MARKETING ADAPTATION STRATEGY AND EXPORT PERFORMANCE OF MALAYSIAN MANUFACTURERS: MODERATING ROLE OF EXTERNAL MARKET ENVIRONMENT

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ABSTRACT

The purpose of this study is to determine whether there is a significant relationship between marketing adaptation strategy and export performance among Malaysian manufacturers. The marketing adaptation factors surveyed include product adaptation, pricing adaptation, distribution adaptation and promotion adaptation. Furthermore, this study also examines the moderating effect of external environment on the relationship between marketing adaptation strategy and export performance. The two major external environment factors under study include market turbulence and competitive intensity. In the survey, data were gathered from 163 Malaysian manufacturers through emailed questionnaires and personal interviews. Data were then analysed using descriptive statistics, normality and reliability tests, factor analysis, correlation and multiple regression analyses. The findings suggest significant and positive relationship between marketing adaptation strategy and export performance of Malaysian manufacturers. This is especially so among consumer products manufacturers, large and medium firms, and more export experienced firms. Factors of significance are export product and pricing adaptation strategies while the significant factor in the external environment is market turbulence. The results signify the importance of Malaysian manufacturers adapting their marketing strategies in order to attain competitive advantage over their rivals in the international market place, leading to a more enhanced export performance. Also of paramount importance is the need to monitor the external market changes over time to provide directions in anticipating and responding to market volatility effectively which in turn will have an impact on export performance. Future research can be extended to be longitudinal to track changes and gain more insights over time. In addition, this study can be replicated in other developing as well as developed economies to facilitate comparisons of results under different conditions.

Keywords: marketing adaptation strategy, export performance, market turbulence, competitive intensity, Malaysian manufacturers.

ABSTRAK

Tujuan kajian ini ialah untuk menentukan sama ada terdapat hubungan yang signifikan di antara strategi adaptasi pemasaran dan prestasi eksport di kalangan pengilang-pengilang Malaysia. Faktor-faktor strategi adaptasi pemasaran yang dikaji termasuk adaptasi produk, adaptasi harga, adaptasi pengedaran dan adaptasi promosi. Selain itu, kajian ini juga meneliti kesan penyederhanaan persekitaran luar ke atas hubungan di antara strategi adaptasi pemasaran dan prestasi eksport. Dua faktor persekitaran luaran utama di bawah kajian termasuk pergolakan pasaran dan keamatan persaingan. Dalam kajian ini, data telah dikumpul daripada 163 pengilang-pengilang Malaysia melalui borang soal selidik emel dan temu-bual peribadi. Data kemudian telah dianalisis menggunakan statistik deskriptif, ujian kenormalan dan kebolehpercayaan, analisis faktor, korelasi dan analisis regresi berganda. Hasil kajian menunjukkan hubungan yang signifikan dan positif antara adaptasi pemasaran eksport dan prestasi eksport pengilang-pengilang Malaysia. Ini adalah lebih ketara di kalangan pengeluar produk pengguna, firma-firma besar dan sederhana, dan firma-firma eksport yang lebih berpengalaman. Faktor-faktor signifikan ialah strategi-strategi adaptasi produk eksport dan harga eksport manakala faktor yang signifikan dalam persekitaran luaran adalah pergolakan pasaran. Hasil kajian menunjukkan kepentingan pengilang-pengilang Malaysia menyesuaikan strategi pemasaran mereka untuk mencapai kelebihan persaingan berbanding pesaing-pesaing mereka di pasaran antarabangsa, yang akan membawa kepada peningkatan prestasi eksport. Juga amat penting adalah keperluan untuk memantau pasaran luar yang berubah dari semasa ke semasa, membantu dalam menjangka dan bertindak balas kepada pergolakan pasaran dengan lebih berkesan dalam menentukan prestasi eksport. Kajian di masa hadapan boleh diperluaskan melalui kajian membujur (*longitudinal*) untuk mengesan perubahan dan mendapat hasil kajian yang lebih mendalam dari semasa ke semasa. Di samping itu, kajian ini boleh direplikasikan di kalangan ekonomi negara-negara membangun yang lain serta negara-negara maju untuk membuat perbandingan keputusan di bawah keadaan yang berbeza.

Kata kunci: strategi adaptasi pemasaran, prestasi eksport, pergolakan pasaran, keamatan persaingan, pengilang-pengilang Malaysia.

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CHAPTER ONE: INTRODUCTION

1.1 Background of Study

The increasing international trade has led to the importance of exporting for national economies in this era of globalisation. As such, research interest witnessed an increase in the field of export performance and difficulties faced by exporters (Sousa, Martinez-Lopez, & Coelho, 2008). Navarro, Losada, Ruzo and Diez (2009) stress that exporting has become instrumental in ensuring survival of firms and that they attain competitive advantage in overseas markets to sustain present and future business performance through exporting. Therefore, firms are focusing their effort and resources to export their products.

The advent of globalisation of markets has led to companies seeking opportunities beyond traditional local markets not only for growth but, increasingly important, for survival. Due to lower resources requirements, the attractive mode of international market entry is exporting. The resources commitment is not as high as compared to green field investments or international joint ventures (Sousa & Lengler, 2009). In the economic development of a country, exports are also essential in Government's economic planning to develop national industries, enhance productivity as well as creating employment (Czinkota, 1994). As a consequence, the role of exporting to companies is becoming increasingly important (Leonidou & Katsikeas, 1996). Given the importance of export markets, the area of export performance has been given more emphasis and attention by both academicians and managers (Sousa, 2004). As a result, the significance of exporting has led to more research focused on the issue of export performance in the immediate past years (Sousa & Lengler, 2009).

Given the internationalisation of business today, it illustrates the importance of companies looking for overseas market opportunities for the capture of and sustainability of competitive advantage (Aulakh, Kotabe, & Teegen, 2000). Following the success of companies from newly developed nations such as the Far East Asian nations of Republic of Korea and Republic of China, Taiwan and South East Asian country such as Singapore, emerging economies are shifting to external sector growth through export industries from the internal sector growth pf import substitutes industries (Kotler, Jatusripitak, & Maesincee, 1997). The international expansion of international companies from an emerging economy is mainly achieved by domestic production and exports to overseas markets (Vernon-Wortzel & Wortzel, 1988). More studies on export ventures of companies in emerging economies are needed as many companies are still very new to international marketing. In addition, their main way to enter overseas markets is still through conventional exporting. Of particular importance in research is the issue of global marketing strategies that these companies adopt in competing in the international marketplace (Sousa & Lengler, 2009). Moreover, given the difference in culture among the developing countries compared to advanced economies, the research contributes towards the understanding and development of knowledge on international marketing strategy (Zou, Andrus, & Norvell, 1997).

Table 1.1
Export Volume of Goods Growth Rate (%)

Type of economies	**Actual**	**Projections**	
	2013	**2014**	**2015**
Advanced economies	1.8	4.2	4.6
Emerging market and developing economies	4.0	5.1	6.2

Source: International Monetary Fund, 2014

In Table 1.1, it is observed that the export volume of goods from emerging market and developing economies is projected to grow faster than the advanced economies. Given this higher rate of growth, it reflects the significance of exports from emerging market and developing economies.

The Asian export is projected to expand by 7.6 percent and 7.8 percent in 2013 and 2014 respectively. Strong ties between the developing economies and industrial countries have been instrumental in enhancing final goods exports from developing countries to developed countries (Asian Development Bank, 2014). The globalisation era since 1990 has enhanced Asia's share in the world economy to grow rapidly (Asian Development Bank, May 2011). Emerging market and developing economies exports are expected to expand by 6.2 percent in 2015 (International Monetary Fund, 2014). The increasing importance of developing economies role, particularly in the Asian region, in terms of exporting activity necessitates further research to understand how international marketing strategies contribute to the enhancement of export performance.

In Malaysia, international trade plays a very significant role in its economy where the value of trade is more than double its gross domestic product (GDP). Its gross exports amounted to RM1.16 trillion in 2009 and projected to increase two-fold to RM2.19 trillion in 2015. Breaking into the international market remains as a highly challenging task for many Malaysian companies (Economic Planning Unit, 2011).

1.2 Problem Statement

The main sector that contributes significantly to Malaysian exports is the manufacturing sector where the average percentage of manufactured goods exports over total exports is about 75 percent over the period from 2008 to 2010 (Treasury Malaysia, 2011). The theme of the Malaysia Third Industrial Plan (IMP3) is "Malaysia – Towards Global Competitiveness". Under the IMP3 covering the period from 2006 to 2020, a major focus of development is the promotion of exports to enhance Malaysia's position as a major trading nation, which is the first strategic thrust of the IMP3 (Ministry of International Trade and Industry, 2006). In a media statement by the then deputy minister Dato' Mukhriz Mahathir of the Ministry of International Trade and Industry, he says that one of the key determinants of a country's economic success depends on the Malaysian firms' capability and capacity to compete at the international level. The Government of Malaysia has always given due recognition to the importance of international marketing capabilities, and has continually encouraged the development of new Malaysian made products and solutions for exports (Malaysia External Trade Development Corporation, 2011). Therefore, much research is needed to understand export marketing strategies employed to enhance export performance in the Malaysian context.

Malaysia recorded an economic growth rate of 4.7 percent in gross domestic product (GDP) in 2013 as can be seen in the following Figure 1.1:

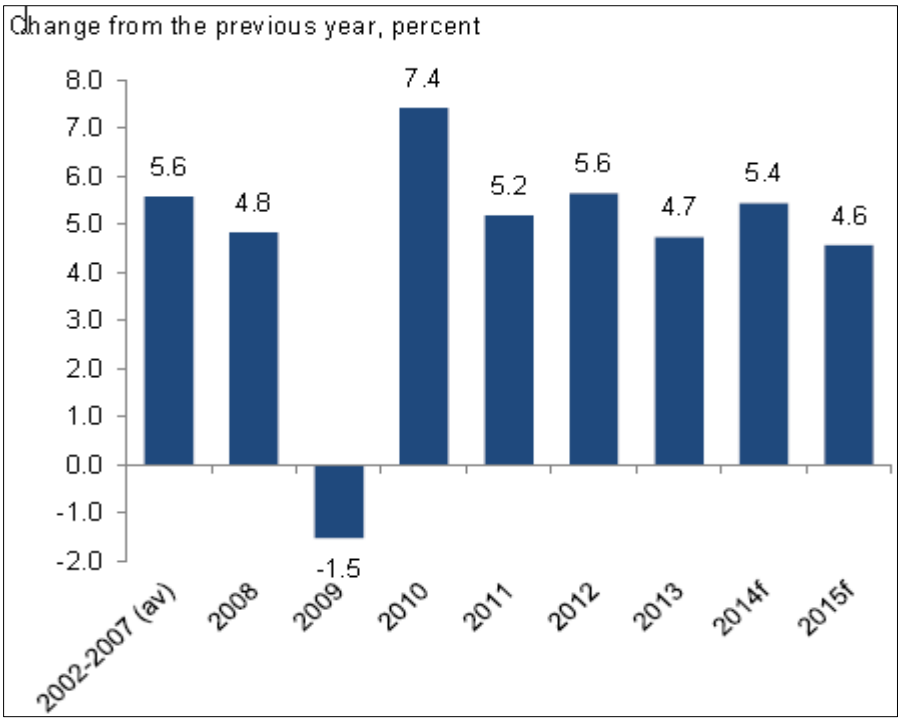

Figure 1.1
Malaysia GDP Growth Rate (%)
(Source: The World Bank, 2014)

One of the main drivers is increasing export growth which contributed to expanded current account balance, as illustrated in the following Figure 1.2:

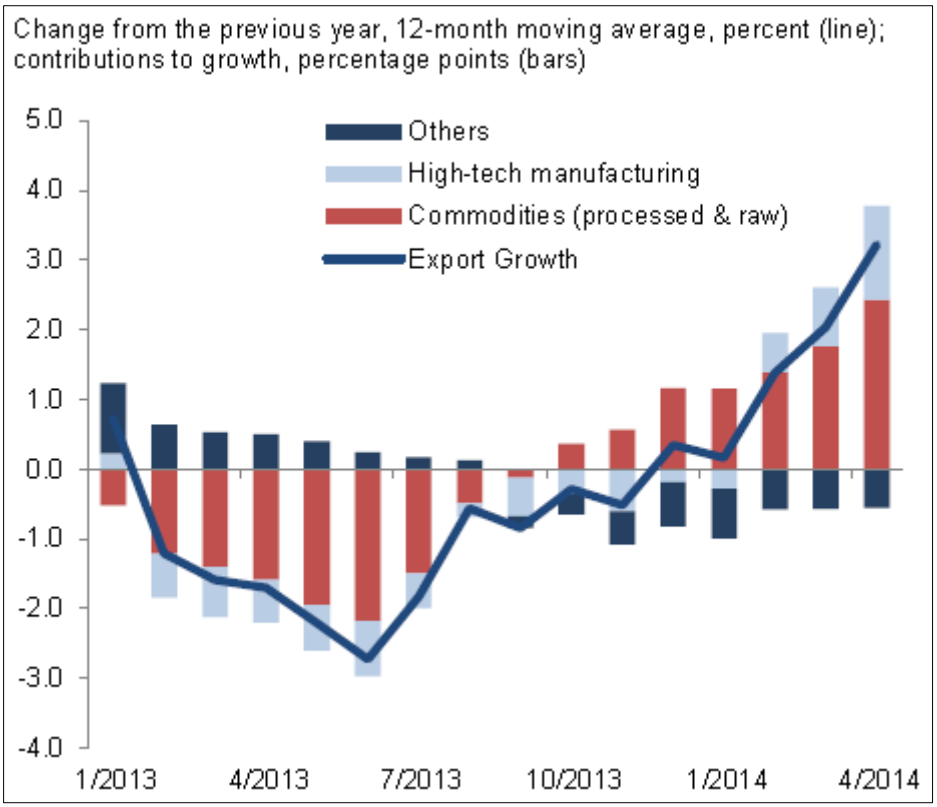

Figure 1.2
Malaysia Export Growth and Contributions Rate (%)

(Source: The World Bank, 2014)

However, the export driver has been declining since before the global financial crisis in 2008/2009 where the share of gross exports as a percentage of GDP has fallen significantly from 113 percent in December 2005 to 82 percent in June 2014, as indicated in the following Figure 1.3:

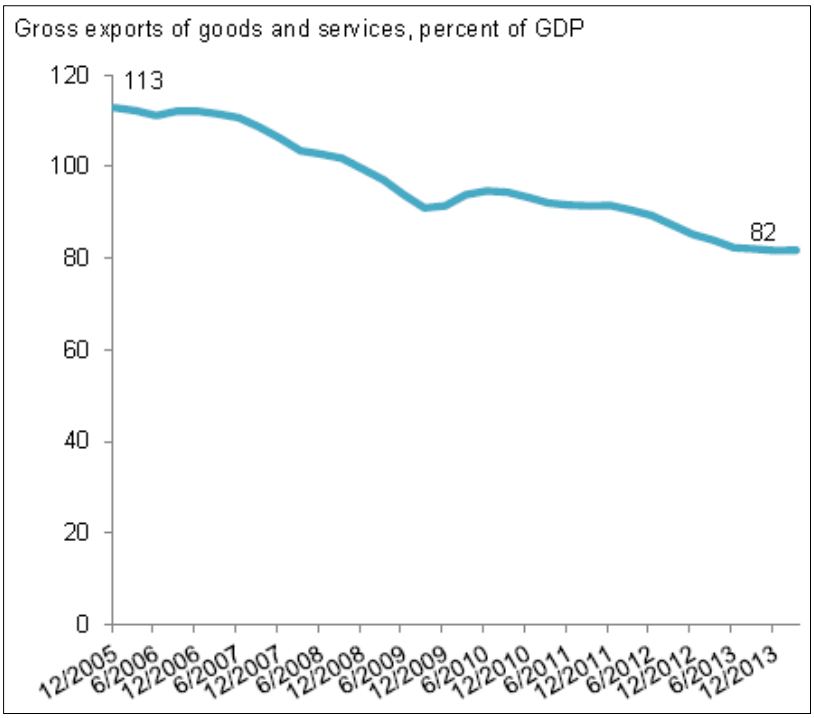

Figure 1.3
Malaysia Gross Exports over GDP (%)
(Source: The World Bank, 2014)

The decline in the proportion of exports in Malaysian GDP was more significant in comparison to other countries in Asia. In addition, the share of exports in GDP has also declined from pre-crisis to post-crisis, as can be seen in the following Figure 1.4:

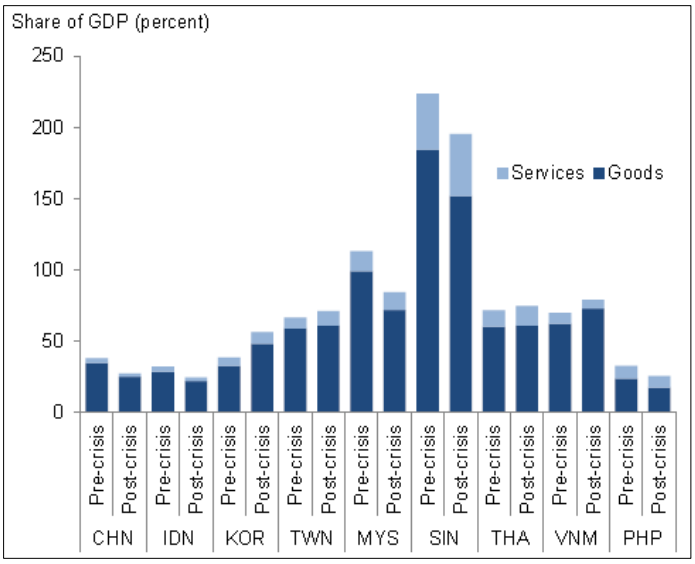

Figure 1.4
Asia Pre-Crisis and Post-Crisis Exports Share of GDP (%)
(Source: The World Bank, 2014)

Decreasing level of export competitiveness contributed to this decline in the share of gross exports in GDP (The World Bank, 2014). While commodities contributed to export growth, the non-commodity export including manufacturing export has relatively declined. Although manufacturing volume increases, the value-added aspects did not seem to be able to improve. The value added components not only contribute to higher exports but also to enhanced profitability. Therefore, there is a need to understand the factors to enhance export performance. New approaches are to be explored leading to firms undertaking higher value-added activities (The World Bank, 2014).

Given the globalisation of business today, it is increasingly important to study and understand how firms strategise and perform in their overseas markets. In a firm's internationalisation process, exporting has become an important and necessary strategic option. Exporting also remains the most popular overseas market entry mode (Zhao & Zou, 2002). Exporting also facilitates more flexible and cost effective new overseas market development (Leonidou, 1995). As such, over the past decades, considerable focus is being placed on firms' export performance (Sousa, Martinez-Lopez, & Coelho, 2008).

Exporting is fast becoming a critical contribution to a firm's business survival, sustainability and scalability and contributing to national economic growth. Therefore, with the increasing globalisation of business and international competition, the knowledge and comprehension of what determines the export performance of firms is important. This leads to many studies on main variables that influence export performance (Sousa et al., 2008). Despite being widely studied, the present literature on export performance is fragmented and lack of consistency in terms of theoretical explanations of the impact if independent variables on export performance of firms (Katsikeas, Leonidou, & Morgan,

2000). This also slows down the progress of practical application in the field of export performance management. As a result, there is a need to further study some specific factors such as marketing variables that influence export performance. According to Sousa et al. (2008), there is a need for further studies to enhance the understanding of export performance for both theoretical development and practical application. Given the trend towards increased globalisation and international competitions as well as export performance issues faced by exporters, interest and studies on export ventures have grown. As such, there is a need for the present literature to be updated from time to time.

Export marketing strategy makes up the main factors that determine the level of export performance. The increasing internationalisation and global market competitiveness (Craig & Douglas, 2005) followed by challenges faced by exporters led to interest to understand the correlation between export marketing strategic approach and export success (Leonidou, Katsikeas, & Samiee, 2002). Very common citations include four marketing elements that comprise of product, price, distribution and promotion. In Sousa et al. (2008) review of export performance determinants, the marketing mix variables make up 57 percent of the elements of the export marketing strategy in past studies. Export performance of a firm depends on its capability to attain and maintain its international market positions via effective implementation of formulated marketing strategy. This then leads to substantial interest and studies on the impact of overseas marketing strategic programmes on export success, especially the extent of standardisation or adaptation of the said marketing factors of product, price, distribution and promotion in the international markets. However, the findings have not been consistent. Out of 13 studies reviewed by Sousa et al. (2008) pertaining to the influence of product strategy on export success, two are found to be negatively related, two have no relationship and nine with positive influence. In 12 studies

involving price strategy and export performance, five indicate a negative relationship, one has no significance and six are discovered to have a positive impact. Out of 10 studies regarding the impact of channel strategy on export performance, three are negative, one indicates no relationship and six have positive influence. In 11 studies considering promotion strategy, one is negative, one is not significant and nine indicate a positive relationship. This can be explained by the findings by O'Cass and Julian (2003) that no strategy can be effective in all circumstances which is the basic foundation of the contingency theory. Thus, it is imperative that studies consider the issue whether to adapt or standardise, to ascertain the impact of marketing programmes on export success.

Given the keen competitions in the international markets, the important effects of global marketing strategies are given due consideration (Lee & Griffith, 2004). The correlation between marketing programmes and export outcome is widely investigated by researchers (Cavusgil & Zou, 1994; Da Rocha & Christensen, 1994; Ford & Leonidou, 1991). However, most previous investigations have taken into account export strategy factors separately or examine the connection between export marketing strategies and export performance in advanced economies (Lee & Griffith, 2004). Therefore, majority of the past quantitative surveys of the said relationship have been based on exporters' experience in advance economies with limited attention on international marketing programmes in emerging economies. Given the differences between developed and developing economies, it is not appropriate to generalise the experience of developed nations to that of developing economies (Aulakh et al., 2000).

