

**A CONTINGENCY APPROACH TO
MARKETING MIX ADAPTATION AND PERFORMANCE
IN INTERNATIONAL MARKETING RELATIONSHIPS***

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and

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ABSTRACT

In this research, the authors extend a contingency perspective of international marketing in an exporting context by considering how internal and external forces of the firm explain adaptation of the marketing mix in export markets. The impact of marketing strategy adaptation and past performance satisfaction on current period satisfaction with performance is also considered. A survey of over 500 export managers indicates that external forces play a greater role in explaining marketing strategy adaptation than do internal forces. Moreover, satisfaction with performance improvement in the current year is affected (i) directly by the internal forces of the firm, (ii) indirectly by external forces, and (iii) both directly and indirectly by satisfaction with the preceding year's export performance. Implications for the management of exporting relationships also are discussed.

Keywords: international marketing, exporting relationships, performance, adaptation-standardization, contingency theory.

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INTRODUCTION

The topic of international marketing is widely viewed as one of the most vital marketing topics for the twenty-first century. In an era of global markets, firms will have to compete with international corporations from a wide range of markets that have the capacity to offer the best products in the world. Hence, a better understanding of marketing in international settings is essential in order to improve performance and to avoid losses from saturated domestic markets.

The international marketing literature primarily has considered the extent to which firms will standardize their marketing mix strategies to international contexts as a function of the internal and external environments of the firm. In this research, we adopt this contingency perspective of marketing strategy standardization to consider export marketing activities. Over the past four decades, world exports have grown exponentially, reaching nearly 20% of the world's gross domestic product. And while exporting is now one of the fastest growing economic activities, there is still no strong theoretical framework for researching export activity phenomena (see Cavusgil and Zou 1994 as a notable exception). By developing conceptualizations of exporting activities, the firm will be better able to implement successful exporting strategies that may improve its overall performance and reduce dependencies on the domestic market. Therefore, export strategies may assume an important role within the firm as a means of reducing production costs, stabilizing cyclical demand, and reaching new markets.

There are several objectives of this research, the first of which is to extend our understanding of the contingency perspective of international marketing in an exporting context. This is accomplished by presenting a more comprehensive understanding of the simultaneous

links among the internal and external forces of the firm, marketing mix adaptation, and export performance. Previous research has focused on aspects of these variables (e.g., the relationship between strategy and performance or the relationship between contingency forces and strategy) while rarely considering their simultaneous effects. We also advance earlier work on marketing strategy adaptation by considering the adaptation of the full marketing mix, as opposed to product or promotion standardization alone. The typical approach of earlier research has been to consider how export performance is influenced by product or promotion standardization, while ignoring the impact of price and distribution standardization on performance.

The second objective of this work is to consider the role of past performance on marketing strategy formulation and current period performance. Historically, strategy formulation is viewed as an antecedent to performance outcomes. A recent review of the top journals in strategy and organizational behavior (March and Sutton 1997) indicates that 79% of the articles incorporating performance have cast it as a dependent variable, while only 9% of the studies have used it as an independent variable. A possible explanation for the heavy reliance on performance as a dependent variable is that there is a high demand for research that identifies possible avenues to performance improvement. In fact, most researchers view performance as being causally dependent, even though both antecedent and dependent variables are typically collected at the same time and the true causal ordering of the variables is unclear.

Nevertheless, past performance can be a critical variable in the determination of marketing strategy and the evaluation of current period performance. When firms experience poor performance, they are typically motivated to rethink their strategies and to make more comprehensive, accurate, and discriminating decisions (Cyert and March 1963). They are more likely to search broadly for information and to conduct in-depth analyses of their surrounding

environments (Audia, Locke, and Smith 2000). In contrast, a good performance will promote more relaxed and effortless strategic decisions, such that the firm may become less critical about previous decisions (Fredrickson 1985). This might also contribute to a narrow focus and preoccupation with the factors that contribute to performance at the expense of responsiveness to all possible internal and external factors. Moreover, the firm may tend toward the exploitation of existing opportunities without searching for more information or in-depth analyses. For these reasons, we consider how past exporting performance impacts current marketing strategy and current period performance.

In the pages below, we develop a conceptual framework for export marketing strategy that incorporates past performance, internal and external forces of the firm, marketing strategy adaptation, and current performance. The framework is then tested via a field survey of more than 500 exporting managers. Empirical results are presented and then discussed. Implications for theory and managerial practice, limitations of the research, and future directions are also considered.

