

Research Paper

The Effect of Strategic Flexibility on the Export Performance with Mediating Role of Export Environment and Export Market-oriented Behavior (Isfahan Cement Industry as a Case Study)

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Abstract

Export is a critical tool for countries by which it will be possible to achieve economic goals. In effect, export influences other macro-economic factors such as welfare, life standards, and balance of payments considerably. The present study was aimed to study the effect of strategic flexibility on the export performance with mediating role of export environment and export market-oriented behavior in cement industry of Isfahan. This study, from the purpose point of view can be considered as an applicable study and survey in terms of method of execution with correlation approach . The statistical population of this study includes all managers of cement industry in the city of Isfahan. The population consists of 114 members. A sample of 87 managers was selected randomly. The sample size was determined through Cochran sampling table. In order to analyze the research data and test the hypotheses, structural equation modeling (SEM) and confirmatory factor analysis (CFA) methods were used. The findings revealed that strategic flexibility has not any direct effect on export performance. Also export market-oriented behavior does not influence export performance significantly. In addition, export market-oriented behavior influences export performance through export environment significantly. This implies considering mediating role of export environment in the relationship between export market-oriented behavior and export performance.

Keywords: strategic flexibility exports, export environment, export market-orientation, export performance.

Introduction

Export is a critical factor in every country which helps countries to achieve their economic goals. Since export results in better balance of payments, employment rate and life standards, some governments attempt to develop their export (Rasla et al., 2007). Iran is one of the most important countries in terms of trade and economy and has commercial relations with other countries. Considerable changes were emerged after second global war. From marketing perspective, such global revolutions have important role in development of export. For example, drop in petroleum price and entry of China to global markets. The role of strategic flexibility is one of the most important issues in today's global economy which is studying by many authors during past years. In order to understand role of strategic flexibility, it is inevitable to define importance of export performance. Indeed, strategic flexibility is one of the most important effective factors on export performance, which is considered in the literature of export and international trade. It also is considered as an important effective factor on export performance. The present study was aimed to study the effect of strategic flexibility on the export performance with mediating role of export environment and export market-oriented behavior in cement industry of Isfahan.

Review of literature

The question "What is marketing and its components?" is an important question that most authors and researchers have attempt to answer it. This is why that several definitions have been suggested for marketing with different focus on marketing process, its operational activities, and marketing directions. American Association Marketing (1985) defines marketing as

process of planning and implementation of ideas, products, and services perception, pricing, promotion, and distribution in order to create exchanges which satisfy both individual and organizational goals (Kotler and Armstrong, 2005: 30). Another comprehensive definitions states that marketing is process of recognizing customers' needs and wants, translating these needs and wants into organizational production capacities, creating communications for providing appropriate concentration in organization, translating these communications into customers' needs and wants, and informing customers and consumers about such things. Marketing model is presented in the following figure.

Importance of export: it can be claimed that export is a critical factor in every country which helps countries to achieve their economic goals. Iran is one of the most important countries in terms of trade and economy and has commercial relations with other countries. Considerable changes were emerged after second global war. From marketing perspective, such global revolutions have important role in development of export. For example, drop in petroleum price and entry of China to global markets. Especially, non-oil export is an important motivator of economic development. Regardless of rapid changes and intense competition in global economy, but there are several countries, industries, and companies that achieve a considerable part of global income and high profitability through succeeding their competitors so much that their reputation is increased at global level. In this regard, there are companies whose brand is more reputable than others. Indeed, annual income of such companies is more than GDP of less-developed countries. Success of companies and industries depends on their competitive power.

Although several factors play important role in business competitiveness in both internal and international markets, but the results of past studies reveal that considering market

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conditions and deciding and acting based on them is considered as one of the most important characteristics of such businesses. Such characteristics are known as market-orientation. This means that higher degree of market-orientation and customer-orientation result in more competitiveness in competitive markets (Reisi, 2008). Drucker believes that success companies and businesses should prove that it is global economy policies that define anything in markets. (Dana et al., 2000).

Strategy flexibility: export market-orientation is not done in vacuum and also there are several effective factors on export performance from different perspectives (Sousa et al., 2008). But role of flexibility is an important issue in today's global economy. It is necessary to define importance of export performance for understanding role of strategic flexibility (Doadros, 2008). Strategic flexibility refers to company's ability and capability in responding and adapting environmental changes (Comb et al., 2004: 1456). In other words, strategic flexibility refers to the organizational abilities in economic management and political dangers through responding market opportunities and threats (Johnson et al., 2003). In addition, Catgut et al. refer that actual authorities and alternatives of a company refer to the investments in human and physical resources. As a result, especial investments should be done in a certain company in different times in responding environmental conditions and changes which develop actual alternatives (Johnson et al., 2003). Current investments in actual alternatives results in the following advantages: company's growth through more sales and profit, avoiding future threats, and achieved growth and incomes.