In Sousa's (2004) review of quantitative studies conducted from 1998 to 2004 pertaining to export performance, 43 investigations are identified. Of the 43 studies, 10 are conducted

in USA, three in United Kingdom, five in Australia, four in New Zealand, one in Canada, three in Israel, three in China, two in Hong Kong, one in Portugal, two in Norway, one in Finland, one in Austria, one in Turkey, one in USA/Japan, two in Australia/UK, one in Canada/UK, one in USA/Canada and one in Portugal/UK. The trend of growing number of investigations conducted outside USA seems to substantiate Zou and Stan's (1998) claims that the importance of export performance research is being recognised around the world. However, Sousa (2004) observes that most studies are conducted in developed economies or some relatively large developing economies like China. In subsequent studies, it is also discovered that there is limited attention given to studies regarding Asian experience. Besides the study of export marketing performance of Thailand firms by Julian (2003), Julian and O'Cass (2004) assert that the present studies focused more on export performance of developed economies with little emphasis given to developing nations, particularly South East Asia, and this includes Malaysia. Due to inconsistent findings and market diversity, previous results cannot be generalised across different economies and different countries. Moreover, more studies are needed in developing and emerging economies to understand the impact of marketing programmes on export performance as their share of world merchandise exports has increased from 34 percent to 47 percent from 1980 to 2011 (World Trade Organization, 2013) as illustrated in the Figure 1.5 below:

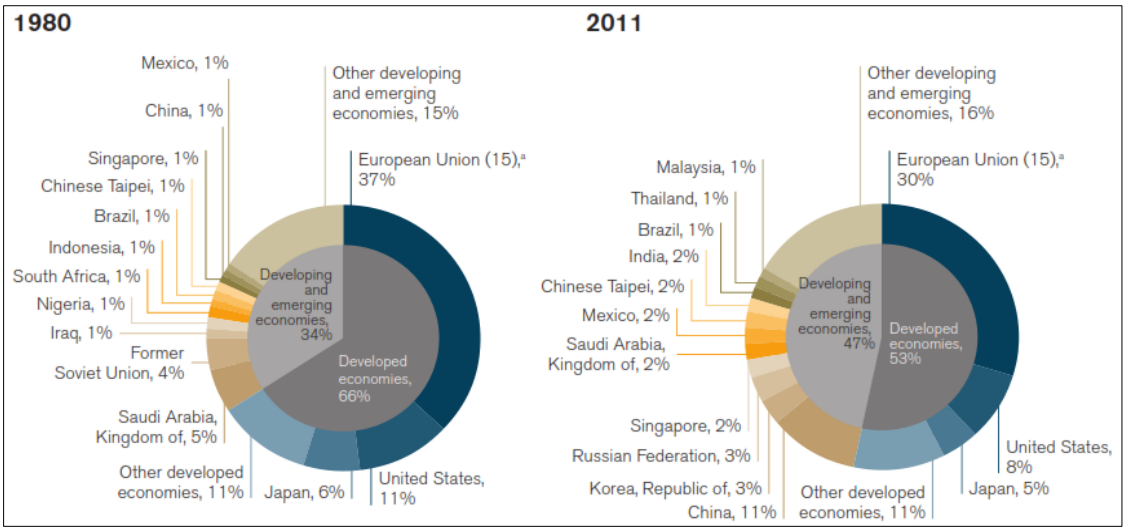

Figure 1.5
Different Economies Share of Global Exports by Stage of Economic Development, 1980-2011
(Source: World Trade Organization, 2013)

Based on the discussion above, this proposed study endeavours to fill the research gap in terms of further study on the impact of export marketing programmes on export performance which past research has produced conflicting findings. For instance, Samiee and Roth (1992) discover that there is no correlation between overseas marketing programme and export performance while Cavusgil and Zou (1994) establish a positive correlation between product adaptation and export performance. As much of the knowledge in strategic management assumes that export marketing strategy has a favourable effect on export performance (Ohmae, 1985; Porter, 1986), the conflicting or contradicting findings indicates a research gap to be bridged. Thus, further research is needed to explain the impact of export marketing strategy on export performance (Zou & Cavusgil, 2002).

It also aims to fill the research gap in terms of conducting studies on the influence of export marketing strategy on export performance in developing economies as there is a

lack of research in the said context. The increasing share of developing economies in world exports calls for more research to be conducted on the influence of export marketing strategy on export performance. The research contributes towards the update and synthesis of the present literature on export performance, particularly in the context of developing economies.

1.3 Research Questions

1.3.1 What is the influence of export product adaptation strategy on Malaysian manufacturers' export performance?

1.3.2 How does export pricing adaptation strategy influence Malaysian manufacturers' export performance?

1.3.3 What is the influence of the export distribution adaptation strategy on Malaysian manufacturers' export performance?

1.3.4 How does export promotion adaptation strategy affect Malaysian manufacturers' export performance?

1.3.5 What is the moderating role of external market environment between export marketing adaptation strategy and Malaysian manufacturers' export performance?

1.4 Research Objectives

1.4.1 To examine the effect of export product adaptation strategy on Malaysian manufacturers' export performance.

1.4.2 To determine the influence of export pricing adaptation strategy on Malaysian manufacturers' export performance.

1.4.3 To investigate the effect of export distribution adaptation strategy on Malaysian manufacturers' export performance.

1.4.4 To analyse the impact of export promotion adaptation strategy on Malaysian manufacturers' export performance.

1.4.5 To identify moderating role of external market environment between export marketing adaptation strategy and Malaysian manufacturers' export performance.

1.5 Scope of Study

The study investigated the effects of export marketing strategies on export performance of Malaysian export manufacturers. Sousa et al. (2008) recommend future research to include the basic relationships in the research frameworks based on the existing body of knowledge. Cavusgil and Zou's (1994) study pointed out that export marketing strategies can be considered as main determinants of firms' export success. The execution of well-planned export marketing strategies has strong linkage with the performance of firms in overseas markets as marketing programme elements have strong connection with export performance (Leonidou et al., 2002). The effectiveness of the firm's export venture is significantly associated with the export strategy it chooses (Sousa & Lengler, 2009).

The findings are analysed based on various different industries and the analysis unit is at the company's level. A different industries sample approach is adopted to facilitate generalisation of results (Morgan, Kaleka, & Katsikeas, 2004). Most of the related studies,

from 1998 to 2005, employed the companies that export various products to various international markets as the unit of analysis (Sousa et al., 2008).

The target respondents were the relevant senior management staffs who are involved in export marketing management decision-making that include Chief Executive Officers, Managing Directors, Marketing Directors, Export Marketing Manager, etc. In most of the studies from 1998 to 2005 reviewed by Sousa et al. (2008), the key respondents are individual responsible for export marketing activities.

1.6 Definition of Terms

Export is defined as firm's decisions and activities of international marketing. Export can be done in a direct manner where products are shipped to a direct overseas end buyer or in an indirect manner where it is done through a middleman such as an agent or distributor (Shoham, 1998).

Export performance refers to the level of achievement in the international market that can be measured objectively through quantitative measures such as figures of export sales and profitability while qualitative measures include subjective judgement in terms of ratings of export sales, profitability and prospects.

Export marketing adaptation strategy refers to the adaptation of the marketing mix factors (product, pricing, distribution and promotion) that include changes or modifications made to suit the different overseas markets (Lages & Montgomery, 2004).

Export product adaptation strategy is defined as the degree of difference between the products (features, quality, brand name and packaging) sold in the local and overseas market.

Export pricing adaptation strategy refers to the extent of difference between pricing strategy (pricing, trade discounts and credit terms) adopted in the domestic and international market.

Export distribution adaptation strategy refers to the modifications of distribution approach (distribution channels, logistics and delivery & installation) made when the products are sold in the export market.

Export promotion adaptation strategy reflects adjustments of the local promotion programme (advertising & promotion, personal selling and publicity) to the export market.

External market environment refers to the international market environmental changes that moderate the effect of export marketing adaptation strategy on export performance. The two main factors are market turbulence and competitive intensity (Jaworski & Kohli, 1993) .

Market turbulence comprises six items that include customer preference variation over time, constant customer search for new products, customer price sensitivity, demand of products from new customers, different new customer needs, and the composition of new and past customers.

Competitive intensity consists of six items that include cut-throat competitions, promotional wars, easy matching of offers by competitors, price competition, daily new competitive initiatives and relative weakness of competitors.

Malaysian manufacturers comprises all manufacturing firms in Malaysia listed in the 2013 Federation of Malaysian Manufacturers (FMM) directory of manufacturers (Federation of Malaysian Manufacturers, 2013), consistent with past surveys conducted among Malaysian manufacturers.

1.7 Organisation of Dissertation

The dissertation is structured and divided into five chapters. Chapter One serves as an introduction to the research. It explains the background of the study in terms of the growing importance of export to all economies generally and to Malaysia, a developing economy, specifically. It is followed with a problem statement justifying the need to study export performance among Malaysian manufacturers, grounded by relevant practical information and evidence. Adopting the Malaysia as the country context, research terms of reference are stated that comprises research questions and objectives based on the four export marketing adaptation factors. The scope and significance of the study are explained in this chapter. Key terms of the research are also defined here.

Chapter Two contains the review and discussion of all the main variables of the study. This includes the review of export performance as the central issue which is the outcome variable. The independent variable of export marketing adaptation strategy is reviewed and the specific export marketing adaptation factors (product, pricing, distribution and promotion) are reviewed here. Also reviewed here is the moderating factor in the form of the external market environment that consists of market turbulence and competitive intensity.

Chapter Three presents the research framework and the theories that underpin this research. This is followed by the development of five hypotheses that form the linkages of the factors in the study. It also incorporates the research design that elaborates the sampling and data collection methods, research instruments and operationalisation of variables, followed by explanations on statistical compilation and data analysis techniques.

Chapter Four presents and discusses the findings of the research. The main sections include firm's profile, normality test of data distribution, reliability test of measurement scales, factor analysis to determine construct validity, correlation analyses using Pearson correlations and finally multiple regressions to test the hypotheses.

Chapter Five highlights the key findings and derives the implications from both the academic as well as practical or managerial perspectives. It also addresses the limitations of the study and presents suggestions for future research.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

The purpose of this chapter on literature review is to identify and review published work from secondary sources of information, particularly from journals containing previous studies related to the research issue which is export performance and its determinants that include elements of export marketing strategy. Both seminal work and subsequent research articles are explored. This is to identify and define concepts pertaining to the research as well as to explain how the various concepts are related to each other. This helps in the use of various terminologies and theories that serve as a foundation for the development of the subsequent resulting conceptual framework for research from which hypotheses will be developed for testing.

The relevant areas of review include the dependent factor of export performance followed by the various aspects of the determining independent factor of export marketing strategy as a whole. This is then followed by the review of specific dimensions of export marketing strategy such as export product, pricing, distribution and promotion elements. The review is concluded with the analysis of how marketing strategy is related to export performance including discussion of standardisation, adaptation and contingency approach pertaining to export marketing strategies.

2.2 Export Performance

The field of export performance management is becoming increasingly important to both academicians and practitioners (Sousa, 2004). Sousa (2004) further asserts that rapid globalisation pushes firms to seek markets abroad for the purpose of long term survival. Leonidou and Katsikeas (1996) posit that increasing globalisation has made exporting an essential business activity for many companies. Furthermore, in comparison to other international market entry modes, exporting needs minimal human, financial and other resource requirements (Sousa, 2004). Growing internationalisation of markets and the resulting challenges contributed to the further interest of the subject of export performance (Sousa et al., 2008). Exports have not only impact on improved firms' performance but also on countries' economic growth in terms of fast becoming a major part of gross domestic product (GDP) or national income of nations, particularly developing economies. Exporting is fundamental to the business sustainability and scalability of a firm's business performance in a fast globalising business environment. Competitive edge in global space can have a favourable effect on current and future export performance (Navarro et al., 2009). As a result, more resources and budget are allocated in export ventures (Julian & O'Cass, 2002; Lages, 2003; Navarro et al., 2009). Furthermore, exporting contributes significantly to a country's economic development (Lages & Montgomery, 2005). Export has tremendous impact on nations in terms of increasing economic growth and activities, enhancing national production and industrial development, increasing employment rate and capacity utilisation, building foreign reserves and improving trade balances. Therefore, the main aim of firms and governments is to increase exports.

Export can be conceptually defined as firm's decisions and activities of international marketing. The difference between exporting and other mode of international market entry mode is that the firm does not have control or involved actively in overseas operations. Export can be done in a direct manner where the product is shipped to a direct overseas end buyer or in an indirect manner where it done through a middleman like an agent or distributor (Shoham, 1998). Firms adopt different level of export involvement at different stages of their internationalisation process, from a limited approach in the initial stages to a being a more involved international player in the global market at the later stages (Bilkey & Tesar, 1977; Cavusgil, 1984; Czinkota & Johnson, 1981). In order to study the export performance of firms at all stages of export involvement, a broad definition of export is adopted.

From the strategic management perspective, five major aspects are included in the conceptualisation of export performance (Cameron, 1986). First, export performance is recognised as the main essence of performance in international strategy. Second, the conceptual and operational aspects of export performance are to include the aspects of business and marketing performance. Third, performance has different meaning to different stakeholders. As most studies consider the impact of international strategies, the definition of export performance ought to take into account external stakeholders that have a direct effect on export performance. Fourth, theoretical definition of export performance is subject to specific context of a study. Lastly, the conceptualisation of export performance should address a certain problem or issue. In essence, export performance is conceptualised as the integrated result of a firm's international marketing (Shoham , 1996).

Madsen (1987) adopts three sub-aspects of export performance that include export sales, export profitability and export growth. These sub-aspects can be measured objectively and subjectively. Objective measurement may include numerical financial returns while subjective measurement may include level of business owner's or manager's satisfaction with the said three sub-dimensions.

It is clear that export is important at the national level in the terms of contributing to a country's economic growth. At the firm's level, it becomes a challenge for companies to internationalise their market through exporting. In the context of Malaysian manufacturers, given the globalisation of market today, there is indeed a need to enhance Malaysian manufacturers' export performance to not only in terms of sustaining but also to scale up its overall business performance in the long run. It is of paramount importance that Malaysian manufacturers ensure their long term survivability through export performance enhancement.

2.3 Export Marketing Strategy

Marketing strategy refers to the manner in which firms respond to external environmental and competitive forces following the enabling of internal forces to achieve marketing goals and objectives through the marketing mix elements that include products, prices, distribution and promotion (Lee & Griffith, 2004). Cavusgil & Zou (1994) define export marketing strategy as a company's response to the combination of both internal and external environmental factors to attain the export objective through a marketing plan that includes product, pricing, distribution and promotion. The aim of marketing programme is to pursue a company's marketing objectives in a specific market segment (Kotler &

Armstrong, 2009; Leonidou et al., 2002). Thus, export marketing programme can be referred to as a road map of how a firm react to both internal and external environmental changes through the adoption of marketing mix aspects to meet the firm's export marketing objectives.

One of the major factors that influence export performance is export marketing strategy (Cavusgil & Zou, 1994 ; Thirkell & Dau, 1998; Lee & Griffith, 2004). Past studies indicated a strong correlation between export marketing strategy and export outcome as well as favourable effect of export marketing strategy on export outcome (Cavusgil & Zou, 1994; Julian, 2003; Leonidou et al., 2002). Salavou & Halikias (2008) discover that majority of exporters that achieved higher export profitability are marketing-based strategists. In essence, most past surveys showed a significant positive influence of export marketing strategy on export performance, and the main export marketing strategy elements are product, price, distribution and promotion (Chung, Wang, & Huang, 2012).

Following the past studies on export marketing strategy of exporters, it is imperative that further understanding is sought of how Malaysian manufacturers manage, align and differentiate their marketing strategy in terms of the four elements of the marketing mix (product, price, distribution and promotion) compared to their marketing strategy in the domestic market. The dynamism of export marketing strategy is fundamental in determining export performance. In diversifying Malaysia's export sector from commodity-based to more value-added products, formulation of effective marketing strategy is important to compete in the increasingly competitive global market.

2.4 Export Marketing Strategy and Export Performance

In a seminal work on export performance, Cavusgil and Zou (1994) investigate the relationship between marketing strategy and export performance. Information is gathered via personal interviews with management personnel involved in export marketing. A pilot study with export marketing managers is conducted to validate the content of the questionnaire, where variables and scales considered irrelevant are taken out in the final instrument. Interviews are conducted in Illinois, Indiana, Michigan, Ohio, and Wisconsin. The sampling frame consisted of export companies compiled from both the government export development agencies and from various business associations related to trade. The unit of analysis, unlike previous studies, is individual product-market export ventures instead of firms. Upon the completion of data gathering, data on 202 export ventures from 79 firms from 16 industries are obtained. In essence, the determinants of product adaptation, promotion adaptation, foreign distributor support, and price competitiveness are examined in terms of their effects on export performance. Export performance, the outcome variable, is operationalised by an importance interval or subjective scale and an objective ratio scale, while all the independent variables are measured by 5-point interval scales. The estimates of path coefficients showed that product modification and foreign channel members' support are significant in favourably influencing export sales. Price competitiveness is found to be not significant while the hypothesis on foreign distributor support is rejected.

Thirkell and Dau (1998) conduct a study to examine factors that determine the export performance of New Zealand manufacturing exporters. The unit of analysis consisted of firms listed in the New Zealand Manufacturer's Federation. A total of 323 firms responded

through a mail survey self-administered questionnaire, representing a response rate of 50.3 percent. A final sample of 263 firms is taken into account. Others are firms selling only to domestic market. Based on Aaby and Slater's framework, it is hypothesised that orientation towards marketing, overseas market knowledge, product rarity, quality and service, proportion of sales quotation in local dollars, cultural similarity, and distribution channel support influence export achievement. Export performance, the focus of the study, is measured by both judgmental assessments of export extent of involvement and objective measure of numerical percentage of export sales growth. The independent variables are measured by interval scales. The findings from the variables multiple regressions on export performance are as follows: 1) five factors - marketing orientation, overseas market knowledge, product quality, sales service, cultural similarity, and channel support are discovered to have strong positive association with export sales; 2) the percentage of sales in local dollars is discovered to have a strong negative correlation; 3) the hypothesis of the effect product being unique on export sales is not supported.

Julian and O'Cass (2002) investigate the determinants and results of export marketing in Thailand, a developing economy's context. This empirical study is based on Cavusgil and Zou's (1994) framework linking export marketing strategy and performance. A preliminary study is carried out among 20 Thai exporting firms with personal interviews with marketing managers. After some modifications, the self-administered questionnaires are posted to a sample consisted of 1,000 Thai small and medium enterprises (SMEs) involved in overseas marketing. The response rate is 15.1 percent or 151 returned questionnaires. Factors such as competition intensity, management commitment, export market features, product features, and cultural similarity are measured by interval scales adapted from Cavusgil and Zou's (1994) 5-point rating scale. All export marketing

elements are measured via 7-point semantic differential scales while export performance is measured based on respondents' success perception of export involvement on a 10-point bipolar scale (1=unsuccessful; 10=unsuccessful). The individual product-market export involvement is adopted as the analysis unit. The findings support the hypotheses that the competition intensity, management commitment, export market characteristics, and product features significantly influence marketing strategy and overseas market performance. However, cultural affinity and marketing strategy are weakly associated with marketing performance.

Lee and Griffith (2004) examine the linkage between export marketing strategy and performance in an export-oriented d emerging economy of South Korea. Information is collected via a self-administered questionnaire mailed to top management of 180 Korean electronics firms. A total of 58 usable questionnaires are received that represented 32.2 percent of usable questionnaires. It is hypothesised that export marketing performance is influenced significantly in a positive manner by product and pricing modification, direct distribution channels and extent of overseas advertising and trade promotion. Export performance, the dependent variable, is measured by subjectively by 5-point semantic differential scales. Product adaptation and export pricing is measured by 5-point semantic differential scale. Overseas distribution strategy is measured by percentage of direct exports over manufacturers' total exports while export promotional strategies are measured both by a percentage of international advertising expenses over total exports and trade promotion is assessed by a 5-point rating scale. Effects of overseas marketing programmes on export performance are tested by multiple regression analysis. All the export marketing factors are discovered to be significantly and positively determined the export sales level except overseas advertising expenditure.

Julian and O'Cass (2004) study the determinants of international marketing performance in the Australian overseas market ventures. The study examined a group of possible factors influencing overseas marketing performance. Specifically, five independent variables are investigated and they are firm characteristics, product features, market peculiarities, marketing orientation, and international marketing programme. Export marketing outcome is operationalised by a composite continuous measurement scale that includes economic, strategic and overall satisfaction. The antecedents are all measured using interval scales. The single product-market export venture is adopted as the analysis unit. Information is collected through a mail survey of exporting firms located in Queensland, Australia, provided by the Queensland state government department. A pilot test among marketing managers of 10 firms is conducted to fine-tune the questionnaire with the final instrument mailed to 1,132 firms involved in exporting. 293 usable questionnaires are returned. The final sample consists of firms from various economic sectors such as agriculture, mining, light industries, metal works, electronics, chemical and the service sectors. The findings support the hypotheses that firm characteristics, market features, and international marketing programmes have strong positive influences on overseas marketing performance. Product characteristics and marketing orientation, however, are found to be not significant in determining export marketing performance.

The numerous studies conducted and published in the last four decades on the area of export performance reflect the relevance of the issue (Sousa, 2004). Marketing strategy refers to the manner in which companies react to competitive market place. The linkage of marketing strategy in terms of product, pricing, placing and promotion (marketing mix), with export performance has been one of the most studied areas in international marketing

research like those by Cavusgil & Zou, 1994, Christensen, Da Rocha & Gertner, 1987, Da Rocha & Christensen, 1994 and Ford & Leonidou, 1991.

Cavusgil and Zou (1994) create a comprehensive framework that illustrates the association between marketing strategy and business performance. They further conceptualise exporting as a strategic reaction to the competitive business environment based on a company's resources and capabilities. Base on this theoretical perspective, they assert the suitability of adopting the underpinning theory of a strategy-environmental co-alignment (Porter, 1980). In this framework, exporters are seen to adapt their strategies in accordance with the internal and external environmental changes to attain superior business performance.

Prior studies have showed that firms choose overseas markets base on market potential and related market risks (Cavusgil & Zou, 1994). Upon the selection of overseas target markets, market entry success is subject to the planning and execution of international marketing programmes that are in line with the companies' strengths and external opportunities and how the companies overcome their internal weaknesses and mitigate external risks. In other words, the capability to fulfil international customers' needs significantly influences overseas market performance (Katsikeas , 1994). As such, overseas market features should give rise to external opportunities and threats for exporters that in turn affect their export marketing strategies. Hence, the key decision by firms in their overseas marketing strategies is the level of standardisation or modification to local environment (Douglas & Craig, 1989). The degree of modification versus standardisation is contingent of firm and market environmental factors (Jain, 1989). Hence, overseas marketing strategy can be viewed as the extent of modification or standardisation

of the marketing elements in a particular overseas market, which directly affect overseas marketing performance (Cavusgil & Zou, 1994).