CONCEPTUAL FRAMEWORK

We begin with a conceptual framework that considers the impact of both past performance and the internal and external forces of the firm on marketing mix adaptation and export performance in the current period. A diagram of this framework is presented in Figure 1. The unit of analysis throughout the discussion is an individual product-market export venture of the firm, involving a specific product in a specific export market. In this section, we begin with a definition of the constructs that comprise the conceptual model. We then develop hypotheses regarding the relationships among current period performance satisfaction, marketing strategy adaptation, internal and external forces of the firm, and past performance satisfaction.

EXPORT PERFORMANCE SATISFACTION

In the export marketing literature, researchers have used a wide array of measures for performance. Broadly speaking, the literature considers three aspects of export performance: financial, strategic, and performance satisfaction (Zou, Taylor and Osland 1998). In particular, one approach that is increasingly relied upon is the *aggregation* of satisfaction with various performance measures into a single measure of export performance (cf. Diamantopoulos and Winklhofer 2001; Katsikeas, Leonidou, and Morgan 2000). This is the approach incorporated here, whereby satisfaction is defined as a compound psychological variable (an affective state) assessing the effectiveness of a marketing program in terms of its sales, profitability, and market share, as well as overall performance (cf. Bonoma and Clark 1988).

Satisfaction is the most studied outcome variable in the marketing literature on interorganizational relationships (see Geyskens, Steenkamp, and Kumar 1999 for a review). One reason for this trend is the fact that performance itself is a complex construct in the view of the firm (Greve 1998). It is often idiosyncratic to the firm and setting; success for one company may constitute failure for another. For research purposes, it is often impossible to establish a common definition or fixed reference points across firms. By measuring satisfaction with performance, instead of performance per se, researchers are able to capture the degree to which performance has matched the aspiration levels of the firm and to compare it across a variety of exporting firms. In this manner, a boundary line is incorporated and used as a reference point for perceived success and failure. It also serves as a useful starting point for decision-making.

In the conceptual model, we distinguish between satisfaction with past performance (i.e., the previous year) and satisfaction with performance improvement in the current year. We do so because the model is intended to capture the impact of past performance, as well as both internal

and external forces of the firm in the short term (i.e., a one year period). In this manner, we are able to isolate the firm's satisfaction in a previous period and the degree to which its performance in the subsequent year has matched its aspirations for that year.

The focus on specific actions in the short term is important because poor performance in export operations can have an immediate impact on strategy decisions. When performance decreases in any given year, both internal (e.g., top management, employees, union representatives) and external (e.g., suppliers, investors, and credit institutions) publics will consider it a potential threat to the whole organization, in turn demanding improvements in performance. Moreover, many firms depend on short-term performance for survival. This is particularly true of firms that lack financial resources as well as those operating in markets with low margins (due to a high level of competition or market saturation). The implication of all these considerations is that while long-term performance is crucial, if the exporting activities of the firm are not working properly in the short term, it will be extremely difficult for managers to focus on the future. And if one considers the long term failures and successes of the firm a function of its short term actions, it is clear that understanding the impact of specific actions in the short term can yield valuable insights into improving long term performance.

MARKETING ADAPTATION IN EXPORT MARKETS

Literature review. The conceptual framework is based on the contingency perspective of marketing mix standardization, which traces its roots to general systems theory (Boulding 1956; Von Bertalanffy 1951) and the behavioral theory of the firm (Cyert and March 1963; March and Simon 1958; Simon 1957). In brief, this perspective contends that the coalignment among strategy and the firm's context (i.e. organizational characteristics and the external environment) has a positive impact on performance. Researchers in this area view marketing strategy along a

continuum varying from pure standardization to pure adaptation. They argue that it is more important to consider the *degree* of adaptation and the forces that influence it than to determine *whether* or not a company should adapt its marketing strategies (Cavusgil and Zou 1994; Samiee and Roth 1992). Hence, adaptation or standardization is a matter of degree, contingent upon the internal and external forces of the firm.