Along with strategic flexibility, three distinct resources are considered in the present study. It should be noted that these investments are results of actual alternatives. The first resource is degree in which company increases its export experiences and provides export marketing decisions with flexibility. In particular, more investment in export experiences (through participation in different markets and spending more time) allows companies to shift attention from less important export alternatives to more important ones (Doadros, 2008). Flexibility in export decisions is the second resource of export flexibility. The main advantage of investment in actual export alternatives is that such an investment promotes opportunities of export decisions by export experts. As a result, decisions will be adopted rapidly and export department is allowed to achieve more advantages through transient opportunities. Cooperation and participation flexibility is final strategic flexibility (Shoham et al., 1994).

Philosophy of market-orientation perspective: market-orientation is a set of beliefs and opinions which focus on customers as a core of business. As a result, company's long-term profitability will be secured. In addition, market-orientation attends more efficient and effective businesses for creating the highest value for customer and achieving competitive advantage (Lee et al., 2010). Considerable scientific efforts are speeded in market orientation issues during past years which can be divided into five groups (Taleghani and Yousefi, 2010). These include decision making perspective, market intelligence perspective, culture-based behavioral perspective, strategic market-orientation perspective, and customer-orientation perspective.

Both market intelligence perspective and culture-based behavioral perspective are two main perspectives in this area.

From Cohli and Javerski (1990) perspective, market-orientation refers to creating intelligence across the organization in terms of both existing and future needs of customer, disseminating this intelligence in different departments, and creating accountability of intelligence in organization. The definition consists of three main parts which are explained in the following section.

- **Creating intelligence:** market intelligence means satisfying customers' needs and wants rapidly in comparison to competitors.
- **Disseminating intelligence:** refers to responding market needs effectively which implies participation of all organizational departments. In order to adapt with market needs, market intelligence should be disseminated in different departments and between all organizational members.
- **Accountability:** refers to responding created and disseminated market intelligence. It is considered from two important dimensions including designing response and presenting response.

On the other hand, Naror and Eslater define market-orientation as a behavioral phenomenon which consists of three main components including customer-orientation, enter-department coordination, and competitor-orientation. Also two main criteria are used in market-orientation including long-term decision focus and profitability. These concepts are explained in the following section.

- **Customer-orientation:** refers to understanding customers' expectations and providing them with excellence value. Creating value for customers is possible through increasing expected benefits and decreasing costs (Lee et al., 2010).
- **Competitor-orientation:** refers to understanding both short-term strengths and weaknesses and long-term capabilities and strategies of potential and existing competitors (Lee et al., 2010).
- **Enter-department coordination:** it directs company's resources in creating value for customers. The process is similar to a symphony orchestra in which every member has its own role. It should be noted that there is a significant relationship between competitor-orientation, customer-orientation, and providing customers with higher value (Lee et al., 2010).

A business should provide its customers with higher values for survive in the long-term period. According to Naror and Eslater, this implies customer-orientation, competitor-orientation, and enter-department coordination.

Export environment: when a company decides to export, the environment provides organization with different opportunities and threats which plays an important role in its success or failure. Obviously, organization should attempt to use environmental opportunities and avoid its threats so exactly that can improve its export performance (Cavosgel and Zho, 1994). Some of the main environmental conditions are explained in the following section.

- **Market turbulence:** it refers to changes and variations in the customers' needs and preferences (Kumar, 2011). Indeed, turbulence of target market influences active organizations' market-orientation in global markets. Therefore, turbulence in the local customers' preferences influences company's market-orientation. Cohli and Javerski (1990) found that market chaos influences market-orientation and business performance significantly. But Nataro et al. found that market chaos influences market-orientation and business performance negatively (Reisi, 2008).
- **Technological turbulence:** it refers to degree in which technology changes and variations are emerged in offering goods and services. When a business satisfies its customers, market-orientations can be used as a tool for achieving competitive advantage. Also in times of rapid technology changes, market-orientation can create competitive advantage through technology innovation (Komar, 2011).
- **Competition intensity:** as competitive market leads to sound selection of target customers, the organization itself should be sensitive to customers' needs and expectations. But in exclusive markets, it is not necessary to develop products strategies based on the customers' preferences. This is why that highly competitive companies can increase their market-orientation more than others with low competitive capability (Reisi, 2008).
- **Market growth:** if market demand is high, the business may consider market-orientation occasionally. The reason is that when demand is high than supply, customers buy products more easily. In effect, low levels of demand forces business to focus on market-orientation seriously (Reisi, 2008).
- **Export performance:** drop in export and its effects on the national economy leads that most authors consider this issue. One of the main reasons of increase in export can be found in concept of balance of payments, as increase in exports results in better balance of payments. Indeed, export and internationalization is the only method of survive for most businesses (Nahavandian, 2001). Some authors believe that export performance is considered as an infrastructure in international trade. The reports reveal that big countries export their production more than small ones (Navaro et al., 2010).