Sousa and Lengler (2009) conduct a research, among others, to study the impact of overseas marketing programmes on international marketing performance of Brazilian firms. The study looks at the effect of the marketing mix factors on export outcome of companies. Specifically, it analyses the effects of product, price, promotion and distribution modification on the export performance of firms. The study adopts the analysis unit of export venture of a specific product to a particular market. A multi-industry sample of 1,000 Brazilian companies is used where questionnaires with a mail prepaid response envelope are sent to management personnel involved in exporting of firms' products, followed by reminder letters. Upon the completion of the data collection, 201 usable questionnaires are returned.

The results show that product adaptation has a favourable impact on export achievement, which is in line with the results obtained by Cavusgil and Zou (1994) and Shoham (1999). This supports the recommendation to modify products when entering the international markets (Walters & Toyne, 1989). Hence, the ability of firm to respond to local conditions of overseas markets through product adaptation strategy reflects the firm's international competence (Douglas & Craig, 1989). Findings also indicate that adaptation of promotion has a positive relationship with export performance. The findings are consistent with results of studies by Leonidou et al. (2002) and (Shoham A. , 1996).

However, the hypothesis of a positive correlation between price modification and export achievement of the firm is rejected. Instead, the results indicate a negative price

modification influence on export achievement of the company. The findings are similar to those discovered by Shoham (1999), Sousa and Bradley (2008), and Zou, Andrus and Norvell (1997). The findings suggest that companies should strategise to standardise prices to improve their export achievement level in the international market. A possible rationale to this situation is that price is associated with a consistent product's image and quality across various markets (Dawar & Parker, 1994). Therefore, price modification strategy could have a negative effect on the brand image across nations, and as a result have a negative impact on export performance, particularly in today's situation where consumers are highly internationally mobile (Sousa & Lengler, 2009).

Sousa and Lengler (2009) also discover a strong negative correlation between distribution modification and export achievement in line with findings by Shoham (1999). Possible reasoning is that it is better for a company to use the same distribution strategy in other markets as the same distribution strategy is cheaper and easier to implement (Chung H. , 2003). Furthermore, without a company's close relations with overseas distribution channel members, distribution adaptation may lead to increased level of conflicts in the firm's distribution strategy, which may result in a poor performance (Sousa & Lengler, 2009). Singh and Mahmood (2014), in a research on export performance of small and medium firms in Malaysia, suggest that there is a need for more research on the impact of competitive strategy, that can include export marketing strategy, on export performance. In the said study, competitive strategy refers to the firm's the alignment of internal aspects in response to the external market environment.

Given the importance of export marketing strategy in ascertaining export performance, there is a need to study the specific strategic aspects in terms of aligning internal elements

such as firm's export marketing strategy, which includes product, price, distribution and promotion, to enhance export performance, particularly in the context of Malaysian manufacturers. Hence, it is imperative that Malaysian manufacturers get themselves more involved in the global chain in terms of not only producing higher value-added products but also enhancing their capabilities in formulating more dynamic export marketing strategy that facilitates them to compete effectively in the highly competitive international market. This necessitates Malaysian manufacturers to develop marketing capabilities and allocate resources to differentiate the market approach from what is practised in the domestic market. Thus, this calls for formulation of more effective export marketing strategy to enhance export performance of Malaysian manufacturers.

2.5 Export Marketing Adaptation Strategy

Standardisation in the context of export marketing refers to "using a common product, price, distribution, and promotion program on a worldwide basis" (Jain, 1989). Marketing programme is associated with marketing mix variables while marketing process is related to tools that help companies to formulate and execute marketing plans (Jain, 1989). Standardisation and adaptation are two opposite points on the same continuum (Shoham , 1996).

Levitt (1983) views that the global market needs are becoming increasingly homogeneous, and firms' competency in standardising goods and services will be a key determinant of the firms' survival and growth. He asserts that effective international firms offer standard global products in order to achieve economies of scale. Also, it is more economical to sell a standardised product to several overseas markets due to high volume of production from

modern facilities. International firms that are able to provide standardised products due to products and needs convergence which in turn produce lower costs and prices (Park, 2006).

Douglas and Craig (1986) posit that the advantages gained with standardisation are economies of scale in production and distribution, technology and knowledge transfer, consistent image and better control and coordination. Barker and Aydin (1991) state that the two main drivers of standardisation of the marketing mix elements are firstly, economies of scale gained in research and development, marketing, and manufacturing, and secondly, ease of market entry and operation, based on the assumption that there is a global market convergence in tastes and preferences, living standards, and regulatory requirements. The conceptual justification for standardisation is that the environmental factors and customer needs are becoming increasingly similar regardless of the geographical locations (Park, 2006). This is reinforced by the fact that consumers too are becoming more mobile internationally (Levitt, 1983). In essence, standardisation of international marketing strategy involves the adoption of a common price, product, distribution and promotion strategy in the overseas markets (Park, 2006).

The degree of adaptation or standardisation is contingent of a firm's international product marketing policies and socio-economic environmental differences (Hill & Still, 1984). Hill and Still (1984) suggest an adaptation international marketing strategy for firms to enhance their international market position due to environmental situation that includes legal requirements, economic conditions and nature of local competitions. Boddewyn, Soehl, and Picard (1986) opine that there are three main obstacles to standardisation that include national differences (tastes, preferences, regulations and technical requirements), nature of domestic competitions, and local economic conditions.

Kotler (1986) posits that there are three factors that drive adaptation in international marketing strategy that include differences in customer product requirements, variations in consumer buying behaviour, and differences in business conditions, regulatory frameworks, and international competitions. According to Kotler (1986) further, even highly standardised products such as Coca Cola and McDonald's have taken into account the different food regulatory requirements in various overseas markets, and employ a "plan global, act local" approach.

In formulating an international marketing strategy, there is also a suggestion to adopt the approach of "think globally, act locally" that takes into consideration an international perspective of the competitive global market conditions and each nation's market uniqueness (Wind, 1986). Barker (1993) asserts that despite the benefits of standardisation of cost savings and better planning and control, a standardisation strategy without any adaptations will face difficulties in responding to competitors' differentiation strategies and also sustaining growth and profitability. Different environmental factors compel firms to change and adapt the various elements of the marketing mix. Yip (2003) stresses that "global marketing is not only about standardising the marketing process". According to him, international marketing strategy does not need a completely uniform content or coverage in terms of the marketing mix elements. "It is not a blind adherence to standardization of all marketing elements" (Yip, 2003).

In brief, modification of international marketing programme involves the adoption of customised product, price, placing, and promotion (4Ps) strategies for different markets. The three main drivers for adaptation strategy, according to (Shoham A. , 2002), are unique positioning in a given market, theory of friction due to cultural, legal, marketing

and physical differences in an overseas market, and strategic flexibility in terms of prompt and flexible reaction and adaptation to changes in different local market environment. Due to difficulties in the global standardisation approach, there is a need for market customisation and adaptation to suit the unique requirements of different overseas markets (Thrassou & Vrontis, 2006).

In general, contingency approach considers standardisation and adaptation as two opposites of the same continuum, and the extent of standardisation or adaptation is contingent on the internal and external conditions. In a study, by (Boddewyn, Soehl, & Picard, 1986), of 71 US firms present in US, the key results show that, in US consumer non-durables, the extent of substantial standardisation of product is 42 percent, branding 50 percent, and advertising 25 percent. For US consumer durables in Europe, the degree of substantial standardisation for product is 38 percent, branding 38 percent, and advertising 13 percent. The percentages of substantial standardisation of product, branding, and advertising of US consumer industrial goods in Europe are 33, 35 and 20 respectively. In another study of 61 firms in US by Hill and Still (1984), legal, economic and climate conditions contribute to about 23 percent of product adaptation, competition accounts for about 15 percent of product adaptation, and consumer preferences influence 32 percent of product adaptation. In a study of 105 firms in US by Akaah (1991), only 43 percent of the marketing aspects follow a high degree of standardisation. In the same study, it is discovered that factors that are significantly associated with marketing activities standardisation include consumer behaviour, nature of corporate ownership and firm orientation. In an analysis of eight past studies, Shoham (1995) found that 50 percent of the firms adopt a highly standardised product and promotion strategy, 33 percent of the firms follow a standardised pricing strategy, and 40 percent employ a standardised

distribution strategy. Subsequently, Shoham (1996), in a survey of 100 US firms, the key findings show that the marketing mix elements that are mostly adapted are advertising budgets and contents, sales force management, and distribution network. On the other hand, the least adapted are product and service quality. Overall, the key results exhibited firms' tendency towards adaptation of marketing strategy. A study of 98 firms in Israel by Shoham (1999) indicates that product strategy is mostly standardised while price, distribution and promotion are mostly adapted. Jain (1989) posits that the degree of adaptation will be low if the target market, market position and environment are similar. Jain (1989) also states that industrial product tends to exhibit low degree of adaptation while consumer products use high degree of adaptation.

In seeking opportunities for continual growth and to overcome the domestic market saturation, firms enhance their international presence to increase market share and profitability (Vrontis & Thrassou, 2007). A basic decision in international marketing, particularly at the initial stage of internationalisation, is whether to follow a standardised marketing mix strategy, adopting a uniform marketing strategy in all foreign markets or modify the marketing mix factors to suit the unique characteristics of each potential overseas market (Vrontis, Thrassou, & Lamprianou, 2009). Literature relating to the practical world of business shows that most firms adopt the contingency approach (Vrontis, Thrassou, & Vignali, 2006).

The option to standardise or adapt is not a dichotomous one which means that it is not a matter of choosing one over the other. Instead, the decision to standardise or adapt is a matter of extent (Vrontis, Thrassou, & Lamprianou, 2009). Full standardisation may not be plausible due to market differences in different countries. Conversely, the high costs

involved in adaptation and advantages of standardisation may not permit adaptation to be applied extensively (Vrontis, 2005). In investigating standardisation/adaptation behaviour, Nanda and Dickson (2007) focus on three determinants which are uniformity of consumer response to the marketing mix elements, transferability of competitive advantage, and similarities in the extent of economic freedom. They note that even in countries with similar cultures like those in European Union, the consumer needs and wants do differ. They state that standardisation can be effective when consumer response and economic freedom are similar while competitive advantage transferability is high. According to Vrontis et al. (2009), firms should include both elements of standardisation and adaptation in order to be successful in international marketing.

In a quantitative study of Spanish exporters by Navarro-Garcia, Arenas-Gaitan and Rondan-Cataluna (2014), it seeks to understand the relationship between adaptation of the export marketing mix elements (product, pricing, distribution and promotion) and export performance among others in their research framework. The finding confirms a positive relationship between export marketing adaptation and export performance. The result indicates that export marketing adaptation strategy adopted by exporters, to meet the different requirements of overseas market, produces more superior export performance than those that pursue export marketing standardisation strategy. The finding is consistent with an earlier study in the same context of Spanish companies by Ruzo, Losada, Navarro, and Diez (2011) where the hypothesis of a positive relationship between export marketing mix adaptation strategy and export performance is supported.

In a research on export performance of small and medium enterprises in Nigeria by Samson and Mahmood (2015) posit that reconfiguring capability, a term the study adopts,

has a significant positive effect on export performance. According to Samson and Mahmood (2014), reconfiguring capabilities refer to modification or adaptation of products, services and processes to enhance business performance of companies. In the export context, a firm's adaptive capabilities, in terms of adapting its resources and business strategy in fulfilling different needs of the changing overseas market in a turbulent external market environment, would lead to an enhanced export performance. Business strategy here can include export marketing adaptation strategy. The result of the study shows that the exporters' adaptive capabilities affect export performance positively. Base on this research finding, there is a need for an exporter to pursue export marketing adaptation strategy to achieve superior export performance especially in a rapidly changing external market environment.

The effects of export marketing strategy adaptation that includes export product adaptation, export pricing adaptation, export distribution adaptation and export promotion adaptation, on export performance of Malaysian export companies are also established in a study by Alshammari and Islam (2014). The need to differentiate a firm's export and local markets is also established in an article on the export of halal products to the global market (Abdul-Talib & Abd-Razak, 2013). In the halal products export market, exporters need to adopt appropriate market strategies in response to the different needs of the overseas consumers in volatile and highly competitive export market (Abdul-Talib & Zakaria, 2010) . This is consistent with the general premise that market-oriented firms that adapt to changing market needs would achieve superior business performance (Abu Hassim, Abdul-Talib, & Abu Bakar, 2011).

It can be concluded that for Malaysian exporters to achieve high export performance, they need to develop and allocate different resources and capabilities effectively and efficiently in adapting to the rapidly changing export market environment as well as the different export market needs. Therefore, export marketing adaptation strategy needs to be given due emphasis in studies on export performance to provide more insights that can benefit exporters and contribute further to the body of knowledge particularly in the context of developing economies like Malaysia. This is very important for emerging economies such as Malaysia in the transformation from the reliance on commodity-based exports to higher value-added manufactured products for the export market.

2.6 Export Product Adaptation Strategy

Product aspect is an essential part of the export marketing mix that impact export performance positively (Cavusgil & Zou, 1994; Leonidou et al., 2002; Thirkell & Dau, 1998;). Leonidou et al. (2002), who have conducted a meta-analysis based on previous studies, have arrived at a conclusion that product design, branding, warranty, pre and post sales services, product quality and positioning have positive relationship with export performance. In addition, Cavusgil & Zou (1994), from their study on the empirical relationship between international marketing programme and export outcome through in-depth survey with firms' personnel involved in export management, discover that there is a positive link between product adaptation to fulfill export customers' requirements and export outcome. Furthermore, Lee and Griffith (2004), in their research on the relationship between marketing strategy and export performance in Korea, note that Korean export product adaptation has impacted export outcome favourably. Based on the perspective of European exporters, Lages & Montgomery (2004) posit that both the product and service

quality are main factors in determining export performance while others included product design, image, innovation and differentiation. This is in line with the outcome of previous studies. Morgan et al. (2004) and Beamish, Craig, and McLellan, (1993) find that product quality has positive influence on export performance while Lages, Silva, and Styles (2009) discover that product quality and innovation have key influence on of improving export outcome. Branding advantage also affect export performance positively (Zou, Fang, & Zhao, 2003).

Interestingly, product packaging and labelling have no significant effect in industrial goods sector (Leonidou et al., 2002). In addition, product adaptation may not necessarily lead to positive effect on export performance as it depends on the export market whether product adaptation is needed or otherwise. Hence, in order to remain competitive, small and medium export firms selected export market with low adaptation as less resources are needed for changes to goods produced (Lages, Silva & Styles, 2009).

2.7 Export Pricing Adaptation Strategy

Lee and Griffith (2004) and Aulakh et al. (2000) assert that in the current competitive global space, focus on production cost reduction might not guarantee firms' export performance. However, among the Chinese exporters, low-cost advantage has stronger positive effect than branding advantage on export performance (Zou at al., 2003). In addition, Lages and Montgomery (2004) also state that price competitiveness or value for money also has an critical role in ascertaining firms' export outcome. Adjustment of export prices in international marketing and adaptation of pricing strategy has a favourable

effect on performance of export. Cavusgil and Zou (1994) also discover a positive relationship between export pricing and export performance in their study.

Elements of price include pricing strategies, credit terms, foreign exchange consideration and pricing modification (Leonidou et al., 2002). Pricing method refers to market-based pricing where export market prices are set based on the market demand and competitive situations. They find that the pricing method is positively correlated with the proportion of sales and profitability of firms. Penetration pricing strategy with low pricing also found to be effective in generating more customers as well increasing market share. As such, price penetration strategy affects export outcome positively. Sales terms, however, has no impact on export performance. While credit policy enhances profitability, it does not have a significant effect on intensity and growth of export. Foreign currency policy also has influence on intensity and growth of export. Pricing modification is also found to be significant in determining firms' export performance.

2.8 Export Distribution Adaptation Strategy

Lages and Montgomery (2004) discover that distribution network is essential in ascertaining the export performance of firms based on the perceptions of Portuguese and British export managers. Lee and Griffith (2004) state that export distribution strategy refers to the extent of firms using direct channels instead of indirect channels in export ventures. They conclude that direct exporting channel positively influences the export outcome of exporting firms. This is an important business implication for export firms that have not yet adopted direct exporting channel.

Another aspect of export distribution strategy that is identified as important is support of dealers which also has a positive effect of firms' export performance (Leonidou et al., 2002). Furthermore, adopting export sales representative office and direct buying has positive impact on intensity of export sales while weak correlation is discovered between export performance and using distributor and agent. However, the suitability of a channel strategy depends on the different international market conditions such as economic situation and the distribution structure and practice of different overseas market (Leonidou et al., 2002).

2.9 Export Promotion Adaptation Strategy

Despite the limited effect of promotion on export profitability, it strongly influences the export sales level and growth (Leonidou et al., 2002). Export promotion can counter competitions effectively according to (Thirkell & Dau, 1998). Firms that are committed to their target markets and advertise their product aggressively produce better export sales performance than firms that have lower market commitment and low adoption of advertising (Lee & Griffith, 2004).

Leonidou et al. (2002) refer the export promotion variables as advertising, promotion, sales strategy, trade exhibitions, market visits, and promotion modification. They conclude that these variables have a favourable effect on export performance. Meanwhile, Lee and Griffith (2004) posit that advertising and promotion are essential aspects of promoting export sales and that they are positively correlated with export performance.

2.10 External Market Environment as a Moderator

The external environment influences the different aspects of a firm (Qureshi & Mian, 2012). The various changes in the external environment result in volatility that impacts the aspects of a firm's business that include strategic approach (Miller) and marketing tactics of the firm (Ruekert, Walker, & Roering, 1985). O'Cass and Julian (2003) discover that environmental factors have a significant effect on export performance. Environmental turbulence can be defined as an environment that is characterised by numerous rapid changes that occur in the business environment (Qureshi & Mian, 2012). Among the components of environmental turbulence are market turbulence and competitive intensity (Jaworski & Kohli, 1993) .

Market turbulence considers the pace of variations in the types of customers and their preferences. In a volatile market that experiences rapid changing customer requirements, firms are more inclined to adapt their goods and services in order to sustain customer satisfaction (Jaworski & Kohli, 1993). Jaworski and Kohli (1993) included six items that determine the market volatility. They include items such as customer preference variation over time, constant customer search for new products, customer price sensitivity, demand of products from new customers, different new customer needs, the composition of new and past customers.

The other environmental factor that can have a significant effect on business performance is intensity of competition in the market place. In a highly competitive market, customers have more choices (Jaworski & Kohli, 1993). The intensity of rivalry is considered by Jaworski and Kohli (1993) to also include six items which are cut-throat competitions,

promotional wars, easy matching of offers by competitors, price competition, daily new competitive initiatives and relative weakness of competitors.

According to Qureshi and Mian (2012), high degree of environmental volatility makes it necessary for firms to be more adaptable and flexible in counter competitions and to meet customer needs through more innovative and entrepreneurial approach. This will affect the marketing approach resulting in better business performance. A firm has to focus more on more efficient anticipation and response to competitive moves in meeting customer requirements. Market volatility in terms of rapid changing market needs and highly innovative competitions leads to the strong need of a firm to be more entrepreneurial to adapt quickly in order to not only sustain its competitive advantage but also to improve its business performance. This includes developing more creativity method in customising a firm's offer to make it more unique and differentiate its various offers for various market segments (Qureshi & Mian, 2012).

When market environment is turbulent or volatile, strategy formulated will be more effective with the adoption of flexibility or adaptability (Grewal & Tansuhaj, 2001; Johnson, Lee, Saini, & Grohmann, 2003). Grewal and Tansuhaj (2001) posit that strategic adaptability is not beneficial when the market environment is relatively stable while the opposite is true where a firm has to deploy its resources to introduce more variability or adaptability in its marketing strategy to better fulfil the market requirements in times of turbulence. In other words, firms that are highly adaptable may not operate at its optimum level when dealing with relatively non-volatile or non-turbulent export market environments (Cadogan, Sundqvist, Puumalainen, & Salminen, 2012). Cadogan et al. (2012) find that flexibility in export decision making has a positive influence on export

performance. Qureshi and Mian (2012) confirm the positive correlation between degree of nation-market volatility and level of marketing mix elements adaptation. Meanwhile, a past study also discovers a positive correlation between degree of competitive rivalry of a nation-market and marketing mix elements adaptation (Powers & Loyka, 2010).

2.11 Chapter Summary

This chapter reviewed past studies on export performance and export marketing adaptation strategy. The key determinants of export performance discussed include export product adaptation, export pricing adaptation, export distribution adaptation and export promotion adaptation strategies.

The degree of adaptation of each factor is found to be contingent upon various conditions given the complex market environment. Although the influences of the marketing adaptation factors differ across the different previous literature, the adaptation of the various marketing mix elements do have an effect on export performance. Furthermore, as in some past research, the effect of export marketing adaptation strategy on export performance is moderated by external market environment. Given the diverse and volatile nature of today's market environment, external market environmental factors such as market turbulence and competitive intensity need to be taken into consideration in international market strategy formulation as posited by many past studies. Based on this literature review, the factors discussed are incorporated in the subsequent research framework and hypotheses are established.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

The purpose of this chapter is to construct the research framework following the literature review in the preceding chapter based on past seminal research. The theoretical perspectives that serve as foundations of the research are then identified and explained. This is followed by a section on development of hypotheses for research and subsequent testing. Pertinent aspects of the research design are then elaborated. The research design aspects include population, sample, data collection methods, instrumentation and operational definitions. Techniques to be adopted for data analysis are also explained.