Product adaptation is the degree to which the product (brand name, design, labeling, and variety of main exporting product line) differs between the domestic and export market. Similarly, promotion adaptation is defined as the adjustment of the domestic promotional program (advertising idea/theme, media channels for advertising, promotion objectives, budget for promotion, direct marketing/mailling) to the main export market. Price adaptation refers to the degree to which the pricing strategies (determination of pricing strategy, concession of credit, price discount policy, margins) for a product differ across national boundaries. Finally, distribution adaptation reflects the readjustment of distribution (criteria to select the distribution system, transportation strategy, budget for distribution, and distribution network) to the export market.

The issue of adaptation-standardization first emerged in the marketing literature during the 1960s and initially focused on advertising strategies. In particular, it was argued that advertising campaigns could be standardized across European countries in the same way that they are standardized across states in the United States (Elinder 1961). In other words, people are basically the same despite demographic, ethnic, cultural, and psychographic characteristics across different nations. Therefore, a standardized advertising approach founded on basic appeals (e.g., mother-child relationship, desire for a better life, beauty, health, and freedom) could be effective across different countries. At this time, global markets (e.g., the European

Economic Community and the European Free Trade Association) were beginning to emerge, raising the need for an international advertising presence. By utilizing a standardized approach, firms could more effectively plan and control costs in their global advertising campaigns.

Subsequent empirical research in this area indicated that the most successful advertising campaigns were those in which managers were able to find the appropriate balance between adaptation and standardization (Dunn 1966). Using a case study approach, Dunn demonstrated that key market and economic data should be taken into consideration to find the *appropriate* balance; moreover, this balance was related to the level of competition and the degree of export market development (i.e., level of education, standard of living, adequate distribution in the country, and economic development).

The adaptation-standardization debate was then expanded from an exclusive advertising approach to the other areas of marketing (Buzzell 1968). Over the next three decades, research on the adaptation/standardization issue focused primarily on product and communication adaptation. Rarely have researchers taken a more comprehensive perspective and considered the full marketing mix, including the standardization of pricing and distribution strategies. In a recent review of fifty empirical papers that consider the determinants of export performance (Zou and Stan 1998), only three examine the relationship between adaptation of the full marketing mix *and* export performance. In this research, we attempt to take a more comprehensive approach to the marketing mix by considering the adaptation of all four of its aspects.

Product adaptation. Several empirical studies indicate that standardized products are more successful than are adapted products. This is the case in two studies of Brazilian exporters (Christensen, da Rocha, and Gertner 1987; De Luz 1993) that found that firms exporting

standardized products were more successful than firms exporting adapted products because those that exported standardized goods were able to benefit from economies of scale and to avoid modification costs. Similarly, Beamish, Craig, and McLellan (1993) revealed that the export performance (measured in terms of 'profitability') of Canadian export products is positively correlated with little product modification. Finally, Styles and Ambler (1994) show that 73% of the United Kingdom (UK) firms that have won the Queen's Award for Export Achievement marketed the same product in their export markets as they did in the UK. In this vein, there has been a tendency for firms to enter export markets with a standardized product and to adapt the other aspects of the marketing mix (Douglas and Wind 1987; Fraser and Hite 1990). The motivation behind this approach is that a standardized product allows firms to quickly enter new markets and insures consistent product quality across segments, while still exploiting economies of scale in production, thereby lowering operating and coordination costs and enabling the firm to offer more competitive prices (Samiee and Roth 1992; Yip 1992). One might add that in monopolistic settings, there is a tendency for firms to exploit their domestic strengths in foreign markets with minor adaptations. For these reasons, we conceptualize product adaptation separately from standardization of the other three aspects of the marketing mix (price, promotion, and distribution) and anticipate that:

H1: Product adaptation is negatively associated with satisfaction with performance improvement in the current year.

The prediction made here is specific to the short term. That is, poor performance may motivate firms to immediately alter their marketing mix strategy, which could increase costs in the short term, thus negatively impacting their satisfaction with performance improvement in that year.

This still affords the possibility that, in the long term, product adaptation may be positively associated with satisfaction with performance improvement in subsequent periods.

It is also worth noting that there have been other studies that would argue the opposite effect: that product adaptation is positively associated with export performance (Cavusgil and Zou 1994, Shoham 1996). This finding may owe to the fact that (i) political, economic, and sociocultural differences make it difficult to sell a standardized product (Douglas and Wind 1987), or (ii) local distributors give priority to adapted products (Aulakh, Kotabe, and Teegen 2000), or (iii) the benefits of an adapted product outweigh the cost savings of a standardized strategy (Cavusgil and Zou 1994).