Company's export performance is a degree in which company achieves its export goals. These includes many measures such as sales, export profit, sales growth, and enter to new markets (Shimsodoha et al., 2006).

Criteria of export performance measurement

Although there is not any agreement about how export performance can be measured, but some approaches are supported in this area. Indeed, authors use exclusive concepts for naming export performance measurement. These include criteria based on which export performance can be measured. Indeed, export performance is a multi-dimensional construct that

include economic and non-economic criteria (Cadogan, 2009). Also there is not any agreement about export performance measurement and its methods. Therefore export performance measurement and its methods is an interesting research area. Even if criteria of export measurement criteria are recognized, its measurement itself will be difficult (Reisi, 2008). All in all, criteria of export measurement criteria can be grouped in seven groups and three categories which are explained in the following section.

- **Financial criteria:** these include financial measures of performance measurement which can be derived from company's financial reports. These include three criteria including sales, profit, and growth.
- **Non-financial criteria:** unlike to financial criteria which can be measured objectively, non-financial criteria are subjective. These include three criteria including perceived success, satisfaction, and foal achievement.
- **Combinative criteria:** these are developed based on different types of performance criteria. Sales, profit, and combinative criteria are the main criteria which are used in export performance researches (Jalali, 2011).

Hypotheses development

1. Strategic flexibility influences export performance significantly.
2. Export market-orientation behavior influences export performance significantly.
3. Export environment influences export performance significantly.
4. Strategic flexibility influences the relationship between export performance and flexibility significantly.
5. Export environment influences the relationship between export performance and flexibility significantly.
6. Export market-orientation behavior influences the relationship between export performance and flexibility significantly.

Conceptual Framework

Model is relationship between theoretical design and the job of data collection and analyzing of information. In social science models include symbols and signals that is characteristics of some of empirical phenomenon (including components and their relationships) relate reasonably through concepts related to each other. Therefore, model reflects fact and figures out given aspects of real world that related to the investigated problem. Model shed light on mentioned aspects and eventually makes empirical test of theory possible regarding the nature of these relationships. After testing model, better understanding of some parts of real world is achieved. In summary, model is a set that consists of concepts, hypotheses and measures which facilitates selection and collection of required information to test the hypotheses. In order to make an analytic model, researcher finally can act in two ways which there is no significant difference between them: either begins with setting hypotheses and then works on concepts or goes through a reverse way (Ghasemi, 2010). Therefore, regarding the above reasoning,

defined hypotheses, professors' and experts' point of view in the context of management and marketing and also according to the theoretical basics, model has been designed and established as follows:

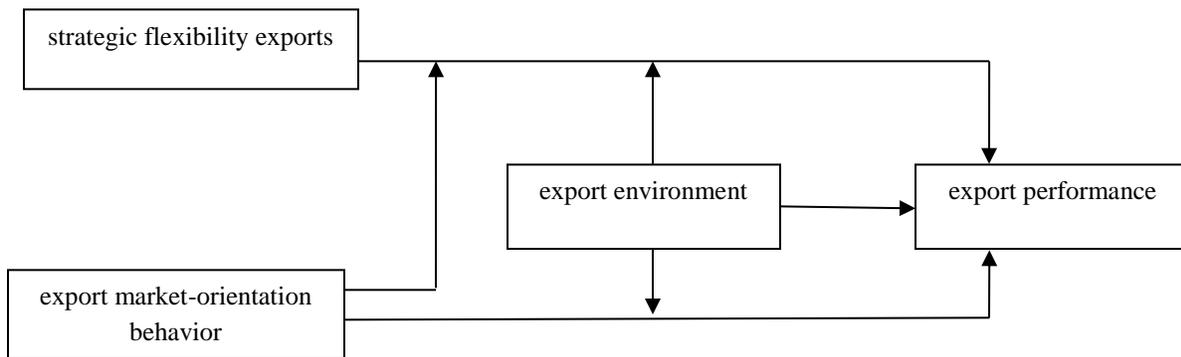


Fig 1: the conceptual framework of study

Statistical population

The statistical population of this study includes all managers of cement industry in the city of Isfahan. The population consists of 114 members.

Sampling and data-collection method

In the next step, the authors distributed 100 questionnaires in sample. There are different methods for collecting the research data including questionnaire, interview, observation, and review of documents. Since the present study is a descriptive-survey research, questionnaire is the main data-collection tool in it. The questionnaire includes 44 close questions and an open question in which the respondents were asked to indicate their opinions about research questions. The questionnaire was developed in Likert five-point scale.