3.2 Research Framework

The research framework adopted in this proposed study is to analyse the effect of different export marketing adaptation variables on export performance in the context of Malaysian manufacturers base on the general framework conceptualised by Cavusgil and Zou (1994) in their seminal work on the correlation between export marketing programme and export achievement. In addition, the research framework also included the moderating role of the external market environment (Jaworski & Kohli, 1993; Cadogan et al., 2012; Singh & Mahmood, 2014). The research framework, comprising the four export marketing factors as independent variables, an external market environment factor as moderating variable and export performance as the dependent variable, is illustrated in the following Figure 3.1:

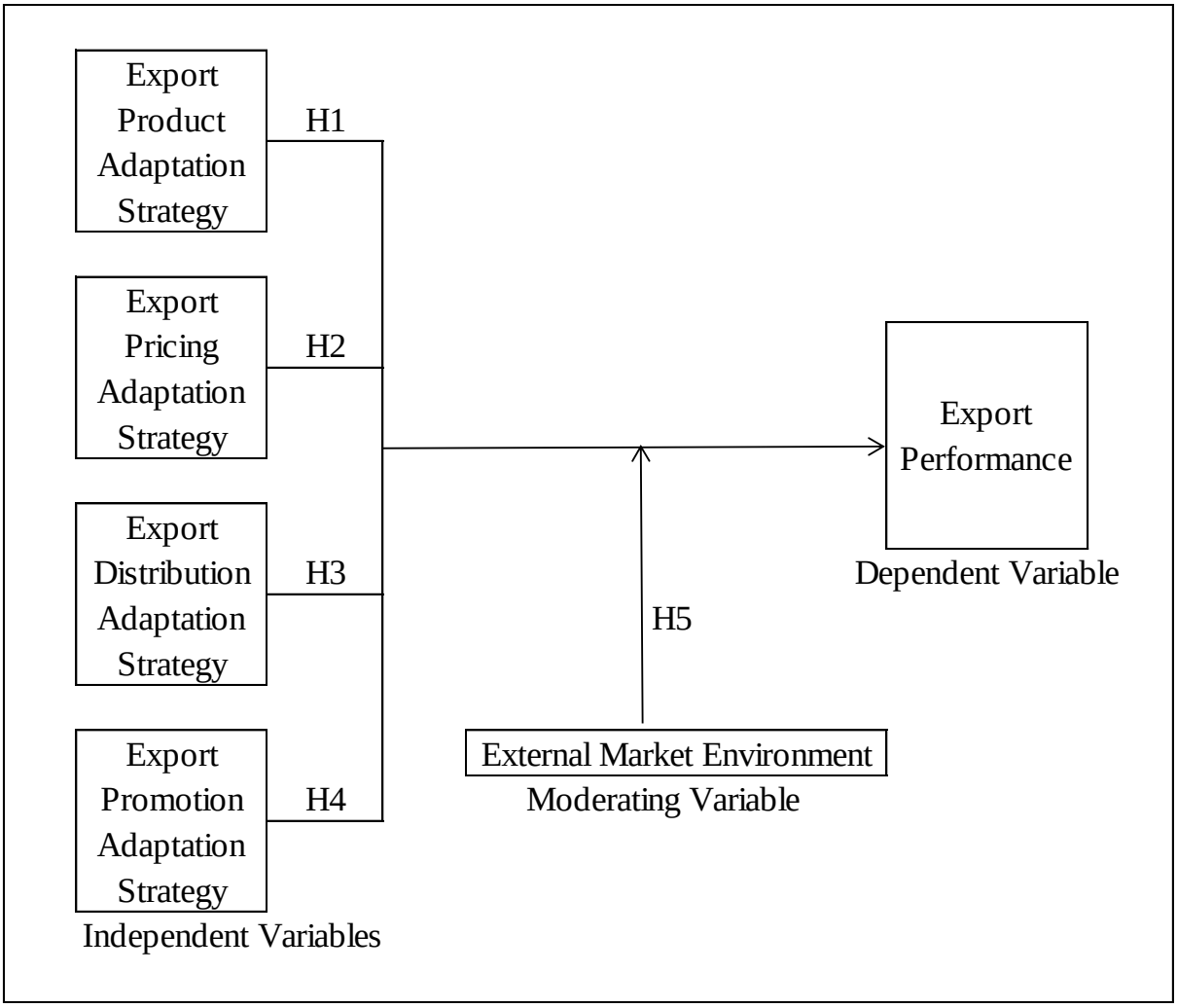

Figure 3.1
Research Framework

Following the elaborations in literature review, export marketing elements adaptation are included in the research framework as the independent variables that include export product, pricing, distribution and promotion adaptation strategies. These variables are adopted from the framework in a seminal work by Cavusgil and Zou (1994) and past studies by Sousa and Bradley (2005) and Vrontis, Thrassou, & Lamprianou (2009). The dependent variable of export performance and its measures are adopted from Lee and Griffith (2004). External market environment as the moderating variable is adopted from Jaworski and Kohli (1993) and Singh and Mahmood (2014). Navarro-Garcia et al. (2014),

in a study of Spanish exporters, also adopted the relationship between the adaptation of the four marketing mix elements and export performance as part of their research framework.

The research framework is based on three theoretical foundations. Firstly, the independent variables in the research framework represented by the internal factors determining export performance are supported by the resource-based theory. The resource-based perspective explains that activities by a firm, that includes the capability of formulating marketing strategies such as adapting the marketing mix elements base on the firm's given resources, determine the level of export performance achievement (Zou & Stan, 1998; Dhanaraj & Beamish , 2003). These internal factors of export marketing strategy that consists of product, price, and distribution and promotion strategies are substantiated by the resource-based theory (Sousa, Martinez-Lopez, & Coelho, 2008). Therefore, the relationship between competitive strategy such as export marketing adaptation strategy and export performance is grounded by the resource-based view, as asserted by Singh and Mahmood (2014).

Secondly, the impact of external marketing environment on formulation of exporters' export marketing adaptation strategies is underpinned by the contingency theory. External factors that determine export performance are supported by the contingency paradigm (Sousa, Martinez-Lopez, & Coelho, 2008) where the types and extent of export marketing adaptation is contingent upon the nature and developments in the external market environment. In other words, export firms' strategic response depends on the different market characteristics and changes.

Thirdly, the interplay of both internal (export marketing adaptation strategies) and external factors (external market environment) determining the achievement of export performance is supported by the industrial organisation theory. The industrial organisation paradigm is based on the principle of strategy-environmental co-alignment which explains the positive impact of the fit or compatibility between a company's strategy and the external environment on its business performance. In this study's research framework, the principle of strategy-environmental co-alignment is reflected by the influence of export marketing adaptation variables on export performance, moderated by the external market environment.

The two theoretical foundations to explain the association between export marketing strategy and export performance are the resource-based view (RBV) and industrial organisation (IO) theory.

3.3 Hypotheses Development

3.3.1 Export Product Adaptation Strategy and Export Performance

Export product strategy is conceptualised as a company's extent of product standardisation or modification in accordance with the foreign market requirements. For different target markets in the international market, standardisation may lead to overseas customers to choose other superior products that meet their requirements (Kotabe & Helsen, 2001). Firms that pursue product adaption strategy can fulfil different needs of different overseas market segments, hence enhancing customer satisfaction and export performance (Cavusgil & Zou, 1994; Kotabe & Helsen, 2001). The resource-based paradigm asserts that company's activities determine a company's

export tendency. This stream of research has investigated, among others, the effect of marketing strategies that include product strategies on export outcome (Cavusgil & Zou, 1994; Zou & Stan, 1998).

Although product standardisation leads to economies of scale resulting in more competitive cost and increased profits, it must also be recognised that there are indeed variations between countries that may pose market obstacles to implementation of product standardisation strategy. Leonidou et al. (2002) indicates three gains in the pursuit of a product modification strategy. Firstly, it portrays an image of customer or market orientation as it takes into consideration the market features and behaviour (Douglas & Wind, 1987). Secondly, it leads to better customer satisfaction due to greater product-market fit and better profitability as a result. Thirdly, the quest to fulfil various overseas market conditions facilitates creative and innovative approach, producing and offering a variety of products for both local and overseas markets (Czinkota & Ronkainen, 2012). This is in line with a research finding by (Calantone, Kim , Schmidt, & Cavusgil, 2006) where product modification strategy improves export performance of firms across three countries surveyed in the said study. Therefore, the hypothesis is that by adapting products to overseas market needs, it will improve performance of Malaysian exporters.

H1: Export product adaptation strategy is positively associated with export performance of Malaysian manufacturers.

3.3.2 Export Pricing Adaptation Strategy and Export Performance

The product pricing in the overseas markets is becoming more intricate for companies due to intense competition (Cavusgil, 1996), market uncertainties (Myers, 1999), trade protectionist measures (Cavusgil & Sikora, 1988), regional free trade arrangements (Weekly, 1992), and volatile exchange rates (Knetter, 1994). Most past studies are conducted to understand the effects of pricing strategies based on a mainly local individual market context with limited attention given to more diverse international market (Myers, 1997).

Export pricing strategy here refers to the strategies of standardising or adapting prices in the international market. Following the paradigm of resource-based, firms use its capabilities to adapt their pricing strategy in response to market changes, competitors' activities and other environmental factors (Christensen, Da Rocha, & Gertner, 1987). Past studies suggest that price modification facilitates companies to adapt to local market situations, thereby improving their export performance (Christensen et al., 1987). While Leonidou (1995) emphasises the importance of being competitive in international market pricing in enhancing export performance, Shoham (1996), in a survey of US manufacturing exporters, indicates that price modification is favourably correlated with export outcome. In line with this finding, Samiee and Roth (1992) state that by adapting the pricing to reflect the nature of the overseas market, a firm can better its export performance. If a firm can attain export market sales volume and share at a specific price, it is unreasonable to price the product lower for the sake of standardisation. Likewise, it is also not feasible to price a product unreasonably high without taking into account the economic situation of the foreign market (Theodosiou

& Katsikeas, 2001). Hence, formulating a standardised pricing strategy, regardless of the nature of the overseas market, is likely to be ineffective. Therefore, the hypothesis is that international pricing modified to adapt to overseas market situations will improve export outcome of Malaysian manufacturers:

H2: Export pricing adaptation strategy has a positive correlation with the export performance of Malaysian manufacturers.

3.3.3 Export Distribution Adaptation Strategy and Export Performance

According to Sousa and Lengler (2009), comparatively little studies are done on the correlation between distribution strategy and export performance. However, a few studies discover a positive correlation between channel strategy modification and export outcome (Shoham & Albaum, 1994). Shoham (1996) also reports favourable association between distribution modification and export outcome. The findings of past quantitative surveys on the correlation between marketing strategy and business performance, Leonidou et al. (2002) also discover that distribution modification is favourably associated with export achievement. Standardised distribution may affect export performance adversely as it is contingent of the different nature of overseas markets (Susan & Lengler, 2009). Therefore, exporters employing a distribution adaptation strategy are theorised to be able to achieve better export performance:

H3: Export distribution adaptation strategy has a positive association with export performance of Malaysian manufacturers.

3.3.4 Export Promotion Adaptation Strategy and Export Performance

Most studies have indicated a positive association between a firm's marketing promotion approach modification and business achievement (Leonidou, et al., 2002; Shoham, 1996). Past studies invariably find a strong positive influence of advertising expenditure on export achievement no matter where the export markets are (Fraser & Hite, 1990).

Advertising and promotion are two main aspects of export marketing communication (Cavusgil & Zou, 1994). The resource-based theory explains the need to commit resources to enhance its competitive position in the international marketplace. The favourable impact of advertising on overseas market sales is attributed to effective advertising tactics, exporters are able to generate better export sales (Lee & Griffith, 2004). They assert that exporters who are more committed to their export markets will spend more on advertising, resulting in more enhanced export sales than exporters that have lesser commitment to the international market place. They further state that for exporters from emerging countries, advertising is even more important as their products have relatively low brand awareness in overseas markets.

It is a difficult task for firms to decide whether to standardise or adapt their promotion strategy to the nature of the overseas markets (Sousa & Lenger, 2009). On one hand, supporters of standardisation strategy argue that there is a similar pattern of consumer buying behaviour in the global market (Levitt, 1983). On the other hand, those who prefer the adaptation strategy emphasise the variations that exist in different markets

that include legal requirements, competitive practices, communication media and platforms, etc. (Sousa & Lengler, 2009).

There have been contradicting findings from past quantitative surveys on the impact of the degree of promotion on export achievement. Cavusgil and Zou (1994) did not find any significant relationship between promotional strategy, which is conceptualised as promotional strategy, positioning and packaging, and export performance. (Leonidou et al., 2002) posit that adapting promotion strategy will positively and strongly impact export achievement. Shoham (1996) also discover a favourable correlation between marketing communication modification and export achievement. The results show that the more adaptable a firm is in its promotional programme in its foreign markets, the better will be its export performance. Therefore, exporters following a promotion adaptation strategy are hypothesised to be able to achieve better export performance:

H4: Export promotion adaptation strategy is positively related to the export performance of Malaysian manufacturers.

3.3.5 The Moderating Role of External Market Environment

In a research on Japanese firms, Kotha and Nair (1995) find that market performance and business growth are strongly impacted by the market environmental factors. Subsequently, Hoff, Fisher, Miller and Webb (1997) and Menon, Chowdhury and Jankovich (1999) have also reaffirmed the influential role of the market environmental role in determining firm's market performance. In a more recent

survey by O'Cass and Julian (2003), it is indicated that the market environmental factors have a strong influence on export performance of firms in Australia. O'Cass and Julian (2003) opine that overseas markets present both opportunities and threats and emphasise that a firm must leverage its strength to seize market opportunities and overcome the threats posed to achieve better export marketing performance. This is in line with Cavusgil and Zou's (1994) seminal research findings that indicate the influence of environmental factors on export marketing performance. For instance, large extent of product adaptation is required in a competitive export market to achieve competitive advantage over competitors (Cavusgil & Zou, 1994). In O'Cass and Julian's (2003) study, it shows that intensity of rivalry is an essential component of export market environment that has an impact on export performance. The findings show that external environmental factors have a strong impact on both export marketing mix strategy and export marketing performance. And export marketing mix strategy has a strong effect on export marketing performance. This clearly shows that environmental factors need to be taken into consideration in export marketing strategies formulation to ensure superior export performance.

In another study by Chung (2007), the marketing mix elements are required to be adapted where there are variations in the external environmental factors. High level of product and place strategies adaption needs to be adopted where the external environmental factors differ to a large extent. This is in line with the past study by O'Cass and Julian (2003). In addition, Chung (2007) also finds that pricing and promotion strategy adaptation is likely to be adopted by Australian companies in a highly competitive export market environment. It is concluded by Chung (2007) that

players in highly competitive and differentiated export market place tend to adapt their export marketing strategies which in turn produce better profitability.

In a study on Malaysian small and medium enterprises, it is discovered that the external environmental factors do have a moderating effect on the relationship between firms' strategies and performance (Hashim, 2001). In another study of the Malaysian small and medium enterprises (Man & Wafa, 2009), the uncertainty of the external environment is found to moderate the relationship between strategies adopted and the small and medium enterprises' export performance. Volatility or uncertainty in the external environment and intensity of global competitions pose threats to companies' business performance. The contingency theory posits that actions must be taken to manage these uncertainties and hence, firms must adapt to the environmental volatilities to ensure organisational survival.

Two major aspects of the external environment are especially important and relevant to export business (Kaleka & Berthon, 2006). Market turbulence can be defined as degree of volatility in the external environment resulting in the danger of firms losing market share. This forces firms to change their business strategies to adapt to the evolving market needs (Gaur, Vaudevan, & Gaur, 2011). The other component that is pertinent is intensity of competition which can be referred to as the degree of competition among various market players in an industry. As the number of market players in an industry expands, the amount and uncertainty of strategic shifts in a market may escalate significantly (Porter, 1985).

Increasing turbulence in the market environment necessitates firms to adopt more adaptation in dealing with customers and competitors and also to be continually innovative and enterprising to effectively meet the changing market needs. Under the conditions of volatile market environment, marketing function becomes very important for firms to manage in order to respond efficiently and effectively to those challenges posed by the turbulence in the market environment. More emphasis needs to be placed on predicting and reacting rapidly to competitive moves to ensure business performance sustainability. Product innovation or adaptation needs to be looked into to fulfill evolving current customers' needs as well as new market opportunities. Given the differentiated market segments, more customisation in marketing elements is required (Qureshi & Mian, 2012). To enhance firms' market performance in a highly turbulent and competitive market, firms are driven to develop marketing strategies and initiatives are more responsive, market-centric, creative and highly value-added to cater for the evolving market needs both in the short and long term (Morris, Schindehutte, & Raymond, 2002).

Based on the discussion above, the following hypothesis on the moderating role of the external market environment is developed:

H5: External market environment moderates the relationship between marketing adaptation strategy and the export performance of Malaysian manufacturers.

3.4 Research Design

The study was both descriptive and correlational in nature. The descriptive parts included profile of exporters and subject matter ratings while the correlational part established the association between international marketing programme and export performance. The research was designed based on the scientific method of hypothetico-deductive method. According to Sekaran and Bougie (2013), the hypothetico-deductive method consists of seven steps that encompass a broad problem or issue identification, problem statement definition, hypotheses development, measures determination, data collection, analysis and interpretation of data. Deductive approach is a main aspect of this method where a general theoretical framework is adopted and applied to a certain practical case. The theoretical foundations were established through relevant past researches.

For this study, a quantitative survey research approach was adopted. This survey research approach involved setting research objectives, designing the research, developing a reliable and valid research instrument, executing the survey, collecting and analysing data and finally interpreting and reporting the findings (Sekaran & Bougie, 2013). The study was a cross-sectional one where the research is conducted at a particular time as it is suitable for an academic research due to time constraint (Saunders, Lewis, & Thornhill, 2012). This research employed an e-mail questionnaire survey to gather data for statistical testing of the formulated hypotheses. This survey method was selected due to the advantage of a wide geographical coverage in less time and with lower costs (Sekaran, 2005). This survey research method was chosen where it involved methods of gathering information from people in the natural setting (Graziano & Raulin, 2004). In other words, it was a field research that is conducted in its natural setting where a correlational study

was generally carried out in a non-contrived environment where events are left to happen in its normal setting without any researcher interference (Sekaran & Bougie, 2013). The survey was carried out with a specific purpose of generalising the results to the population which also had a relatively high validity as the questions asked were directly addressing the underlying items of a dimension (Lyon, Lumpkin, & Dess, 2000).

3.4.1 Population and Sample

The sampling frame of the survey comprised all manufacturing firms in Malaysia listed in the 2013 Federation of Malaysian Manufacturers (FMM) directory of manufacturers (Federation of Malaysian Manufacturers, 2013). The sampling frame consisted of manufacturers in Peninsular Malaysia. This is consistent with past researches conducted among Malaysian manufacturers where the sampling frame consisted of manufacturing firms throughout Peninsular Malaysia. For instance, in a study by Jusoh and Parnell (2008), the sample was drawn from the FMM directory of manufacturers from various industries and located throughout Peninsular Malaysia. In another recent empirical study in Malaysia, sample was also selected from the FMM directory of manufacturing firms from different industries located throughout Peninsular Malaysia (Ling & Nasurdin, 2010). A sample of manufacturers from different industries was selected to enhance the generalisation of findings through more varied observations (Morgan et al., 2004).

The unit of analysis was the firm as majority of past studies used the same (Sousa, Martinez-Lopez, & Coelho, 2008). The conceptual support for this proposition is the theory of internalisation (Rugman, 1980). This theory posits that firms will use both

its tangible and intangible advantages to achieve maximum business returns. As such, export achievement was examined at the company's level as the company's advantages were developed through its export marketing programmes.

For this study, a systematic sampling method was employed where the samples were randomly selected from the FMM Directory 2013 (the sampling frame) that consisted of 2,400 manufacturing related firms. The selected option of a systematic sampling method was justified as such a sampling method had been employed in past empirical surveys that concern manufacturing firms (Morgan et al., 2004; Jusoh & Parnell, 2008). Due to financial and time constraints, the choice of a systematic sampling approach was justified (Ismail, Rose, Uli, & Abdullah, 2011).

For a population size of 2,400 firms, the appropriate sample size at a 95 percent confidence level is 331 firms (Sekaran & Bougie, 2013). In deciding the suitable sample size of most surveys, the rule of thumb is a sample size of between 30 and 500 (Roscoe, 1975). In a review of literature on factors determining export achievement by Sousa et al. (2008), the response rates were high in most past studies, recording response rates of more than 25 percent. In a developing country like Malaysia, Othman, Abdul-Ghani and Arshad (2001) suggest that surveys in Malaysia tend to achieve response rates of between 15 percent and 25 percent. Taking into consideration the low response rate of 25 percent, the number of firms contacted for the questionnaire survey was quadrupled the intended sample size. A total of 1,200 firms were selected from the population list of 2,400 firms using a systematic sampling method where a sample was selected based on a random starting point followed by every second element. In other words, a sampling interval of one in every

two was adopted. As in past studies, target respondents were management personnel responsible for export marketing of firms.

3.4.2 Data Collection Methods

For this research, a structured approach using pre-determined questions in a self-administered questionnaire was adopted. This method was selected as it was cost saving and less time consuming (Sekaran & Bougie, 2013; Saunders et al., 2012). In a review of research on factors leading to overseas market performance in the literature between 1998 and 2005, a vast majority of the studies employed mail surveys as the collection method. The adoption of data collection method through mailed self-administered questionnaire was partly due to the fact that manufacturing firms were geographically scattered and therefore difficult to reach them physically (Sousa, Martinez-Lopez, & Coelho, 2008). As in most past studies, the key respondent was the management personnel in the company that was responsible for overseas marketing.

The questionnaire was administered by emails through an electronic questionnaire (Morgan & Symon, 2004). Questionnaire was designed and administered using electronic survey design system which is very useful for surveys today. As the survey was being carried out, descriptive statistics of cumulative data were gathered to monitor the progress of the survey. Data captured in Excel were subsequently transferred to SPSS for further editing and analysis. Administration of survey via electronic questionnaires is gaining popularity the response rates may be as good as those for the traditional mail surveys. With increased computer literacy, email survey

results in better response rate than mail survey (Sekaran & Bougie, 2013) and has significant advantages in a geographically scattered target respondents (Saunders et al., 2012). According to Sekaran and Bougie (2013), the main advantages of electronic questionnaires are that it is relatively cheap and fast administration of survey questionnaires. Furthermore, questionnaires can be filled by the target respondents at their convenience. Given the high computer literacy, email access and convenience, respondents are more willing to participate and return the questionnaires. Furthermore, the sampling frame derived from the FMM list contained email addresses of all manufacturers.

In order to increase the response rate, several measures were taken. Prior to sending out of the questionnaire, target respondents were contacted through telephone to inform subjects of the impending survey and to seek their kind cooperation. Two weeks after the emailing out of the questionnaire, follow-up telephone calls were made as well as follow-up emails sent as gentle reminders of filling out the questionnaire. Skinner and Childers (1991) discover that prior notices and follow-throughs help in enhancing the survey response rates. In addition, the respondents were given the option to remain anonymous in their return questionnaires as some subjects might not want to take part in the survey if their identities were made known (Churchill, 1999).

3.4.3 Instrumentation

The questionnaire design was adopted from the seminal work of Cavusgil and Zou (1994), and subsequent studies by Lee and Griffith (2004), Sousa and Bradley (2005),

and Vrontis, Thrassou, & Lamprianou (2009). The questionnaire contained 21 multiple choice questions in two main sections. The first section covered company profile areas with five questions, adapted from study by Cavusgil and Zou (1994). The second section covered the subject matter that included the dependent variable of export performance with three dimensions, adapted from study by Lee and Griffith (2004), and the independent variables of export marketing mix variables with four dimensions and 13 items, adapted from Sousa and Bradley (2005) and Vrontis et al. (2009).