Promotion, pricing, and distribution adaptation. In contrast to what occurs with product, the literature tends to advocate the adaptation of other aspects of the marketing mix (Dahringer and Muhlbacher 1991; Walters 1986). The prevailing opinion is that promotion, pricing, and distribution strategies ought to take into account differences in the politico-legal, economic, and sociocultural characteristics of any host country. By adapting to these specific characteristics, the firm's pricing, communication, and distribution strategies can improve performance.

Seifert and Ford (1989) find that US exporters who adapt their promotional strategy for their exported goods are more satisfied with the performance outcomes than comparable domestic product line promotion. Shoham's work (1996) on US manufacturing exporters reveals that adaptation of advertising content is associated with improved export performance (sales, sales change, profits, and profit change). These findings are consistent with his research on Israeli exporters, wherein he finds that both export performance satisfaction and change in export performance satisfaction (ratio of export sales to total sales, export sales, and export profitability ratio) are enhanced with promotion adaptation (measured in terms of media allocation, advertising content, process determination, and budget size) (Shoham 1999). The positive relationship between promotion adaptation and performance often occurs because the adaptation

of promotion variables better accounts for differences in competitive practices, customs, traditions, religions, levels of education, ways of living, communication infrastructures, and government restrictions among nations.

However, it is possible that the relationship between promotion adaptation and export performance is more moderate, or even represents the inverse of what has been suggested thus far. Cavusgil and Zou (1994) point out that the inverse effect can occur if the adapted communication strategy eliminates the universal appeal of the product or if the adaptation is costly or inappropriate. Moreover, there is the possibility that, due to cultural differences, the consumers' sensitivity to promotional efforts is less responsive than in the domestic market.

Empirical studies also suggest that in order for export market activities to perform well, firms must have an exporting price that is tailored to the foreign markets. This is the case of Das (1994), who found that Indian firms with higher export performance (ratio of export sales to total sales) are more likely to have adapted their prices for their products in foreign markets. Similarly, Bilkey's (1987) investigation of US firms indicates that export profitability increases for industrial, consumer, and intermediate firms as their products' prices are adjusted to the export market. This relationship is confirmed by another study of US firms (Koh 1991) that contends that the price level positively influences export performance (perceived relative profitability). There is, however, evidence for the opposite effect. Lages and Montgomery (2001) have found that standardization of price improves export performance. This assertion might be particularly true if the domestic market price tends to be lower than competitive prices in the export market or if the exporting firm is able to take advantage of a currency advantage. For example, the opportunity for Portuguese exporters trading in US dollars outside the Euro Zone relieves the pressure to increase foreign prices. However, research generally suggests that

pricing strategies need to be adapted because of the pricing practices of competitors, differences in exporting costs, price controls, market structures, and purchasing power, financial trade barriers, the costs of production, promotion, and transportation, and margins of distribution channels (Leonidou, Katsikeas and Samiee 2002).

Shoham (1996) also found that sales force adaptation is associated with enhanced export performance (sales, profits, and profit changes). Similarly, Koh (1991) found that US firms that developed a distribution strategy specific for the export market performed better than those that had standardized their distribution strategy in foreign markets. In fact, export performance was generally worse in firms that used the domestic marketing department, rather than a separate export department, in order to develop their distribution strategies. This research suggests that firms that adapt their distribution strategies across export markets tend to perform better because the adaptation better accounts for variation in the business environments and existing differences in transportation logistics, channel length, type of outlets, and distribution functions. Hence, we expect that:

H2: Adaptation of promotion, pricing, and distribution is positively associated with satisfaction with performance improvement in the current year.

INTERNAL FORCES

Along with the development of the adaptation-standardization debate, there has been increasing attention to the determinants of marketing strategy. Cavusgil and Zou (1994) consider a subset of possible internal and external forces in the development of marketing strategy; however, many of the forces remain untested.

There are many forces within the firm that may affect export strategy success, such as organizational culture, the firm's capabilities and competencies, internal status of the export management, location, and product differentiation. While it would be impossible to discuss all

of them here, we consider two that are particularly important: the firm's commitment to exporting and management's degree of international experience. We have selected these two because the firm's commitment to exporting is a strategic decision that guides resource allocation to export strategies, while international experience is a critical resource for implementing adaptation strategies. With the exception of Cavusgil and Zou (1994), earlier research has never simultaneously analyzed these two internal forces. We include both of them in our model.

