporters (Chadee and Mattsson, 1998).

Additionally, whereas considerable research on exporting has largely focused on manufacturing firms (Anderson, 1993; Gronroos, 1999), only limited research has been devoted to the performance of services exporters and associated key success drivers (Cicic, Patterson and Shoham, 2002; Javalgi and Martin, 2007; La, Patterson and Styles, 2005, 2009). Javalgi and White (2002) also called for theoretical development that account for firm characteristics, management attitudes and other determinants that drive the success of service providers in an international context. Adopting this issue as a rationale for this study, it will investigate the key success factors affecting service exports performance from a different perspective.

Research Question 1: What are the key factors driving the export performance of service firms?

Objective 1: To explore the factors that characterizes the successful export performance of service firms from the perspectives of service exporters.

Research Proposition 1: A firm's internal resources significantly influence service export performance.

Research Proposition 2: A firm's internal resources positively influence contractual-based governance.

Research Proposition 3: A firm's internal resources positively influence relational-based governance.

A successful inter-firm relationship between service exporters and their business clients can be fostered by two complementary sets of mechanisms, namely, contractual-based governance and relational-based governance (Gencturk and Aulakh, 2006; Yu, Liao and Lin, 2006).

Research Question 2: How do control-based and norms-based governance impact on the firms' relationships performance?

Objective 2: To explore the factors that characterize successful cross-border interfirm relationships from the perspectives of the service exporters.

Research Proposition 4: Contractual-based governance positively influences relationship performance.

Research Proposition 5: Relational-based governance positively influences relationship performance.

Evidence to date suggests that the international success of firms largely depends on the management of these inter-firm relationships (Leonidou and Kaleka, 1998; Styles and Ambler, 1994). Leonidou (2003, P.138) also suggested that "export should be seen as a process of establishing, developing, and sustaining customer relationships in international markets at both strategic and tactical levels."

Research Question 3: How does a firm's relationships performance influences export performance?

Objective 3: To understand why successful inter-firm relationship performance leads to successful export performance in the context of service.

Research Proposition 6: Relationship performance positively influences service export performance.

Conclusion

This paper seeks to outline a proposed contribution to the academic literature dealing with international services marketing development and to extend knowledge about how firms can successfully manage international inter-firm relationships. On a practical level, this study will be conducted to provide international business practitioners, especially those in the service sector, with a better understanding of the relevant factors determining their export success.

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