Adopting the measurement scales developed by Jaworski and Kohli (1993), two key aspects of the moderating variable were adopted with six items each, making a total of 12 items. Two of the original three key aspects, the third being technological turbulence, by Jaworski and Kohli (1993) were selected because the research intended to look at the moderating role of the external market environment from the perspectives of customers and competitions that influences the degree of adaptation of the export marketing mix elements. The six items of market turbulence relate to the various aspects from the customers' perspective while the six items of competitive intensity consist of various aspects from the perspective of competitors. This is consistent with a past research by Cadogan et al. (2012) on strategic flexibilities and export performance where only the two aspects, excluding technological turbulence, of the external market environment are adopted. In an earlier study by Cadogan, Chui, and Li (2003) on export orientation and export performance, only two of the three aspects are adopted. The two moderating aspects are competitive intensity and technological turbulence. In another study by O'Cass and Julian (2003) on environmental impact on export marketing strategy and export performance , only one

aspect from the Jaworski and Kohli's (1993) three aspects of the export environment, that is competitive intensity, is adopted. In a Malaysian study of export perfomance by Singh and Mahmood (2014), only market turbulence is adopted as the measure for the moderating role of external market environment. Altogether, there were 33 multiple-choice questions. The reasonable length of the questionnaire was to help in generating a good response rate as Chung (2003) states that a lengthy questionnaire will result in a low response rate.

The following Table 3.1 outlines the sources and items of the questionnaire:

Table 3.1

Questionnaire's Sources and Items

Sources	**No**	**Items**
Cavusgil and Zou (1994)	1	Number of employees
	2	Percentage of export sales over total sales
	3	Number of years of export experience
	4	Type of export products
	5	Number of countries exported to
Lee and Griffith (2004)	6	Level of export sales performance
	7	Level of export profitability
	8	Prospects of future export performance
Cavusgil and Zou (1994)	9	Product features adaptation
Sousa and Bradley (2005)	10	Product quality adaptation
Vrontis, Thrassou and	11	Product brand name adaptation
Lamprianou (2009)	12	Product packaging adaptation

	13	Pricing adaptation
	14	Trade discounts adaptation
	15	Credit terms adaptation
	16	Distribution channels adaptation
	17	Logistics adaptation
	18	Delivery and installation adaptation
	19	Advertising & promotion adaptation
	20	Personal selling adaptation
	21	Publicity adaptation
Jaworski and Kohli (1993) Singh & Mahmood (2014)	22	In our kind of business, customers' product preferences change quite a bit over time.
	23	Our customers tend to look for new product all the time.
	24	Sometimes our customers are very price sensitive, but on other occasions, price is relatively unimportant.
	25	We are witnessing demand for our products and services from customers who never bought them before.
	26	New customers tend to have product-related needs that are different from those of our existing customers.
	27	We cater for many of the same customers that we used to in the past.

28	Competition in our industry is cut-throat.
29	There are many "promotion wars" in our industry.
30	Anything that one competitor can offer, others can match readily.
31	Price competition is the hallmark of our industry.
32	One hears of a new competitive move almost every day.
33	Our competitors are relatively weak.

The questionnaire is attached in Appendix 1, for further reference.

A pilot test was carried out to test and fine-tune the questionnaire to ensure research subjects understand the questions asked as well as ability to answer the questions correctly (Saunders et al., 2012; Sekaran & Bougie, 2013). This served as a trial run to find out whether there was any problem in answering the questions during the actual questionnaire survey in terms of the clarity of both instructions and questions (Bell, 2005). Given the time and financial constraint in academic research, the minimum number of respondents for a pilot test was 10 (Fink, 2003).

3.4.4 Operational Definitions

Operationalisation refers to the identification and measurement of both dependent and independent variables in the research. This was applied to the dimensions and items within them where numbers were assigned to the attributes of the variables. According to Sekaran and Bougie (2013), the first step is to define the dimension or

construct to be measured, followed by the content of the dimension that included one or more items to be measured that form the resulting questions in the questionnaire. A response format was then developed for each of the item that may include, for example, Likert's five-point rating scale. The measurement scales were then evaluated for their validity and reliability. In this research, instead of re-inventing the wheel by developing new measures, it adopted measurement scales adapted from previous research that are well documented and validated. These validated measurement scales by previous researchers were then adopted for the research instrumentation (i.e. in the questionnaire design).

The profile of respondents included size of firm measured by number of employees, extent of export by overseas sales proportion over total sales, export experience by time duration involved in international marketing in terms years, type of export products indicated by either consumer or industrial products and number of countries exported to. This follows the profile questions included in the seminal work of Cavusgil and Zou (1994).

The measures of variables were, to a large extent, based on subjective or judgmental assessment scale in order to make it more plausible in generating higher response rate. As for quantitative evaluation, relative values in terms of ratios or percentages rather than absolute values were adopted, also for the purpose of making it more feasible where respondents are inclined to respond.

The following were the operationalisation of export marketing variables, measured both behaviourally or qualitatively, and economically or quantitatively (Cavusgil &

Zou, 1994; Lee & Griffith, 2004; Vrontis et al., 2009). Adopting the Likert's 5-point rating scale, the dependent variable of export performance was measured by the firms' 5-point ratings of export achievement and profitability, and prospects of future export performance, with 5 being excellent and 1 being poor. The independent variables of the marketing mix items were also measured by the Likert's 5-point rating scale based on degree of adaptation of the various items, with 5 being substantial and 1 being none.

The first independent variable of export product adaptation strategy was measured by the rating of the items consisting of product features, product quality, product brand name and product packaging. The second independent variable of export pricing adaptation strategy was measured by the rating of items comprising of pricing, trade discounts and credit terms. The third independent variable of export distribution adaptation strategy was measured by the rating of items consisting of distribution channels, logistics and delivery and installation. The fourth independent variable of export promotion adaptation strategy was measured by the rating of items comprising of advertising and promotion, personal selling and publicity. The moderating variable of external market environment was measured by two major dimensions that consisted of market turbulence and competitive intensity, adopted from Jaworski and Kohli (1993). Market turbulence and competitive intensity, in turn, consisted of six items each.

3.5 Data Analysis Techniques

Following the survey of the representative sample drawn through systematic sampling of the population, the data gathered were then analysed to test the research hypotheses using IBM SPSS Statistics software. Prior to data analyses, several preliminary data preparation procedures were performed.

3.5.1 Data Coding

The first step was data coding where a codebook was prepared within which the variables in the questionnaire were named and coded. Codes refer to numbers assigned to the respondents' answers to the questions asked.

3.5.2 Data Entry

The second step was data entry where the responses were entered using the codes assigned through SPSS Data Editor where the contents of the data are entered, viewed and edited.

3.5.3 Data Editing

The third step was data editing where the responses are edited for logic, errors, omissions and inconsistencies. These were checked, detected and corrected to assure quality of data for subsequent analysis. Illogical answers could be outliers which are responses that were very different to a large extent from other responses. This was subject to further subsequent statistical analysis to check for outliers. Errors refer to

illegal codes which were codes that were not specified at the data coding stage. Omissions refers to missing cases or missing values that could be made when the data was not entered or the respondents did not know the answer or unwilling to answer. If in a questionnaire, 25% or more questions were not answered, the questionnaire would be excluded as unusable questionnaire (Sekaran & Bougie, 2013). In the SPSS software, data were screened for errors by running the descriptive statistics to check the frequencies in terms of minimum and maximum values, valid and missing cases, means and standard deviations (Pallant, 2005).

After the data preparation, a series of preliminary analyses were conducted which included the generation of descriptive statistics, reliability testing, evaluating normality of data and checking for outliers, plotting of graphs to describe and explore data, and data transformation for non-normality.

3.5.4 Descriptive Statistics

Descriptive statistics that include means, standard deviations, as well as distribution scores of skewness and kurtosis were computed. These statistics were used to describe the sample characteristics and indicate the distribution of data. The skewness value depicted the distribution symmetry while kurtosis indicated the peakedness or flatness of the data distribution. A skewness and kurtosis score of 0 indicated a perfectly normal distribution. Positive skewness meant that the distribution had relatively more small values and tails off to the right while negatively skewed distribution had relatively more big values and tails off to the left. A positive score of kurtosis depicted a relatively peaked distribution while a flat distribution was indicated by a

negative kurtosis value (Hair, Black, Babin, Anderson, & Tatham, 2011; Pallant, 2005).

3.5.5 Reliability and Validity

The next step was evaluating the goodness of data through testing the reliability of scales used as one of the major issues was the scale's internal consistency and stability (Pallant, 2005; Saunders et al., 2012; Sekaran & Bougie, 2013). Consistency refers to the extent of items' ability to hold together in measuring a dimension or concept as a whole set. The indicator of internal consistency used was the Cronbach's alpha coefficient which would state the average inter-correlations among the items measuring the dimension. The internal consistency reliability was considered higher, the nearer the Cronbach's alpha coefficient is to 1. According to Pallant (2005) and Sekaran & Bougie (2013), a good and acceptable reliability was when the Cronbach's alpha coefficient was 0.70 and above. Nunnally (1978) also established 0.70 as the cut-off point. After running the reliability analysis in SPSS, if a scale's overall Cronbach's alpha value was less than 0.70, items with low item-total correlation were considered for removal. Upon checking "Cronbach's Alpha if Item Deleted", if the resulting coefficient was higher than the overall value, then the item was considered for removal to improve the final overall Cronbach's alpha value. For well-established and well-validated scales from past studies, this was done for alpha value less than 0.70. In addition, for these well-validated scales, the validity of the measures was not to be established again (Sekaran & Bougie, 2013).

3.5.6 Normality, Linearity and Homoscedasticity

Normality refers to a bell-shaped curve that is symmetrical with most values in the middle with smaller number of values on the two opposite right and left extremes. While skewness and kurtosis values showing the degree of normality of distribution of data, further statistical assessment was carried out. In SPSS, 5% trimmed mean refers to the mean after removing the top and bottom 5 per cent of cases. The closer this trimmed mean to the original mean, the higher the normality of the distribution of data. In addition, in the tests of normality, Kolmogorov-Smirnov statistic of a significant value of more than 0.05 showed normality of distribution. Histogram was also referred to see check normality. Normal Q-Q plots and Boxplots were generated to assess normality. Outliers were identified in boxplots and extreme values cases were identified in SPSS descriptive statistics. Removal of such outliers was considered if they had adverse effect on subsequent analysis (Hair et al., 2011). Linearity refers to the liner relationship between variables. Homoscedasticity, on the other hand, shows similarity in values variability of the variables. Linearity and homoscedasticity were established through the visual observation of scatterplots where a fairly straight and fairly even cigar shaped line was evident (Pallant, 2005). In essence, the preliminary statistical analyses were conducted to ensure the assumptions of normality, linearity and homoscedasticity were not violated to facilitate further statistical analyses such as correlation and multiple regressions to establish the relationships between variables. For distribution of data that was skewed or violates the assumption of normality, linearity and homoscedasticity, data transformation would be performed.

3.5.7 Correlation Analysis

After the preliminary statistical analyses, the relationships among the variables were explored and hypotheses were tested. Pearson correlation was used to establish both the strength or extent and direction of correlation between the outcome variable which is the export outcome and the predictor variables which are the international marketing programmes. As all the variables are continuous that were captured using an interval scale, the Pearson product-moment correlation coefficients were computed.

The negative or positive sign of the correlation coefficient value indicated the direction of the correlation between the two variables. A negative value denoted an inverse relationship between the variables. Negative correlation indicated movement of variables in the opposite direction in a situation when one variable went up, the other variable came down and vice-versa. On the other hand, a positive value indicated a positive relationship between two variables. Positive correlation showed movement of variables in the same direction in a situation when one variable went up, the other variable increased and vice-versa.

The correlation coefficient value could range from -1.00 to +1.00. A correlation coefficient of 0 means there was no relationship at all between the two variables, -1.00 denoted a perfect negative correlation and +1.00 indicated a perfect positive correlation. While for other values in between, Cohen (1988) suggests that values between +0.50 and +1.00, and -0.50 and -1.00 indicated strong correlation, values between +0.30 and +0.49 and – 0.30 and +0.49 denoted moderate correlation and values between +0.10 and +0.29 and -0.10 and -0.29 indicated weak correlation.

3.5.8 Multiple Regression Analysis

Multiple regression analysis was conducted to explain how much of the variation in the dependent variable of export performance was caused by the independent variables of export marketing adaptation strategies. In other words, it established the predictive ability of different export marketing adaptation strategies as the set of independent variables, on export performance which is the dependent variable. This was performed by including all the independent variables into the analysis through a simultaneous or standard multiple regression. The analysis indicated the statistical significance of the individual independent variables as well as the overall model.

3.5.9 Multicollinearity Test

In performing multiple regressions, a correlation matrix was produced not only showing the relationship between the outcome variable and the predictor variables but also the relationship among the independent variables. High correlation among these independent variables would result in the problem of multicollinearity and thus adverse effect of the stability of the parameter estimates. To assess multicollinearity, the bivariate correlation between two independent variables indicated in the correlation matrix was checked. If among the independent variables correlation coefficient is 0.70 or more, omission of one variable would be considered to solve the problem of multicollinearity (Pallant, 2005; Sekaran & Bougie, 2013). As part of the multiple regression analysis in SPSS, collinearity statistics in the form of variance inflation factor (VIF) were computed to evaluate multicollinearity. The presence of multicollinearity would be indicated by a VIF score of above 10. In other words, if the

VIF score was below 10, there would be no violation of the multicollinearity assumption.

3.5.10 Hypotheses Testing

Four hypotheses were designed to test the associations between export marketing strategies and export performance. The output of the multiple regression analysis is used to reveal and confirm the results of the hypotheses testing. The findings were then used to conclude on the relationships as well as the significant influence of each international marketing factor on export outcome, followed by discussion of findings in relation to past studies, limitations of study and suggestions for further research.

3.6 Chapter Summary

Following the literature review, this chapter included the research framework that connected the four export marketing adaptation strategies (product, pricing, distribution and promotion) as the predictor variables to the outcome variable of export performance as well as the moderating role of external market environment (market turbulence and competitive intensity). The research framework is explained by the resource-based view (RBV) and industrial organisation (IO) theory. Five hypotheses were then developed for the study.

The sampling frame adopted for this study is the 2013 FMM Directory of Manufacturers with the selected firms as the unit of analysis. Systematic sampling method was applied based on a sampling frame of 2,400 manufacturers as in past empirical surveys where

every second element of the population was selected from a random start adopting a sampling interval of one in every two.

An email survey was adopted with a self-administered questionnaire link emailed to target respondents. The data analysis techniques included descriptive statistics, reliability and validity tests, normality, linearity and homoscedasticity analyses, correlation analyses, multiple regression analyses to test the hypotheses.

CHAPTER FOUR: RESULTS AND DISCUSSION

4.1 Introduction

The research instrument adopted in this survey was a self-administered questionnaire. Due to time and financial limitations, a pilot test to test the questionnaire was conducted among 10 respondents (Fink, 2003). The pilot test yielded favourable results where the 10 subjects in the pilot test had no problems in their comprehension and completion of the questionnaire. There were two cases where the respondents asked for simple clarification to confirm their understanding of the measurement scales. Given the clarity and the non-issue of the questionnaire design, the full scale self-administered survey was then conducted.

The self-administered questionnaire survey was carried out for close to four months from 12 June, 2014 to 3 October, 2014. According to Saunders et al. (2012), self-administered survey, also known as self-completed survey, involved the filling in of the questionnaire by the respondents themselves. These questionnaires access could be made through the internet via email and post (i.e. the traditional mailing method) and/or direct delivery and collection from respondents. A total of 1200 manufacturing firms were selected from the list of about 2,400 manufacturers listed in the Federation of Malaysian Manufacturers directory ((Federation of Malaysian Manufacturers, 2013) using a systematic sampling method. From the directory, the contact details of the selected samples were obtained for follow-ups. Telephone calls were made to inform the target respondents the imminent questionnaire survey and to verify the contact persons and email addresses. Based on the email addresses listed, an email was sent to the selected firms where a web link to the

questionnaire was stated for the respondents to click to continue to complete and submit the questionnaire online. This was followed up with telephone calls to inform the target respondents the sending of the questionnaire through email and to seek the kind cooperation of the target respondents to self-complete the questionnaire and submit online accordingly. The email survey was done through Google Drive using questionnaire designed in Google Docs.

To improve the response rate which was not so forthcoming at the beginning, follow-up telephone calls were made after two weeks of emailing the questionnaires. As suggested by Saunders et al. (2012), some of the self-administered questionnaires were delivered to the subjects and collected. For some subjects who are business owners who preferred not fill in the questionnaire themselves, the questionnaires were completed by the interviewer through a structured interview where questions in the questionnaire were directed to the target subjects and were filled by the interviewer. Prior to this, appointments were made through telephone calls and also through the researcher's network of acquaintances. As can be seen here, various efforts were made just to ensure the response rate was favourable. A total of 163 responses were achieved, representing a response rate of 13.6 percent, consistent with the expectation of response rates between 10 and 20 percent in the Malaysian context (Othman, Abdul-Ghani, & Arshad, 2001).

The data analysis in the following section included profile of the firms responded to the survey, normality of the data distribution, reliability of all measurement scales adopted, and construct validity through validation of all the variables using factor analysis to consider data reduction leading to deletion of items, if any. Pearson correlation was used to establish both the extent and direction of correlation between the outcome variable and

the predictor variables and also by product type, form size and export experience. Then, standard multiple regression was applied to establish the degree of influence of the four independent variables (export marketing adaptation factors) in explaining the variance of the dependent variable (export performance). The relative significance of each of the export marketing adaptation factors in predicting the outcome of export performance was also established. Finally, hierarchical multiple regression was conducted to establish moderating effect of external market environment.

4.2 Profile of Firms

The preliminary statistics indicated valid 163 cases with no missing values for all 33 questions asked. The following are the statistics in the form of frequency tables of the profile the manufacturers interviewed.

Table 4.1
Number of Employees

Number of Employees	Number of Firms	Percent (%)	Cumulative Percent (%)
Less than 75	53	32.5	32.5
75 to 200	85	52.1	84.7
More than 200	25	15.3	100.0
Total	163	100.0	

Table 4.1 shows there are 163 respondents with 32.5% have less than 75 employees, 52.1% have 75 to 200 employees and the remaining 15.3% have more than 200 employees. As per the Small and Medium Enterprise Corporation Malaysia's (SME Corp Malaysia) definition of enterprises by size (SME Corp Malaysia, 2014), 32.5 % are small

manufacturers, 52.1% are medium-size manufacturers while the balance of 15.3% are large-size manufacturers.

Table 4.2
Percentage of Export Sales over Total Sales

Export Sales Ratio	Number of Firms	Percent (%)	Cumulative Percent (%)
20% or less	6	3.7	3.7
21% to 50%	27	16.6	20.2
51% to 80%	104	63.8	84.0
More than 80%	26	16.0	100.0
Total	163	100.0	

From the Table 4.2 above, it shows that 20.2% of the respondents export 50% or less of their products, majority of those interviewed export between 51% to 80% of their products while 16% export more than 80%. It reflects Malaysia as an export-dependent nation as almost 80% of the firms export more than 50% of their products.

Table 4.3
Export Experience

Export Experience	Number of Firms	Percent (%)	Cumulative Percent (%)
Less than 5 years	7	4.3	4.3
5 to 10 years	24	14.7	19.0
11 to 15 years	91	55.8	74.8
More than 15 years	41	25.2	100.0
Total	163	100.0	

Consistent with the export dependency indicated in the previous table, Table 4.3 above suggests that most firms have considerable years of export experience where 81% of the firms have more than 10 years of export experience.

Table 4.4
Main Type of Export Products

Type of Export Products	Number of Firms	Percent (%)	Cumulative Percent (%)
Consumer	51	31.3	31.3
Industrial	112	68.7	100.0
Total	163	100.0	

Table 4.4 above shows the majority of Malaysian manufacturing exporters are exporting industrial products, 68.7% against 31.3% consumer products. This reflects the Malaysian industrial development where the major exports are industrial goods.

Table 4.5
Number of Countries Exported To

Number of Countries	Number of Firms	Percent (%)	Cumulative Percent (%)
1 to 10	18	11.0	11.0
11 to 20	54	33.1	44.2
21 to 30	65	39.9	84.0
More than 30	26	16.0	100.0
Total	163	100.0	

In terms of number of countries exported to, 33.1% of the firms are exporting to 20 or less countries while majority of 55.9% export to more than 21 countries as shown in Table 4.5 above. This signifies the growing globalisation of export markets for Malaysian export manufacturers.

4.3 Normality and Reliability

Before subjecting the data for further statistical analyses, the normality of the data distribution is first assessed. Following that, the reliability of the continuous variables measurement scales adopted is checked.

For all the items of all the variables, the following statistical measures and illustrations are generated to check the normality of the distribution of data:

- Mean and 5% Trimmed Mean
- Histograms
- Normal Q-Q Plots
- Box Plots

Upon inspection of all the above for all the items, it is found that:

- Mean and 5% trimmed mean are very close to each other
- Histogram showing normally distributed scores
- Straight line in normal Q-Q plots
- Absence of extreme values in box plots
- Presence of negligible outliers in box plots

It is concluded that normality of all the data is established and therefore all items are retained for further statistical analyses.

Table 4.6
Reliability of Measurement Scales

Variables	**No of Item**	**Cronbach's Alpha**
Export Performance	3	0.897
Export Product Adaptation	4	0.933
Export Pricing Adaptation	3	0.909
Export Distribution Adaptation	3	0.931
Export Promotion Adaptation	3	0.891
Market Turbulence	6	0.871
Competitive Intensity	6	0.866

As the Cronbach's alpha coefficients are more than 0.70 as shown in Table 4.6 above, the measurement scales adopted for measuring all the items for each variable are considered reliable (Sekaran & Bougie, 2013). Therefore, all items are retained for further statistical analyses. Moreover, these are well established and validated scales. All the above detailed results and explanations of normality and reliability are attached in Appendix 2, for further reference.

4.4 Factor Analysis

Following the assessment of normality of distribution of data as well as the reliability of the measurement scales used, the next step is the validation of the variables by performing factor analysis to consider data reduction leading to deletion of items, if any, to establish construct validity (Sekaran & Bougie, 2013).

4.4.1 Export Marketing Adaptation and Export Performance

Firstly, the suitability of the data for factor analysis is checked with the following correlation matrix in Table 4.7, and Kaiser-Meyer-Ohlin Measure of Sampling Adequacy (KMO) and Bartlett's Test of Sphericity in Table 4.8.