The firm's commitment to exporting refers to the degree to which organizational and managerial resources are allocated to exporting ventures. As increasing levels of resources are committed to the exporting venture, the firm is able to improve its planning procedures and to implement more adaptive strategies. The firm's commitment to a particular direction may also enhance employees' feelings of loyalty and duty to the organization, as well as increase clarity in the prioritization of tasks (Wiener and Vardi 1980). When the firm demonstrates a strong commitment to exporting, managers may be more apt to work harder on demanding tasks such as strategy adaptation. Hence, we expect that the firm's commitment to exporting is positively associated with the adaptation of the marketing mix.

Management's international experience refers to the degree to which the firm's management has overseas experience, having lived or worked abroad, as well as the accumulated skills and abilities that support the achievement of the organization's exporting objectives and goals (Cavusgil, Zou, and Naidu 1993; Das 1994). Once international experience has been acquired, the complex issues of marketing adaptation to the different markets will be easier to implement; as such, managers will better understand the specific contingencies of each export market. When managers are inexperienced, they tend to look for a close match between the

firm's offerings and the foreign market in order to avoid marketing strategy adaptation (Douglas and Craig 1989).

Previous empirical research has confirmed the relationship between international experience and marketing strategy adaptation. Cavusgil, Zou, and Naidu (1993) show this relationship in reference to product and promotion standardization. Similarly, Seifert and Ford's (1989) study establishes positive relationships between management's international experience and the adaptation of product attributes—packaging, styling, warranty, service, and features. Hence, we expect that the international experience of management is positively associated with adaptation of the marketing mix:

H3: The internal forces of the firm are positively associated with adaptation of the marketing mix.

Internal forces and performance. The firm's commitment to exporting in international markets should also directly impact performance because the firm's commitment will direct greater resources to the task, better enabling the organization to achieve its exporting goals. Tookey's (1964) investigation of British clothing manufacturers was one of the first studies to link the firm's commitment to export with export success. Following his work, additional empirical studies have supported this positive relationship (for extensive reviews regarding this relationship see Bilkey 1978, Aaby, and Slater 1989; Zou and Stan 1998). In general, the more committed the firms, the more successful their performance, as they are more engaged in planning and therefore allocate greater financial and human resources to the export activity (Diamantopoulos and Inglis 1988; Shoham 1999). We would expect that, then, the firm's commitment to exporting is positively associated with satisfaction with performance improvement in the current year.

Similarly, as the experience of management in international markets increases, the firm is better able to achieve its exporting goals. Zou and Stan's (1998) extensive review of the export

marketing literature suggests that the firm's export performance benefits from having internationally experienced managers because the managers' international experience helps the firm to identify and to take advantage of exporting opportunities while avoiding international threats. Additionally, more experienced managers will help to improve the performance and productivity of the firm by avoiding costly mistakes such as incorrectly adapting the domestic product and/or promotional strategy to the foreign market. For example, Madsen's (1989) investigation of Danish exporters has established a positive relationship between export experience and three measures of export performance (export sales, export profitability, and export growth). Madsen contends that export experience leads to a better understanding of market mechanisms and a network of personal contacts. This helps to improve marketing decisions, which in turn leads to better performance. Managerial experience has also been cited as affecting the performance of Brazilian (Da Rocha, Christensen, and Da Cunha 1990), Central American (Dominguez and Sequeira 1993), and Indian exporters (Das 1994). Similar results were found by Seifert and Ford (1989), who reported that export performance was higher in US industrial firms with more international experience. Their study revealed that export performance was particularly high in firms with 11 years or more of exporting experience. Hence, we expect that the international experience of management is positively associated with satisfaction with performance improvement in the current year. Collectively, we hypothesize that:

H4: Internal forces of the firm are positively related to satisfaction with performance improvement in the current year.

EXTERNAL FORCES

Earlier research on marketing strategy adaptation in foreign markets indicates that this decision is influenced by a variety of forces external to the firm, such as local government

influence, the exporting country's image, technological and cost factors, as well as foreign market differences in terms of product life-cycle, culture, infrastructures, and government regulations. Among these possibilities, we focus on two aspects of particular relevance: export market development and export market competition. These two are selected because they impact the firm's marketing strategy definition and may indirectly impact performance. They are also frequently examined in the export marketing literature (e.g., Beamish, Craig, and McLellan 1993; Sriram and Manu 1995).