The reliability and validity of questionnaire: in order to investigate validity of the questionnaire, it was reviewed and modified by professional experts and academic professors (especially supervisor and advisor). On the other hand, Cronbachs' Alpha Coefficient was used for examining reliability of the questionnaire. The coefficient was 0.941 for our questionnaire which is an acceptable coefficient.

A sample of 87 managers was selected from six organizations randomly. The sample members were selected from three organizational levels (top, mediate, and operational levels). The sample size was determined through Cochran sampling table. In order to define sample size, Cochran sampling table was used.

$$n = \frac{\frac{z^2 * p * q}{d^2}}{1 + \frac{1}{N} (\frac{t^2 * p * q}{d^2} - 1)}$$

Data analysis methods: in order to analyze the research data, both descriptive and inferential statistics were used. In this regard, descriptive statistics were used for summarizing and explaining respondents' demographic characteristics and then Colomogorov-Smirinov test was used in the SPSS for examining distribution of research data, confirmatory factor analysis for investigating model fitness and construct reliability in Lisrel and structural equation modeling for investigating research hypotheses in Lisrel. Indeed, structural equation modeling (SEM) is a multi-variable technique which allows author to test multiple relations simultaneously. It is considered as a comprehensive statistical approach for testing research hypotheses in terms of both latent and manifested variables. It is known as covariance analysis, casual modeling, and Lisrel. The findings of this study are indicated in the following table. Based on the findings, all research variables have normal distribution.

Table 1: the results of reliability of the questionnaire

variable	Average	Standard deviation	p-value	Cronbachs' Alpha Coefficient
export market-orientation behavior	3.183	.884	.435	0.882
strategic flexibility	3.33	.9135	.327	0.798
export environment	3.176	.90	.752	0.799
export performance	3.46	.925	.198	0.804

Goodness of fit test: when a research model has good theoretical background, it is necessary to test its goodness of fit

in data-analysis step. This has been done in our study.

Table2: the results of goodness of model fit

index	index values	limit
Chi-square	2.17	3>
GFI	.93	0.9<
RMSEA	.099	0.1>
CFI	.95	0.9<
AGFI	.95	0.8<
NFI	.92	0.9<
NNFI	.95	0.9<

Findings of structural model

Table3: the results of the relationships between model components

Research hypotheses	path coefficient	t - test	R ²	significant result or non - significant	Results
Strategic flexibility influences export performance significantly	-1.25	-1.30	.89	---	Rejected
Export market-orientation behavior influences export performance significantly.	.22	1.21	.89	---	Rejected
Export environment influences export performance significantly	1.92	2.13	.89	99 % in the level of confidence	Confirmed
Strategic flexibility influences the relationship between export performance and flexibility significantly	.71	7.05	.58	99 % in the level of confidence	Confirmed
Export environment influences the relationship between export performance and flexibility significantly	.59	5.33	.32	99 % in the level of confidence	Confirmed
Export market-orientation behavior influences the relationship between export performance and flexibility significantly	.51	5.33	.26	99 % in the level of confidence	Confirmed

Based on the outcome of structural equation modeling and T-test, there are two paths in the model (11 paths) which are not significant. The following table summarizes these findings.

Conclusion

Based on the results of first hypothesis, strategic flexibility cannot influences export performance significantly. One of the main findings of this study is examining the effect of strategic flexibility on export performance directly and indirectly through two main mediating variables including export market-orientation and export environment. The fourth hypothesis investigates the effect of strategic flexibility on export performance through mediating role of export environment. The results of this hypothesis revealed that strategic flexibility influences export performance through mediating role of export environment. The results of fifth hypothesis reveal that strategic flexibility influences export market-orientation behavior significantly. Therefore the present study investigates the mediating role of export market-orientations behavior and export environment are investigated in this study. Also the result of comparison between effect of strategic flexibility on export performance through two mediating factors reveal that effect of export environment on export performance is more than effect of strategic flexibility. Also export market-orientation behavior

does no influence export performance significantly. The result of sixth hypothesis reveals that export market-orientation behavior influences export performance through mediating role of export environment significantly. it can be said that export environment play a mediating role in the relationship between export market-orientation behavior and export performance.

Research limitations

Every author has several limitations in his/her study that some of them exists in beginning of study. Also every comprehensive study has several limitations and difficulties that these prevent from generalizing its results to other cases. Recognizing these limitations paves the grounds for interpreting its results and promoting quality level of the future studies. There are several limitations in this study that some of these have been presented in the following sections. The difficulties that the managers facing in communicating managers, managers' sensitivity toward questionnaire, and inappropriate organizational culture are the main limitations of this study. Undoubtedly, the main limitation of every study is that the authors cannot generalize the results of the study to other cases. Such a limitation exists in this study and the authors cannot generalize its results and findings to other cases. Also this study has been done in an especial area of Iran in the city of Isfahan

and thereby its results cannot be generalized to other cities of Iran.

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