Table 4.7
Correlation Matrix of Export Marketing Adaptation and Export Performance

VAR	EP1	EP2	EP3	PD1	PD2	PD3	PD4	PC1	PC2	PC3	DB1	DB2	DB3	PM1	PM2	PM3
EP1	1.000	0.787	0.769	0.894	0.821	0.739	0.769	0.799	0.799	0.741	0.768	0.705	0.787	0.610	0.744	0.753
EP2	0.787	1.000	0.675	0.796	0.835	0.701	0.723	0.763	0.735	0.762	0.708	0.695	0.694	0.641	0.713	0.755
EP3	0.769	0.675	1.000	0.747	0.694	0.591	0.622	0.699	0.663	0.567	0.645	0.614	0.661	0.510	0.678	0.617
PD1	0.894	0.796	0.747	1.000	0.818	0.795	0.822	0.809	0.807	0.711	0.790	0.754	0.727	0.700	0.762	0.788
PD2	0.821	0.835	0.694	0.818	1.000	0.735	0.716	0.815	0.761	0.795	0.759	0.735	0.767	0.662	0.761	0.766
PD3	0.739	0.701	0.591	0.795	0.735	1.000	0.798	0.665	0.658	0.632	0.705	0.678	0.592	0.688	0.630	0.746
PD4	0.769	0.723	0.622	0.822	0.716	0.798	1.000	0.725	0.718	0.701	0.752	0.707	0.661	0.693	0.698	0.784
PC1	0.799	0.763	0.699	0.809	0.815	0.665	0.725	1.000	0.775	0.789	0.808	0.807	0.797	0.610	0.780	0.722
PC2	0.799	0.735	0.663	0.807	0.761	0.658	0.718	0.775	1.000	0.743	0.760	0.697	0.728	0.560	0.776	0.692
PC3	0.741	0.762	0.567	0.711	0.795	0.632	0.701	0.789	0.743	1.000	0.740	0.704	0.673	0.638	0.745	0.718
DB1	0.768	0.708	0.645	0.790	0.759	0.705	0.752	0.808	0.760	0.740	1.000	0.880	0.799	0.668	0.807	0.759
DB2	0.705	0.695	0.614	0.754	0.735	0.678	0.707	0.807	0.697	0.704	0.880	1.000	0.777	0.648	0.766	0.751
DB3	0.787	0.694	0.661	0.727	0.767	0.592	0.661	0.797	0.728	0.673	0.799	0.777	1.000	0.448	0.764	0.651
PM1	0.610	0.641	0.510	0.700	0.662	0.688	0.693	0.610	0.560	0.638	0.668	0.648	0.448	1.000	0.640	0.830
PM2	0.744	0.713	0.678	0.762	0.761	0.630	0.698	0.780	0.776	0.745	0.807	0.766	0.764	0.640	1.000	0.759
PM3	0.753	0.755	0.617	0.788	0.766	0.746	0.784	0.722	0.692	0.718	0.759	0.751	0.651	0.830	0.759	1.000

EP1=Export sales performance; EP2=Export Profitability; EP3=Export Prospects; PD1=Product Features; PD2=Product Quality; PD3=Brand Name; PD4=Packaging; PC1=Pricing; PC2=Trade Discounts; PC3=Credit Terms; DB1=Channels; DB2=Logistics; DB3=Delivery & Installation; PM1=Advertising & Promotion; PM2=Personal Selling; PM3=Publicity

Table 4.8
KMO and Bartlett's Test of Export Marketing Adaptation and Export Performance

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.	0.959
Bartlett's Test of Sphericity	3175.535
Sig.	0.000

Factorability of data is indicated in the correlation matrix that shows coefficients of correlation of 0.30 or more in Table 4.7 above. In Table 4.8, KMO is more than 0.60 and Bartlett's test is statistically significant at $p<0.05$. Therefore, the data is suitable for factor analysis (Tabachnick & Fidell, 2012). After Varimax Rotation with Principal Component Analysis, the following Table 4.9 shows that the total of 79.46% of the variance is explained by two components that each has an eigenvalue of 1 or greater.

Table 4.9
Total Variance Explained of Export Marketing Adaptation and Export Performance

Component	Rotation Sums of Squared Loadings		
	Eigenvalue	**% of Variance**	**Cumulative %**
1	7.462	46.635	46.635
2	5.251	32.820	79.455

Using Varimax Rotation with Kaiser Normalisation, it resulted in the following Table 4.10 showing simplified rotated component with high loadings on a single factor.

Table 4.10
Simplified Rotated Component Matrix of Export Marketing Adaptation and Export Performance

Variables	**Component**	
	1	**2**
Delivery & Installation	0.891	
Pricing	0.809	
Trade Discounts	0.775	
Performance	0.772	
Personal Selling	0.750	
Prospects	0.738	
Channels	0.734	
Product Quality	0.729	
Logistics	0.703	
Product Features	0.689	0.616
Profitability	0.667	
Credit Terms	0.667	
Advertising & Promotion		0.899
Publicity		0.792
Brand Name		0.754
Packaging		0.710

As the factor loadings are more than ± 0.50, they are to be included for practical significance (Hair et al., 2011). However, due to one cross-loading, the model is re-

specified to exclude Product Features Adaptation. This item is excluded in subsequent statistical analyses.

4.4.2 External Market Environment

Firstly, the suitability of the data for factor analysis is checked with the following correlation matrix in Table 4.11, and Kaiser –Meyer-Ohlin Measure of Sampling Adequacy (KMO) and Bartlett's Test of Sphericity in Table 4.12.

Table 4.11
Correlation Matrix of External Market Environment

VAR	T1	T2	T3	T4	T5	T6	C1	C2	C3	C4	C5	C6
T1	1.000	0.760	0.477	0.525	0.508	0.444	0.585	0.657	0.438	0.556	0.571	0.477
T2	0.760	1.000	0.553	0.644	0.571	0.475	0.629	0.626	0.492	0.610	0.610	0.455
T3	0.477	0.553	1.000	0.445	0.473	0.436	0.552	0.389	0.412	0.526	0.439	0.328
T4	0.525	0.644	0.445	1.000	0.661	0.442	0.434	0.397	0.381	0.363	0.412	0.524
T5	0.508	0.571	0.473	0.661	1.000	0.503	0.472	0.266	0.326	0.350	0.287	0.525
T6	0.444	0.475	0.436	0.442	0.503	1.000	0.567	0.303	0.371	0.478	0.369	0.353
C1	0.585	0.629	0.552	0.434	0.472	0.567	1.000	0.601	0.572	0.774	0.589	0.392
C2	0.657	0.626	0.389	0.397	0.266	0.303	0.601	1.000	0.539	0.647	0.773	0.328
C3	0.438	0.492	0.412	0.381	0.326	0.371	0.572	0.539	1.000	0.666	0.558	0.206
C4	0.556	0.610	0.526	0.363	0.350	0.478	0.774	0.647	0.666	1.000	0.711	0.285
C5	0.571	0.610	0.439	0.412	0.287	0.369	0.589	0.773	0.558	0.711	1.000	0.285
C6	0.477	0.455	0.328	0.524	0.525	0.353	0.392	0.328	0.206	0.285	0.285	1.000

T1=Change of Customers' Preference; T2=New Product Search; T3=Price Sensitivity; T4=New Customers' Demand; T5=New Customers' Product Needs; T6=Same Past Customers; C1=Cut-throat Competition; C2=Promotion Wars; C3=Matching Competitive Offer; C4=Price Competition; C5=Daily New Competitive Move; C6=Weak Competitors

Table 4.12
KMO and Bartlett's Test of Export Marketing Adaptation and Export Performance

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.	0.910
Bartlett's Test of Sphericity	1240.721
Sig.	0.000

Factorability of data is indicated in the correlation matrix that shows most coefficients of correlation are 0.30 or more in Table 4.11 above. In Table 4.12, KMO is more than 0.60 and Bartlett's test is statistically significant at $p<0.05$. Therefore, the data is suitable for factor analysis (Tabachnick & Fidell, 2012). After Varimax rotation with Principal Component Analysis, the following Table 4.13 shows that the total of 65.75% of the variance is explained by two components that each has an eigenvalue of 1 or greater.

Table 4.13
Total Variance Explained of External Market Environment

	Rotation Sums of Squared Loadings		
Component	**Eigenvalue**	**% of Variance**	**Cumulative %**
1	4.366	36.387	36.387
2	3.523	29.361	65.748

Using Varimax rotation with Kaiser Normalisation, it resulted in the following Table 4.14 showing simplified rotated component with high loadings on a single factor except two items. The two items are Change of Customers' Preference and New Product Search which have cross-loadings.

Table 4.14
Simplified Rotated Component Matrix of External Market Environment

Variables	Component	
	1	2
Price Competition	0.862	
Daily New Competitive Move	0.846	
Promotion Wars	0.830	
Matching Competitive Offer	0.742	
Cut-throat Competition	0.726	
Change of Customers' Preference	0.586	0.554
New Customers' Product Needs		0.858
New Customers' Demand		0.791
Weak Competitors		0.746
New Product Search	0.601	0.612
Same Past Customers		0.580
Price Sensitivity		0.506

As the factor loadings are more than ± 0.50, they are to be included for practical significance (Hair et al., 2011). However, due to cross-loadings, the model is re-specified to exclude Change of Customers' Preference and New Product Search. These two items were excluded in subsequent statistical analyses.

4.5 Pearson Correlations

After the preliminary statistical analyses, the relationships among the variables are then established. Pearson correlation is used to establish both the extent and direction of correlation between the outcome variable of export performance and the predictor variables of marketing adaptation strategies. As all the variables are continuous, the Pearson product-moment correlation coefficients are calculated.

4.5.1 Export Performance and Export Product Adaptation

Table 4.15
Correlation between Export Performance and Export Product Adaptation

Pearson Correlation (Significant at p<0.01; 2-tailed)**		**Export Performance**	**Export Product Adaptation**
Export Performance	Coefficient	1	0.866**
	Significance		0.000
	N	163	163
Export Product Adaptation	Coefficient	0.866**	1
	Significance	0.000	
	N	163	163

Table 4.15 above shows a Pearson correlation coefficient of 0.866 with statistical significance at $p<0.01$. This suggests a strong relationship between export performance and export product adaptation. This indicates the importance of Malaysian manufacturers to adapt their products to suit the different export market needs in order to enhance their export performance. Export product adaptation can take the forms of product features modification, product quality adaptation to meet different national standards adopted in different countries and brand name adaptation, to take into consideration cultural sensitivities and language differences.

4.5.2 Export Performance and Export Pricing Adaptation

Table 4.16
Correlation between Export Performance and Export Pricing Adaptation

Pearson Correlation (Significant at p<0.01; 2-tailed)**		**Export Performance**	**Export Pricing Adaptation**
Export Performance	Coefficient	1	0.868**
	Significance		0.000
	N	163	163
Export Pricing Adaptation	Coefficient	0.868**	1
	Significance	0.000	
	N	163	163

Table 4.16 above shows a Pearson correlation coefficient of 0.868 with statistical significance at p<0.01. This indicates a strong relationship between export performance and export pricing adaptation. Given the price competitiveness of the global market, this clearly shows that Malaysian manufacturers ought to study the different competitors' pricing in different overseas market in order to adapt and respond accordingly in terms of pricing their own products to remain competitive. Product pricing adaptation includes different levels of pricing adopted in different markets which are invariably influenced by product's positioning and market perception. In addition, trade discounts and credit terms could also vary from country to country contingent of different business norms or practices.

4.5.3 Export Performance and Export Distribution Adaptation

Table 4.17
Correlation between Export Performance and Export Distribution Adaptation

Pearson Correlation (Significant at p<0.01; 2-tailed)**		**Export Performance**	**Export Distribution Adaptation**
Export Performance	Coefficient	1	0.818**
	Significance		0.000
	N	163	163
Export Distribution Adaptation	Coefficient	0.818**	1
	Significance	0.000	
	N	163	163

Table 4.17 above shows a Pearson correlation coefficient of 0.818 with statistical significance at $p<0.01$. This suggests a strong relationship between export performance and export distribution adaptation. As export markets are scattered over different parts of the world with different business culture and infrastructure, Malaysian manufacturers need to consider modifying their distribution strategy to meet the local conditions and requirements. This includes the selection of types of distribution channel, logistical arrangements, mode of delivery and installation requirements.

4.5.4 Export Performance and Export Promotion Adaptation

Table 4.18
Correlation between Export Performance and Export Promotion Adaptation

Pearson Correlation (Significant at p<0.01; 2-tailed)**		**Export Performance**	**Export Promotion Adaptation**
Export Performance	Coefficient	1	0.800**
	Significance		0.000
	N	163	163
Export Promotion Adaptation	Coefficient	0.800**	1
	Significance	0.000	
	N	163	163

Table 4.18 above shows a Pearson correlation coefficient of 0.800 with statistical significance at p<0.01. This reflects a strong relationship between export performance and export promotion adaptation. In the highly competitive and multi-cultural overseas markets, it is obvious that export promotion adaptation is necessary to sustain and enhance export performance. Export promotion includes advertising and promotion, personal selling and publicity. The marketing communication mix can differ depending on the type of product whether consumer or industrial product. Nonetheless, export promotion adaptation would still play a contributory role in enhancing export performance. Therefore, Malaysian exporters should pay attention to this aspect and allocate budget for this purpose accordingly.

4.5.5 Export Performance and Export Marketing Adaptation

Table 4.19
Correlation between Export Performance and Export Marketing Adaptation

Pearson Correlation (Significant at p<0.01; 2-tailed)**		**Export Performance**	**Export Marketing Adaptation**
Export Performance	Coefficient	1	0.894**
	Significance		0.000
	N	163	163
Export Marketing Adaptation	Coefficient	0.894**	1
	Significance	0.000	
	N	163	163

Table 4.19 above shows a Pearson correlation coefficient of 0.894 with statistical significance at p<0.01. It can, therefore, be concluded that there is a strong relationship between export performance and export marketing adaptation. Overall, the results show that it is essential that Malaysian manufacturers study the different market characteristics and needs, and demonstrate export marketing flexibilities in terms of modifying or adapting their marketing mix elements accordingly in order to gain competitive advantage which, in turn, produces superior export performance. This consistent with the principle of strategy-environmental co-alignment.

4.5.6 Correlations by Product Type

4.5.6.1 Export Performance and Export Product Adaptation by Product Type

Table 4.20
Correlations between Export Performance and Export Product Adaptation by Product Type

Pearson Correlation (**Significant at p<0.01; 2-tailed)			Export Performance	Export Product Adaptation
Consumer Products	Export Performance	Coefficient	1	0.901**
		Significance		0.000
		N	51	51
	Export Product Adaptation	Coefficient	0.901**	1
		Significance	0.000	
		N	51	51
Industrial Products	Export Performance	Coefficient	1	0.831**
		Significance		0.000
		N	112	112
	Export Product Adaptation	Coefficient	0.831**	1
		Significance	0.000	
		N	112	112

Table 4.20 above shows that the correlation between export performance and export product adaptation for consumer products (r=0.901) is positively stronger than for industrial products (r=0.831), both statistically significant at p<0.01. This is consistent with the fact that consumer products have more varieties targeted to more varied customers' tastes and preferences than that for industrial products that have relatively more limited range for less fragmented market (Kotler & Armstrong, 2009). However, given the diversified nature of

industrial products today, export product adaptation is still relevant (Czinkota & Ronkainen, 2012) as evidenced by the strong correlation.

4.5.6.2 Export Performance and Export Pricing Adaptation by Product Type

Table 4.21
Correlations between Export Performance and Export Pricing Adaptation by Product Type

Pearson Correlation (Significant at p<0.01; 2-tailed)**			**Export Performance**	**Export Pricing Adaptation**
Consumer Products	Export Performance	Coefficient	1	0.894**
		Significance		0.000
		N	51	51
	Export Pricing Adaptation	Coefficient	0.894**	1
		Significance	0.000	
		N	51	51
Industrial Products	Export Performance	Coefficient	1	0.844**
		Significance		0.000
		N	112	112
	Export Pricing Adaptation	Coefficient	0.844**	1
		Significance	0.000	
		N	112	112

Table 4.21 above suggests a slightly stronger positive correlation for consumer products (r=0.894) than for industrial products (r=0.844) in terms of the relationship between export performance and export pricing adaptation, both statistically significant at p<0.01. Given the very scattered and competitive global market today, export pricing adaptation is required to not only meet the competitive challenges but also customer needs (Czinkota & Ronkainen, 2012) (Kotler, P & Keller, Marketing Management, 2011).

4.5.6.3 Export Performance an Export Distribution Adaptation by Product Type

Table 4.22
Correlations between Export Performance and Export Distribution Adaptation by Product Type

Pearson Correlation (Significant at p<0.01; 2-tailed)**			**Export Performance**	**Export Distribution Adaptation**
Consumer Products	Export Performance	Coefficient	1	0.830**
		Significance		0.000
		N	51	51
	Export Distribution Adaptation	Coefficient	0.830**	1
		Significance	0.000	
		N	51	51
Industrial Products	Export Performance	Coefficient	1	0.804**
		Significance		0.000
		N	112	112
	Export Distribution Adaptation	Coefficient	0.804**	1
		Significance	0.000	
		N	112	112

Table 4.22 above indicates a relatively stronger positive relationship between export performance and export distribution adaptation for consumer products (r=0.830) than industrial products (r=0.804), both statistically significant at p<0.01. Although the relationship is strong, both the results of export distribution adaptation are not as strong as the previous export product and pricing adaptation. This can be attributed to the fact that most Malaysian manufacture exports are direct exports that consist of contract manufactured products and semi-finished components (The World Bank, 2014) where involvement of middlemen are limited and logistics are taken care of by overseas buyer.

4.5.6.4 Export Performance and Export Promotion Adaptation by Product Type

Table 4.23
Correlations between Export Performance and Export Promotion Adaptation by Product Type

Pearson Correlation (Significant at p<0.01; 2-tailed)**			**Export Performance**	**Export Promotion Adaptation**
Consumer Products	Export Performance	Coefficient	1	0.902**
		Significance		0.000
		N	51	51
	Export Promotion Adaptation	Coefficient	0.902**	1
		Significance	0.000	
		N	51	51
Industrial Products	Export Performance	Coefficient	1	0.741**
		Significance		0.000
		N	112	112
	Export Promotion Adaptation	Coefficient	0.741**	1
		Significance	0.000	
		N	112	112

It is very clear that the relationship between export performance and export promotion adaptation is very strong for consumer products (r=0.902) compared to industrial products (r=0.741), both statistically significant at p<0.01, as shown in Table 4.23 above. This is expected as consumer products are subject to more promotional activities to boost sales than that of industrial products (Kotler & Keller, 2011; Czinkota & Ronkainen, 2012).

4.5.6.5 Export Performance and Export Marketing Adaptation by Product Type

Table 4.24
Correlations between Export Performance and Export Marketing Adaptation by Product Type

Pearson Correlation (Significant at p<0.01; 2-tailed)**			**Export Performance**	**Export Marketing Adaptation**
Consumer Products	Export Performance	Coefficient	1	0.926**
		Significance		0.000
		N	51	51
	Export Marketing Adaptation	Coefficient	0.926**	1
		Significance	0.000	
		N	51	51
Industrial Products	Export Performance	Coefficient	1	0.864**
		Significance		0.000
		N	112	112
	Export Marketing Adaptation	Coefficient	0.864**	1
		Significance	0.000	
		N	112	112

In terms of overall export marketing adaptation, it is very clear here that it has a stronger influence on export performance for consumer products (r=0.926) than for industrial products (r=0.864), both statistically significant at p<0.01, as indicated in the correlation findings in Table 4.24 above. The more dynamic and fragmented nature of the consumer products market requires firms, be it domestic or international, to adapt to a larger extent to satisfy the different market needs. On the other hand, industrial products have relatively less differentiation aspects. Nevertheless, industrial manufactures still need to consider modification of some or all export marketing mix elements depending on the export markets' needs.

4.5.6.6 Summary

Table 4.25
Summary - Correlations between Export Performance and Export Marketing Adaptation Variables by Product Type

Consumer Products			Industrial Products		
No	**Variables**	**Export Performance**	**No**	**Variables**	**Export Performance**
1	Promotion Adaptation	0.902	1	Pricing Adaptation	0.844
2	Product Adaptation	0.901	2	Product Adaptation	0.831
3	Pricing Adaptation	0.894	3	Distribution Adaptation	0.804
4	Distribution Adaptation	0.830	4	Promotion Adaptation	0.741

The results summarised in Table 4.25 above show that the strongest factor influencing consumer products export performance is export promotion adaptation followed by export product adaptation, export pricing adaptation and finally, export distribution adaptation in a descending order in terms of strength of relationship. As posited by Kotler & Keller (2011), the promotion factor plays an influential role in enhancing consumer marketing and this is also evident in overseas market (Czinkota & Ronkainen, 2012). As markets are diverse in terms of tastes and preferences, product adaptation also plays an important contributory role as evidenced by the strong correlation.

Meanwhile, the factors' degree of influences are different for industrial products where, in an descending order, the most influential being export pricing adaptation followed by export product adaptation,

export distribution adaptation and lastly export promotion adaptation. Given the very competitive nature of the international market, pricing adaptation becomes an essential to enhance export performance. As Malaysia's industrial exports are directed to various countries with different needs, product adaptation is also important in determining the export performance of manufacturing firms (The World Bank, 2014). This is reflected in the relatively strong correlation coefficients in the above table for export pricing and export product adaptation.

These findings are consistent with both theoretical and practical aspects related to the type of products and also the nature of Malaysian export products within each type.

4.5.7 Correlations by Firm Size

The following analyses of the relationship between export performance and export marketing adaptations are based on sizes of firms. SME Corp Malaysia (2014) defines the size of firms in Malaysia by the number of employees where small firms are defined as having less than 75 employees, medium firms as having between 75 to 200 employees and finally, large firms as having more than 200 employees.

4.5.7.1 Export Performance and Export Product Adaptation by Firm Size

Table 4.26
Correlations between Export Performance and Export Product Adaptation by Firm Size

Pearson Correlation (Significant at p<0.01; 2-tailed)**			**Export Performance**	**Export Product Adaptation**
Less than 75 employees	Export Performance	Coefficient	1	0.785**
		Significance		0.000
		N	53	53
	Export Product Adaptation	Coefficient	0.785**	1
		Significance	0.000	
		N	53	53
75 to 200 employees	Export Performance	Coefficient	1	0.864**
		Significance		0.000
		N	85	85
	Export Product Adaptation	Coefficient	0.864**	1
		Significance	0.000	
		N	85	85
More than 200 employees	Export Performance	Coefficient	1	0.827**
		Significance		0.000
		N	25	25
	Export Product Adaptation	Coefficient	0.827**	1
		Significance	0.000	
		N	25	25

From Table 4.26 above, the relationship between export performance and export product adaptation is strongest among medium firms followed by large firms while small firms yield lowest strength. The medium and large firms are relatively adapting their products more due to their relatively high capability and resources availability compared to small firms. Given that larger firms tend to produce and export their own products, instead of contract manufacturing base on clients' specification, there will a need to adapt their product in terms of

product features, quality and brand name for the diverse export markets they serve.

4.5.7.2 Export Performance and Export Pricing Adaptation by Firm Size

Table 4.27
Correlations between Export Performance and Export Pricing Adaptation by Firm Size

Pearson Correlation (Significant at p<0.01; 2-tailed)**			**Export Performance**	**Export Pricing Adaptation**
Less than 75 employees	Export Performance	Coefficient	1	0.640**
		Significance		0.000
		N	53	53
	Export Pricing Adaptation	Coefficient	0.640**	1
		Significance	0.000	
		N	53	53
75 to 200 employees	Export Performance	Coefficient	1	0.897**
		Significance		0.000
		N	85	85
	Export Pricing Adaptation	Coefficient	0.897**	1
		Significance	0.000	
		N	85	85
More than 200 employees	Export Performance	Coefficient	1	0.838**
		Significance		0.000
		N	25	25
	Export Pricing Adaptation	Coefficient	0.838**	1
		Significance	0.000	
		N	25	25

From Table 4.27 above, the relationship between export performance and export pricing adaptation is strongest among medium firms followed by large firms while small firms display lowest strength. The medium and large firms are relatively more adaptable in their export pricing due to their economy of scale compared to small firms. Given

the economy of scale, the cost per unit will be relatively low. Tis, in turn, provide more room for bigger exporters to manoeuvre its pricing in terms of adapting its pricing level to counter competitive pricing strategy and movements, particularly in situations of price wars.

4.5.7.3 Export Performance an Export Distribution Adaptation by Firm Size

Table 4.28
Correlations between Export Performance and Export Distribution Adaptation by Firm Size

Pearson Correlation (Significant at p<0.01; 2-tailed)**			**Export Performance**	**Export Distribution Adaptation**
Less than 75 employees	Export Performance	Coefficient	1	0.538**
		Significance		0.000
		N	53	53
	Export Distribution Adaptation	Coefficient	0.538**	1
		Significance	0.000	
		N	53	53
75 to 200 employees	Export Performance	Coefficient	1	0.913**
		Significance		0.000
		N	85	85
	Export Distribution Adaptation	Coefficient	0.913**	1
		Significance	.000	
		N	85	85
More than 200 employees	Export Performance	Coefficient	1	0.743**
		Significance		0.000
		N	25	25
	Export Distribution Adaptation	Coefficient	0.743**	1
		Significance	0.000	
		N	25	25

From Table 4.28 above, the relationship between export performance and export distribution adaptation is strongest among medium firms followed by large firms while small firms produce lowest strength. The

medium and large firms are relatively more adaptable in their export distribution due to their higher capability and resources availability compared to small firms. This is also supported by the resource-based view where, in this export market scenario, the ability adapt distribution strategy in terms of channel selection, better logistic support and better delivery and installation services, are more evident among larger firms that possess higher competencies and the needed resources to invest in the supply chain.

4.5.7.4 Export Performance and Export Promotion Adaptation by Firm Size

Table 4.29
Correlations between Export Performance and Export Promotion Adaptation by Firm Size

Pearson Correlation (Significant at p<0.01; 2-tailed)**			**Export Performance**	**Export Promotion Adaptation**
Less than 75 employees	Export Performance	Coefficient	1	0.538**
		Significance		0.000
		N	53	53
	Export Promotion Adaptation	Coefficient	0.538**	1
		Significance	0.000	
		N	53	53
75 to 200 employees	Export Performance	Coefficient	1	0.865**
		Significance		0.000
		N	85	85
	Export Promotion Adaptation	Coefficient	0.865**	1
		Significance	0.000	
		N	85	85
More than 200 employees	Export Performance	Coefficient	1	0.731**
		Significance		0.000
		N	25	25
	Export Promotion Adaptation	Coefficient	0.731**	1
		Significance	0.000	
		N	25	25

From Table 4.29 above, the relationship between export performance and export promotion adaptation is strongest among medium firms followed by large firms while small firms produce lowest strength. The medium and large firms are relatively more adaptable in their export promotion due to their higher capability and resources availability compared to small firms. As larger firms could allocate higher budget for export market promotional activities in terms of advertising and promotion, personal selling and publicity, the adaptive tendency in export market promotion will be greater. For instance, the extent and frequency of market visitations for sales and participation in related trade shows will tend to be higher among the larger firms.

4.5.7.5 Export Performance and Export Marketing Adaptation by Firm Size

Table 4.30
Correlations between Export Performance and Export Marketing Adaptation by Firm Size

Pearson Correlation (Significant at p<0.01; 2-tailed)**			**Export Performance**	**Export Marketing Adaptation**
Less than 75 employees	Export Performance	Coefficient	1	0.741**
		Significance		0.000
		N	53	53
	Export Marketing Adaptation	Coefficient	0.741**	1
		Significance	0.000	
		N	53	53
75 to 200 employees	Export Performance	Coefficient	1	0.919**
		Significance		.000
		N	85	85
	Export Marketing Adaptation	Coefficient	0.919**	1
		Significance	0.000	
		N	85	85
More than 200 employees	Export Performance	Coefficient	1	0.903**
		Significance		0.000
		N	25	25
	Export Marketing Adaptation	Coefficient	0.903**	1
		Significance	0.000	
		N	25	25

From Table 4.30 above, the relationship between export performance and export marketing adaptation is strongest among medium firms followed by large firms while small firms produce lowest strength. The medium and large firms are relatively more adaptable in their export marketing due to their higher capability and resources availability compared to small firms. This is also consistent with the resource-based view where firms with higher availability of resources and higher level of capabilities are able to respond more effectively to

market needs and evolving challenges leading to creation of competitive advantage which then results in more enhanced export performance.

4.5.7.6 Summary

Table 4.31
Correlations between Export Performance and Export Marketing Adaptation Variables by Firm Size

Small Firms		Medium Firms		Large Firms	
Variables	**Export Performance**	**Variables**	**Export Performance**	**Variables**	**Export Performance**
Product Adaptation	0.785	Distribution Adaptation	0.913	Pricing Adaptation	0.838
Pricing Adaptation	0.640	Pricing Adaptation	0.897	Product Adaptation	0.827
Distribution Adaptation	0.538	Promotion Adaptation	0.865	Distribution Adaptation	0.743
Promotion Adaptation	0.538	Product Adaptation	0.864	Promotion Adaptation	0.731

All significant at $p<0.01$

From the summary of correlations by firm size in Table 4.31 above, it can be seen that among the small firms, they tend to adapt their product and pricing more than distribution and promotion as they are more of direct exporters of products to overseas principals that distribute and promote the final products. On the other hand, the higher correlations shown among the medium to large firms indicate the higher involvement in the supply chain in terms of marketing the products in the international market. It can also be concluded that larger size firms are more adaptable given the higher resources and capabilities they possess.

4.5.8 Correlations by Export Experience

4.5.8.1 Export Performance and Export Product Adaptation by Export Experience

Table 4.32
Correlations between Export Performance and Export Product Adaptation by Export Experience

Pearson Correlation (Significant at p<0.01; 2-tailed)**			**Export Performance**	**Export Product Adaptation**
Less than 5 years	Export Performance	Coefficient	1	0.679
		Significance		0.093
		N	7	7
	Export Product Adaptation	Coefficient	0.679	1
		Significance	0.093	
		N	7	7
5 to 10 years	Export Performance	Coefficient	1	0.754**
		Significance		.000
		N	24	24
	Export Product Adaptation	Coefficient	0.754**	1
		Significance	0.000	
		N	24	24
11 to 15 years	Export Performance	Coefficient	1	0.789**
		Significance		0.000
		N	91	91
	Export Product Adaptation	Coefficient	0.789**	1
		Significance	0.000	
		N	91	91
More than 15 years	Export Performance	Coefficient	1	0.839**
		Significance		0.000
		N	41	41
	Export Product Adaptation	Coefficient	0.839**	1
		Significance	0.000	
		N	41	41

From Table 4.32 above, the relationship between export performance and export product adaptation is strongest among more experienced export firms followed by less experienced export firms that yield lower strength. The more experienced export firms are relatively adapting

their products more due to their relatively high capability and resources availability compared to less experienced export firms. As an export firm accumulates more export experience in terms of understanding its customers as well as more established in an export market, the propensity to invest in product adaptation tends to be higher. As such, the more experienced exporting firm inclines to more adaptable in its product offering to meet its market needs to further enhance its export performance.

4.5.8.2 Export Performance and Export Pricing Adaptation by Export Experience

Table 4.33
Correlations between Export Performance and Export Pricing Adaptation by Export Experience

Pearson Correlation (**Significant at p<0.01; 2-tailed)			Export Performance	Export Pricing Adaptation
Less than 5 years	Export Performance	Coefficient	1	0.358
		Significance		0.430
		N	7	7
	Export Pricing Adaptation	Coefficient	0.358	1
		Significance	0.430	
		N	7	7
5 to 10 years	Export Performance	Coefficient	1	0.668**
		Significance		0.000
		N	24	24
	Export Pricing Adaptation	Coefficient	0.668**	1
		Significance	0.000	
		N	24	24
11 to 15 years	Export Performance	Coefficient	1	0.828**
		Significance		0.000
		N	91	91
	Export Pricing Adaptation	Coefficient	0.828**	1
		Significance	.000	
		N	91	91
More than 15 years	Export Performance	Coefficient	1	0.852**
		Significance		0.000
		N	41	41
	Export Pricing Adaptation	Coefficient	0.852**	1
		Significance	0.000	
		N	41	41

From Table 4.33 above, the relationship between export performance and export pricing adaptation is strongest among more experienced export firms followed by less experienced export firms that indicate lower strength. The more experienced export firms are relatively more adaptable in their export pricing due to their economy of scale

compared to less experienced export firms. Due to longer period of involvement in the export market, a more established export firm is inclined to export higher volume that contributes to the enhancement of its economy of scale. The benefit gained from the economy of scale facilitates an export firm to be more flexible in its pricing strategy under different market conditions especially under intense market rivalry situation.

4.5.8.3 Export Performance and Export Distribution Adaptation by Export Experience

Table 4.34
Correlations between Export Performance and Export Distribution Adaptation by Export Experience

Pearson Correlation (**Significant at p<0.01; 2-tailed)			Export Performance	Export Distribution Adaptation
Less than 5 years	Export Performance	Coefficient	1	0.661
		Significance		0.106
		N	7	7
	Export Distribution Adaptation	Coefficient	0.661	1
		Significance	0.106	
		N	7	7
5 to 10 years	Export Performance	Coefficient	1	0.557**
		Significance		0.005
		N	24	24
	Export Distribution Adaptation	Coefficient	0.557**	1
		Significance	0.005	
		N	24	24
11 to 15 years	Export Performance	Coefficient	1	0.766**
		Significance		0.000
		N	91	91
	Export Distribution Adaptation	Coefficient	0.766**	1
		Significance	0.000	
		N	91	91
More than 15 years	Export Performance	Coefficient	1	0.821**
		Significance		0.000
		N	41	41
	Export Distribution Adaptation	Coefficient	0.821**	1
		Significance	0.000	
		N	41	41

From Table 4.34 above, the relationship between export performance and export distribution adaptation is strongest among more experienced export firms followed by less experienced export firms that produce lower strength. The more experienced export firms are relatively adapting the distribution of their products more due to their

relatively high capability and resources availability compared to less experienced export firms. This could lead to more experienced firms' greater involvement in the supply chain with establishment of overseas distribution offices as well as longer established business relationship with overseas distributors.

4.5.8.4 Export Performance and Export Promotion Adaptation by Export Experience

Table 4.35
Correlations between Export Performance and Export Promotion Adaptation by Export Experience

Pearson Correlation (Significant at p<0.01; 2-tailed)**			**Export Performance**	**Export Promotion Adaptation**
Less than 5 years	Export Performance	Coefficient	1	0.524
		Significance		0.228
		N	7	7
	Export Promotion Adaptation	Coefficient	0.524	1
		Significance	0.228	
		N	7	7
5 to 10 years	Export Performance	Coefficient	1	0.550**
		Significance		0.005
		N	24	24
	Export Promotion Adaptation	Coefficient	0.550**	1
		Significance	0.005	
		N	24	24
11 to 15 years	Export Performance	Coefficient	1	0.687**
		Significance		0.000
		N	91	91
	Export Promotion Adaptation	Coefficient	0.687**	1
		Significance	0.000	
		N	91	91
More than 15 years	Export Performance	Coefficient	1	0.830**
		Significance		0.000
		N	41	41
	Export Promotion Adaptation	Coefficient	0.830**	1
		Significance	0.000	
		N	41	41

From Table 4.35 above, the relationship between export performance and export promotion adaptation is strongest among more experienced export firms followed by less experienced export firms that produce lower correlation. The more experienced export firms are relatively adapting the promotion of their products more due to their relatively high capability and resources availability compared to less experienced export firms. More experienced firms could be involved in higher level or more value-added part of the supply chain that may include marketing their own products or brands instead of contract manufacturing for overseas principals. This will then lead these firms to promote their product in the international market in a way that meets the different market needs and adapt to the purchasing behaviour that are different form their own domestic market. Thus, more established export firms will tend to be more adaptable in promoting their products in the overseas markets.

4.5.8.5 Export Performance and Export Marketing Adaptation by Export Experience

Table 4.36
Correlations between Export Performance and Export Marketing Adaptation by Export Experience

Pearson Correlation (**Significant at p<0.01; 2-tailed)			Export Performance	Export Marketing Adaptation
Less than 5 years	Export Performance	Coefficient	1	0.646
		Significance		0.117
		N	7	7
	Export Marketing Adaptation	Coefficient	0.646	1
		Significance	0.117	
		N	7	7
5 to 10 years	Export Performance	Coefficient	1	0.759**
		Significance		0.000
		N	24	24
	Export Marketing Adaptation	Coefficient	0.759**	1
		Significance	0.000	
		N	24	24
11 to 15 years	Export Performance	Coefficient	1	0.822**
		Significance		0.000
		N	91	91
	Export Marketing Adaptation	Coefficient	0.822**	1
		Significance	0.000	
		N	91	91
More than 15 years	Export Performance	Coefficient	1	0.910**
		Significance		0.000
		N	41	41
	Export Marketing Adaptation	Coefficient	0.910**	1
		Significance	0.000	
		N	41	41

From Table 4.36 above, the relationship between export performance and export marketing adaptation is strongest among most experienced export firms than the less experienced export firms that show lower correlations. More experienced export firms are relatively more

adaptable in their export marketing due to their higher capability and resources availability compared to smaller firms.

4.5.8.6 Summary

Table 4.37
Correlations between Export Performance and Export Marketing Adaptation Variables by Export Experience

Less than 5 years		5 to 10 years		11 to 15 years		More than 15 years	
Variables	**Export Performance**	**Variables**	**Export Performance**	**Variables**	**Export Performance**	**Variables**	**Export Performance**
Product	0.679	Product	0.754	Pricing	0.828	Pricing	0.852
Distribution	0.661	Pricing	0.688	Product	0.789	Product	0.839
Promotion	0.524	Distribution	0.557	Distribution	0.766	Promotion	0.830
Pricing	0.358	Promotion	0.55	Promotion	0.687	Distribution	0.821

From the summary of correlations by export experience in Table 4.37 above, it can be observed that more experienced export firms are more adaptable in terms of stronger relationship between adaptation of the export marketing variables and export performance. It can also be concluded that the more experienced export firms are more adaptable given the higher resources and capabilities they possess as well as their higher involvement in the supply chain with higher value-added products.

4.6 Standard Multiple Regression

Base on the conceptual framework of this research, a multivariate technique is adopted to check the influence extent of the four independent variables that consist of the export marketing adaptation factors in explaining the variance of the dependent variable of export performance. This also indicates the relative significance of each of the export marketing adaptation factors in predicting the outcome of export performance. Therefore, all the export adaptation marketing variables shall be jointly regressed against export performance to explain the significance of the export marketing adaptation variables in explaining the variance in export performance as well as the significance of each of the predicting variables. The results are then used to test the hypotheses related to the influence of the export marketing adaptation variables over the export performance of firms.

The results are as follows:

Table 4.38
Standard Multiple Regression Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.904[a]	0.817	0.812	0.88695

a. Predictors: (Constant), Export Promotion Adaptation, Export Distribution Adaptation, Export Product Adaptation with 1 deletion, Export Pricing Adaptation
b. Dependent Variable: Export Performance

From R Square value in Table 4.38 above, it shows that 81.7% of the variance in export performance is explained by the export marketing adaptation variables as a whole on how a set of variables, including export product adaptation, export pricing

adaptation, export distribution adaptation and export promotion adaptation, is able to predict the outcome of export performance.

Table 4.39
Standard Multiple Regression ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	553.313	4	138.328	175.839	0.000[b]
	Residual	124.294	158	0.787		
	Total	677.607	162			

a. Dependent Variable: Export Performance
b. Predictors: (Constant), Export Promotion Adaptation, Export Distribution Adaptation, Export Product Adaptation with 1 deletion, Export Pricing Adaptation

Table 4.39 above indicates the statistical significance of the result at $p<0.01$ with $F=175.829$. In addition, the following Table 4.40 shows the tolerance values of all the variables are more than 0.10 and the variation inflation factor (VIF) values are less than 10.0, indicating an absence of multicollinearity.

Table 4.40
Tolerance and Variation Inflation Factor Coefficients[a]

Model		Collinearity Statistics	
		Tolerance	**VIF**
1	(Constant)		
	Export Product Adaptation	0.192	5.217
	Export Price Adaptation	0.186	5.369
	Export Distribution Adaptation	0.216	4.629
	Export Promotion Adaptation	0.230	4.352

a. Dependent Variable: Export Performance

Furthermore, normality is confirmed by the illustration of points lying in a reasonably straight diagonal line from bottom left to the top right in the normal probability plot of the regression standardised residuals. The following Figure 4.1 illustrates the said normality.

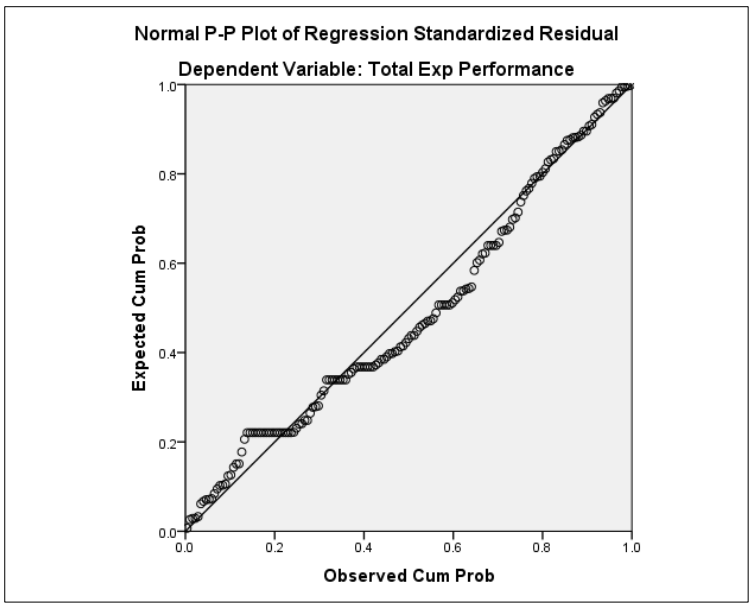

Figure 4.1
Normal P-P Plot of Regression Standardised Residual

Linearity and homoscedasticity are also established from the following scatterplot of standardised residual in Figure 4.2 where the residual values form a relatively centralised rectangle where the residuals are evenly scattered around the line of 0 residual.

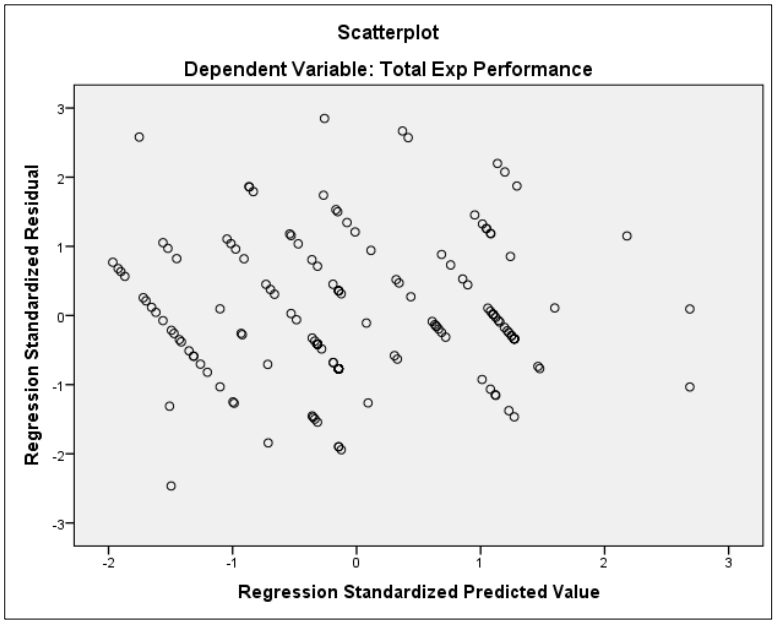

Figure 4.2
Scatterplot of Regression Standardised Residual

Given the model output is statistically significant, the absence of multicollinearity, and that the assumptions of normality, linearity and homoscedasticity are supported, the next step of hypotheses testing can be performed to evaluate each of the four export marketing adaptation variables as shown in the following Table 4.41:

Table 4.41
Export Marketing Adaptation Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	**Std. Error**	**Beta**	**t**	**Sig.**
1	(Constant)	1.832	0.373		4.905	0.000
	Export Product Adaptation	0.314	0.061	0.399	5.131	0.000
	Export Pricing Adaptation	0.414	0.083	0.393	4.977	0.000
	Export Distribution Adaptation	0.104	0.070	0.110	1.496	0.137
	Export Promotion Adaptation	0.040	0.057	0.050	0.701	0.484

a. Dependent Variable: Export Performance

The first hypothesis is:

H1: Export product adaptation strategy is positively associated with export performance of Malaysian manufacturers.

The Beta value for export product adaptation yielded is 0.399 with t value of 5.131 and it is statistically significant at $p<0.01$. Therefore, the first hypothesis is accepted.

The second hypothesis is:

H2: Export pricing adaptation strategy has a positive correlation with the export performance of Malaysian manufacturers.

This hypothesis is also accepted given the beta value of 0.393, t value of 4.977 with statistical significance at $p<0.01$.

The third hypothesis is:

H3: Export distribution adaptation strategy has a positive association with export performance of Malaysian manufacturers.

This hypothesis is, however, rejected as it is found to be not significant at $p<0.01$

The fourth hypothesis is:

H4: Export promotion adaptation strategy is positively related to the export performance of Malaysian manufacturers.

This hypothesis is also rejected given that it is not statistically significant at $p<0.01$.

The results can be summarised further in the following Table 4.42:

Table 4.42
Results Summary of All Hypotheses

Hypothesis	**Independent variable**	**Dependent variable: Export performance**			**Results**
		β	**t-value**	**p-value**	
1	Export Product Adaptation	0.399	5.131	0.000	Accept
2	Export Pricing Adaptation	0.393	4.977	0.000	Accept
3	Export Distribution Adaptation	0.110	1.496	0.137	Reject
4	Export Promotion Adaptation	0.050	0.701	0.484	Reject

Of the two significant independent variables, export product adaptation ($\beta=0.399$) has a slightly stronger influence on export performance than export pricing adaptation ($\beta=0.393$). From these results, it can be concluded that there is an inclination for Malaysian manufacturers to compete mainly on product and pricing aspects in the export market. The contributing factor is that Malaysian manufacturers are mostly contract manufacturers for their overseas clients where they need to adapt their products to meet the clients' specifications and adapt their pricing due to the very

keen competitions in the international market. The aspects of distribution and promotion are not significant because these aspects of marketing are undertaken by the clients their supply chain to reach the end customers. In other words, Malaysian manufacturers are involved in lower end of the value-chain.

4.7 Hierarchical Multiple Regression

To assess the effect of the moderating variables on the relationship between export marketing adaptation and export performance, a hierarchical or sequential multiple regression is performed. The output produced is as follows in Table 4.43:

Table 4.43
Hierarchical Multiple Regression Model Summary[c]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change
1	0.513[a]	0.263	0.254	1.76658	0.263
2	0.908[b]	0.824	0.817	.87397	0.561

a. Predictors: (Constant), Competitive Intensity, Market Turbulence with 2 Deletions
b. Predictors: (Constant), Competitive Intensity, Market Turbulence with 2 Deletions, Export Distribution Adaptation, Export Product Adaptation with 1 Deletion, Export Promotion Adaptation, Export Pricing Adaptation

Table 4.44
Hierarchical Multiple Regression ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	178.279	2	89.140	28.563	0.000[b]
	Residual	499.328	160	3.121		
	Total	677.607	162			
2	Regression	558.450	6	93.075	121.854	0.000[c]
	Residual	119.157	156	0.764		
	Total	677.607	162			

a. Dependent Variable: Export Performance
b. Predictors: (Constant), Competitive Intensity, Market Turbulence with 2 Deletions
c. Predictors: (Constant), Competitive Intensity, Market Turbulence with 2 Deletions, Export Distribution Adaptation, Export Product Adaptation with 1 Deletion, Export Promotion Adaptation, Export Pricing Adaptation

From the model summary in the Table 4.43 above, in model 1 with the moderators of market turbulence and competitive intensity entered, the overall model explains 26.3% of the variance of export performance. After the independent variables of export marketing adaptation (export product adaptation, export pricing adaptation, export distribution adaptation and export promotion adaptation) are included in model 2, the overall model then explains 82.4% of the variance in export performance of firms, as shown in the R Square value.

If the effects of the moderating variables of market turbulence and competitive intensity are removed, the four export marketing adaptation variables explain an additional of 56.1% of the variance in export performance, as indicated in R Square Change value in model 2. The ANOVA in Table 4.44 suggests that the overall model, that includes both the predicting and moderating variables, is significant at $p<0.01$.

Table 4.45
External Market Environment and Export Marketing Adaptation Coefficients[a]

Model		Unstandardised Coefficients		Standardised Coefficients		
		B	**Std. Error**	**Beta**	**t**	**Sig.**
1	(Constant)	3.229	0.953		3.387	0.001
	Competitive Intensity	-0.017	0.054	-0.028	-0.317	0.752
	Market Turbulence with 2 Deletions	0.527	0.089	0.531	5.901	0.000
2	(Constant)	1.268	0.527		2.408	0.017
	Competitive Intensity	-0.031	0.028	-0.052	-1.099	0.274
	Market Turbulence with 2 Deletions	0.124	0.049	0.125	2.539	0.012
	Export Product Adaptation with 1 deletion	0.315	0.061	0.401	5.214	0.000
	Export Price Adaptation	0.366	0.084	0.347	4.336	0.000
	Export Distribution Adaptation	0.098	0.070	0.103	1.404	0.162
	Export Promotion Adaptation	0.044	0.059	0.055	0.741	0.460

a. Dependent Variable: Export Performance

In terms of the effect of the individual variables, Table 4.45 above shows that in Model 2 with all variables entered into the equation, three of the total of six variables make statistically significant contribution which are export product adaptation and export

pricing adaptation at $p<0.01$, and market turbulence at $p<0.05$. In the order of influence extent measured by the Beta values, they are export product adaptation ($\beta=0.401$), export pricing adaptation ($\beta=0.347$) and market turbulence ($\beta=0.125$).

The results related to the significant influence of export product adaptation and export pricing adaptation are consistent with the tests of the hypotheses in the earlier section. When the moderating role of the external market environment is taken into account, it is evident that market turbulence, in terms of rapidly changing customer needs, has a significant effect that moderates the firms' adaptive approach, particularly, export product and pricing strategies in determining level of export achievement. Competitive intensity's role appears not to be significant. Again, this is consistent with what is alluded to earlier in the analysis of the tests of hypotheses that most Malaysian producers are contract manufacturers that serve overseas clients that out-sourced some of their processes or production to manufacturing firms to developing economies like Malaysia. In such scenario, the success and sustainability of export performance of Malaysian manufacturers are dependent upon their response to their customers' requirements and rapidly changing needs which elements make up market turbulence.

4.8 Chapter Summary

This chapter incorporates the analyses of the data collected via the questionnaire. These included profiles of firms, normality of data distribution, reliability of measurement scales, factor analysis to establish construct validity, Pearson correlations, and finally multiple regressions to test all the five hypotheses.

In terms of correlations, all export marketing adaptation factors are found to be strongly linked with export performance. Both export marketing mix adaption and external market environment exert influence on the export performance of Malaysian manufacturers. From the hypotheses testing, three variables are found to be significant in terms of explaining the variations in export performance of Malaysian manufacturers and they are export product adaptation, export pricing adaptation and market turbulence, in descending order of degree of influence.

CHAPTER FIVE: CONCLUSIONS AND RECOMMENDATION

5.1 Introduction

The purpose of this chapter is to present the key findings of the research leading to the implications from the both the academic and practical perspectives. This is followed by the limitations of the study as well as suggestions for future research.

5.2 Key Findings

In terms of correlations of individual export marketing variables adaptation, all shows a strong relationship with export performance of Malaysian manufacturers. The effect of export marketing variables adaptation on export performance is stronger among consumer product manufacturing firms than industrial product manufacturing firms. The strong influence of export marketing mix adaptation is also more evident in large and medium size firms than small firms. The same pattern is also observed in more export experienced firms than less experienced firms.

Both the export marketing mix adaption and external market environment explain 82.5% of variations in export performance with all the export marketing variables adaptation explain 52.3% while the external market environment factors explain 30.2%. In the final analysis, the three significant individual variables affecting export performance, in descending order of influence, are export product adaptation, export pricing adaptation and market turbulence.

A case in point that illustrates the above findings is Hartalega Holdings Berhad highlighted as one of the export success stories by Malaysia External Trade Development Corporation (2015) where Hartalega is a contract or OEM manufacturer of nitrile gloves for some global leading brands (Hartalega, 2015). Given the volatile price of rubber gloves due to the latex supply market volatility, Hartalega adapt its product through product innovation by the introduction of lightweight nitrile gloves which are more cost-effective. Through this innovation, Hartalega is clearly leveraging its marketing strategies in terms product adaptation, to produce better quality product at a lower cost, and pricing adaptation, with more competitive pricing, against competitions to meet evolving customers' requirements in the OEM market to further enhance its export performance. This is consistent with the key findings on the significance of export product adaptation, export pricing adaptation and market turbulence in determining the export success of a Malaysian manufacturer.

Given that Hartalega is a long established manufacturer, since 1988, as well as a large public listed company, it has access to resources and capabilities to invest more in export marketing adaptation through research and development (R&D) investments producing several pioneering technologies in meeting changing customers' needs over time while being cost-competitive to sustain and enhance its export performance in the highly competitive global market for gloves (Hartalega, 2015). This reflects the finding that indicates the stronger influence of export marketing adaptation on export performance among more experienced and larger manufacturing firms.

From this research, the resulting model for marketing adaptation strategy and export performance of Malaysian manufacturers with the moderating of external market environment is illustrated in the following Figure 5.1:

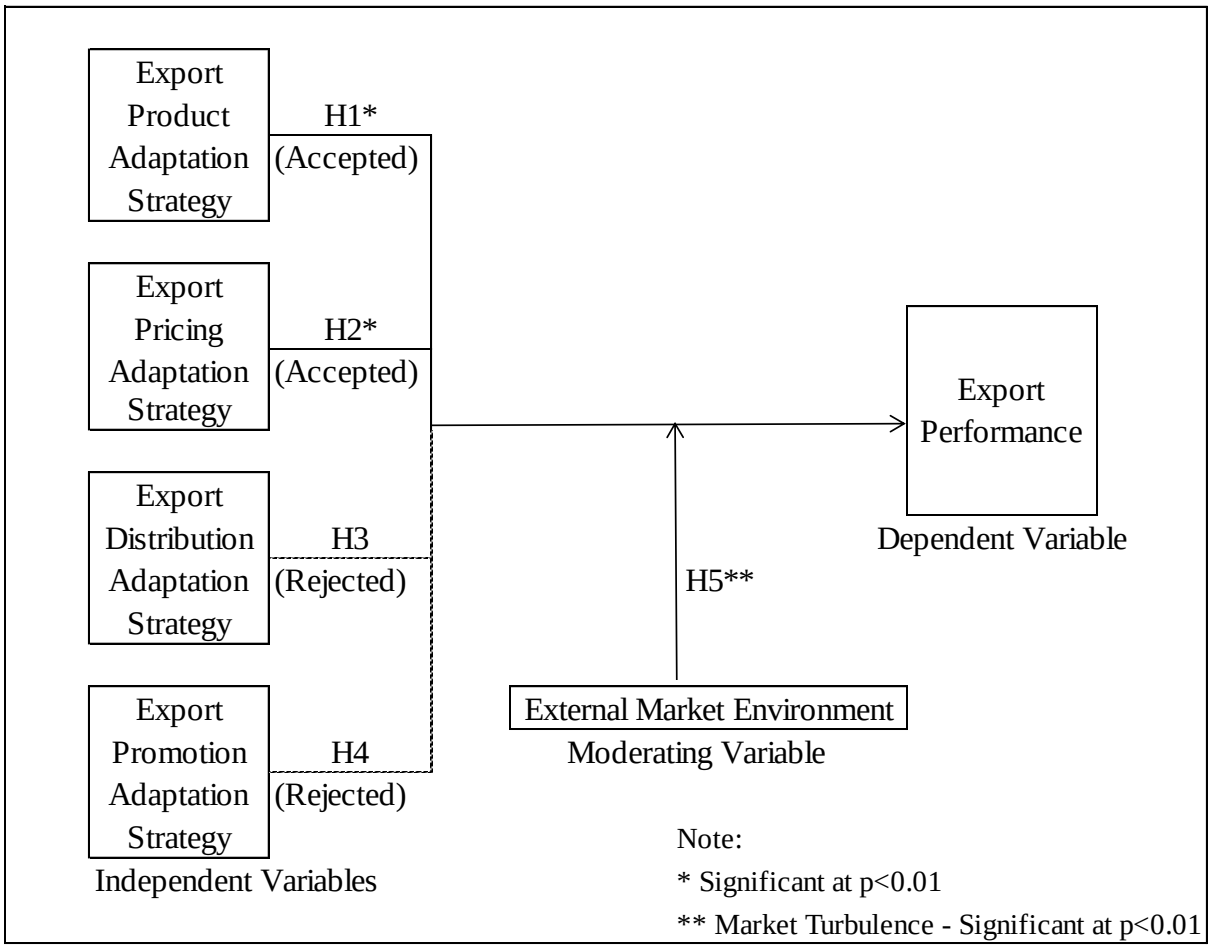

Figure 5.1
Model for Marketing Adaptation Strategy and Export Performance of Malaysian Manufacturers moderated by External Market Environment

5.3 Implications

5.3.1 Academic Implications

The main aim of this study is to determine the relationship between marketing adaptation strategy and export performance of Malaysian manufacturers. The results suggest a positive influence of adaptation of export marketing strategies on export

performance of Malaysian manufacturers in the context of a developing economy. This is consistent with the findings by Lee and Griffith (2004) where it is found that the adaptive marketing strategies adopted by Korean exporters enhance export performance.

In this study, the significant marketing factors that contribute to the export performance of Malaysia manufacturers are export product adaptation, followed by price adaptation strategies. This can be attributed to the fact that most Malaysian manufacture exports are low value-added products manufactured either as semi-finished products or OEM products to overseas principals on an out-sourcing basis. (The Word Bank, 2014). As such, export product adaptation ability to meet various export customers' requirements is necessary. As the global market for such products is very competitive given the increasing competitions from other emerging economies, export pricing adaptation is also crucial in order to sustain export sales performance. This is reflected in the low cost advantage of manufactured products form developing economies (Zou, Fang, & Zhao, 2003). On the other hand, distribution and promotion are not that significant as these functions are handled by the overseas buyers in the subsequent global value chain (The World Bank, 2014).

These findings suggest that manufacturers in a developing economy, that produce relatively low value-added products for overseas developed market, are more inclined to adapt their products to meet the different requirements of export customers and also to be adaptive in their pricing strategy to compete effectively in a highly competitive global market to sustain export performance.

In addition, the moderating factor in the external market environment that has a significant effect on the export performance is market turbulence where market volatility in terms of changes in market requirements could affect the export performance of Malaysian manufacturers. Therefore, export manufacturing firms too need to monitor and respond to market changes to enhance their export performance. The response comes in the form of export marketing adaptation. In other words, the study confirms the need to adapt a firm's internal factors comprising of marketing mix elements to meet the changing market needs in the external market environment.

The degree of adaptation also depends on the nature of the firms in terms of export product type, size and export experience. The study indicates that consumer product exporters are more inclined to adapt their export marketing mix strategies than industrial product exporters to enhance their export performance. In terms of firm size, smaller firms are less adaptable compared to medium and large firms. Furthermore, the study also suggests that the more export experienced firms tend to adapt more of their export marketing strategies than the less export experienced firms.

The findings of this research are in line with the theories upon which this study is grounded. The underpinning theories of this research include resource-based view as well as contingency and strategic-fit perspective. The resource-based view is reflected by the higher adaptability of larger and more experienced export firms that possess higher resources and capabilities. Meanwhile, the adaptation of different export marketing strategies to enhance export performance under circumstances or conditions such as product type and external market environment volatility can be explained by the contingency and strategic-fit perspective.

5.3.2 Practical Implications

From the perspective of industry's practitioners, this study clearly suggests that export marketing strategies adopted by Malaysian manufacturers play an important and contributory role towards determining the level or success of export performance. This study shows that through proper planning and execution of adaptive export marketing strategies, export performance of Malaysian manufacturers can be further enhanced.

However, as pointed out by Lee and Griffith (2004), the issue is whether the export firm is a low cost supplier of intermediate products (OEM supplier) or a truly global market player exporting own high-value added products. Base on this research, the significant adaptive aspects are product and pricing adaption and also the export product composition of mainly intermediate products and involvement at the lower end of global supply chain (The World Bank, 2014). This shows that the present focus is on adapting the product to meet the specifications of the overseas customers and to adapt the price to remain competitive while the distribution and promotion aspects are handled by the overseas customers that are involved in distribution and marketing of the products to the end customers. The implication here is, therefore, in order for Malaysian exporters to become a truly global marketer, they have to innovate and produce higher value-added products and get more involved in the global supply chain to not only sustain but also to scale up their future export performance (The World Bank, 2014). In so doing, Malaysian exporters need to not only adapt their export products and export prices as it is now but also looking into the adaptive

strategies that involve export distribution and export promotion as the move higher the global value chain.

The other practical implication will be the essential need for constant monitoring of the market environment to identify and respond to rapid market changes arising from market volatility as indicated by the research on the significant effect of market turbulence on export performance. While adaptive export marketing strategies are important as all export manufacturers move up in the global supply chain, consumer product exporters need to be more dynamic in the adaptation of export marketing strategies, as shown in the research findings, to enhance competitiveness in attaining better export performance. Another implication form the research findings is that as export firms grow in size and experience, they need to allocate more resources and develop better capabilities in their management of export activities.

Last but not the least, this study also provides inputs to the Government of Malaysia to formulate and implement the appropriate policies toward the sustainability and enhancement of Malaysian manufactures export sector especially in view of growing competitions from other emerging economies.

5.4 Limitations of Study and Suggestions for Future Research

First, the relatively small sample size in terms of number of responses of the survey may impose some limitation to the generalisability of findings. This is due to the relatively low response rate achieved. Future research can consider the use of various collection methods with a longer time frame that is a longitudinal survey and a higher research cost budget to

increase response rate and also enhance the generalisability of findings. Second, the generalisability of the findings is also affected by the sampling frame which is drawn from FMM directory that does not include all small and medium enterprises. Therefore, the findings may not represent all manufacturers that are involved in exporting in Malaysia. Future research can consider including other SMEs in the sampling frame by adopting the SME Corporation Malaysia's list of companies involved in manufacturing for export market. Base on the list generated from SME Corp Malaysia, there are 57,284 small and medium enterprises in Malaysia which can be used as the sampling frame (SME Corp Malaysia, 2015). Furthermore, this will also include not only small and medium manufacturers but also service providers. This is especially so when the Government of Malaysia has formulated a New Economic Model that will include the growing importance of the services sector to drive the nation toward a high-income economy where the contribution of the services sector is projected to be 61% of the GDP by the end of 2015 (Malaysia Investment Development Authority, 2015).

Third, this cross sectional study indicates only the situation at a particular point of time. It does not take into consideration the changes over time given the market volatility and rapid changes in today's market environment. Given the rapidly changing and dynamic business environment, it is suggested that future research to adopt a longitudinal survey to not only track changes over time but also to obtain more insights in the evolution of how export marketing strategies influence export performance under different external market circumstances. The other aspect of external market environment to be included is technological turbulence. In addition, it is suggested that global economic turbulence factors to be taken into consideration as part of the external market influence. Today's

prevailing external volatility factors affecting a firm's export performance can comprise of foreign exchange rates, commodity prices and energy costs.

Fourth, single respondent from a firm in this study may introduce some biasness in terms of the response given. While the manager or owner is the respondent, the individual respondent's response may not represent the collective view and assessment of the firm's strategy. The individual manager's or owner's opinion and perception may be biased due to his or her individual subjective judgment of his or her firm. It is suggested that future research adopts multiple informants from the same firm to minimise any biasness of findings from a single respondent from a firm. In addition, a qualitative survey can be conducted either in the form of individual in-depth interviews with several individual senior managers or a focus group discussion with the senior management team. Besides minimising personal biasness, these qualitative surveys can provide inputs as further insights to explain some quantitative findings from the questionnaire survey.

Fifth, subjective measures used in the study may not always and entirely be reflective of the actual situation as they are based on the subjective perceptions of the respondents. Objective measures of export performance and export marketing strategies can be considered in future research to reflect parametres that are more measurable and comparable such as export sales revenue growth, export profit margin, export marketing cost budget and other relevant quantitative measures.

In order to engage the export firms senior management for both the suggested quantitative and qualitative surveys as well as obtaining some numbers or figures related to some key items of marketing cost budget and export performance, it is suggested that these studies

are undertaken in collaboration with government agencies such as MATRADE, MIDA and SME Corp to generate better survey response. The survey findings can also be used by the Government to formulate effective policies in developing the export sector. In essence, it will benefit the academia, export business community as well as the policy-makers.

Last but not least, as this research focused on only Malaysia, a developing economy, it may not be reflective of the situation in other developing economies as the economic background and circumstances vary to a large extent. This research can be replicated in other countries at the same stage of economic development to facilitate comparative analysis. For instance, further comparative studies can be conducted on marketing adaptation strategy and export performance of export firms within ASEAN. It then serves as a good foundation for future research in the context of developing economies in broader geographic settings within Asia. Subsequent studies can include surveys in developed economies, findings of which can then be compared with those of developing or emerging economies. Lessons can be drawn from these studies to not only to contribute further to the body of knowledge related to export performance but also for export firms to understand factors affecting export performance and strategic marketing responses to different markets under different external market situations in different parts of the world.

5.5 Conclusions

This study contributes to the existing body of knowledge of export performance by providing further empirical evidence of the influence of export marketing adaptation strategy on the export performance of manufacturers in the Malaysian context. This also serves as a response to prior suggestions for further research on export performance and its

driving factors as well as moderating effect of external market environment particularly in the context of an emerging economy like Malaysia in the present highly volatile market conditions. The findings of this research support the underpinning theories of resource-based view as well as contingency and strategic-fit perspective upon which this study is grounded.

Furthermore, this study helps the private sector in terms of contributing information and further understanding to owners and managers of manufacturing concerns in Malaysia on the importance of allocating resources and develops competencies in managing export marketing effectively to achieve superior export performance. In addition, the study shows that Malaysian manufacturers need to be more vigilant of the rapid changes that are occurring in the international market place that cause market volatility that in turn can affect export performance. In order to sustain and enhance future export performance, Malaysian manufacturers need to be more adaptable and move up further in the value chain. This requires the efforts of both the policy-makers and manufacturers to formulate appropriate policies, allocate sufficient resources and develop value-added competencies to further enhance the international competitiveness of Malaysian manufacturers.

Given some of the limitations of this study due to time and resource constraint, this research sets a platform or foundation to study and monitor over time the export performance and its contributory factors of not only of Malaysia but also of other similar emerging economies. This is also extendable to the study of developed economies. All these suggested future research will facilitate comparisons contributing to more enhancement of the current body of knowledge pertaining to export performance.

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