Export market development refers to the overall standard of living in the export market, as evidenced by the level of economic development and education levels in that market. As the level of development in an export market increases, firms will typically have to adapt their marketing strategies to these markets, as many countries may have legislation in place that requires changes in the strategy. Moreover, more educated and sophisticated consumers require more specialized marketing strategies that better fit their consumption patterns. Hence, we expect that as the level of development in an export market increases, marketing strategies must be adapted to the specifics of that market.

Export market competition is the extent to which businesses must strive to outdo each other to gain the economic rents of that industry. Competition may vary along multiple dimensions, such as the number of competitors, price competitiveness, and service/delivery. The level of competition in the export market is positively associated with product and promotion adaptation (Cavusgil and Zou 1994; Cavusgil, Zou, and Naidu 1993). As the level of competition within an export market rises, firms must adapt their strategies in order to differentiate their offerings. Without differentiation, the firm cannot gain an advantage over their competitors that will produce higher rents. Hence, as competition increases, the firm will

need to adapt all aspects of their marketing strategy: the product, price, promotion, and distribution of their export products. Collectively, we hypothesize that:

H5: The external forces of the firm are positively associated with adaptation of the marketing mix.

External forces and performance. Earlier research on the impact of external forces on export performance has mixed findings. On the one hand, Sriram and Manu (1995) found that firms that export to developing countries have better performance than do firms exporting to developed countries, because of the lack of competition in less developed countries. On the other hand, Austin (1990) found that there is a negative relationship between exporting to less developed countries and export success, because of the economic instability associated with those countries. Beamish, Craig, and McLellan's (1993) results complicate the picture even further; they found a positive relationship between less developed countries and export profit performance among Canadian exporters, and a non-significant relationship among British firms. In light of these mixed results, we do not hypothesize the direction of association between the external forces and satisfaction with performance improvement in the current period.

SATISFACTION WITH PAST PERFORMANCE

Strategic decisions are motivated by a combination of both proactive and reactive behavior (Lindblom 1959). Proactive behaviors require the firm to develop specific strategies with the objective of achieving improved performance. Reactive behaviors are those in which the firm responds to past results. Most research (including that in marketing) tends to explore only the proactive side, ignoring the firm's reactive behavior, despite the fact that reactive behavior may play an equal, if not greater, role in the determination of current strategy. In the marketplace, it is not uncommon to hear of a firm's reactive behavior to past results. After its 1999 commercial financial disaster, British Airways publicly announced a rethinking of its

branding, communication, and relationship marketing strategies in order to reverse its performance. Many other firms embrace similar positions after the posting of poor results.

Considering the impact of past performance on current period strategy adaptation and satisfaction with performance improvement can be a powerful means of explaining current performance. This is because models of performance advantage tend to be adopted by all competitors, thereby reducing the variation in the independent variables that form the basis of the competitive advantage (March and Sutton 1997). By incorporating the unique feedback effects of the past performance of a specific firm, a unique predictor of high and low performers is introduced that can enhance our overall understanding of the complex nature of organizational performance.

Past performance and strategy adaptation. Recent studies have begun to explore the impact of past performance on strategy definition and orientation. For example, Lant and colleagues (Lant and Hurley 1999; Lant, Milliken, and Batra 1992; Lant and Montgomery 1987) found that past performance is strongly associated with a manager's strategic orientation. Their findings are consistent with a central assumption of the organizational behavior literature that suggests that organizations and individuals set goals and adjust their behavior in response to favorable and unfavorable feedback (Cyert and March 1963; March and Simon 1958).

Greve (1998) reveals that if performance increases, there will be a decline in adaptive behavior. This occurs because organizations exhibit political resistance to change and managers face uncertainty regarding the opportunities that exist in the environment (Hannan and Freeman 1977). Furthermore, when the firm performs well, it may experience "fat cat syndrome" (Dutton and Duncan 1987, 290) which occurs when the firm becomes complacent and tends toward implementation of simpler strategies.

In well performing firms, the opportunities to increase performance may be viewed as discretionary possibilities, instead of vital (Cyert and March 1963). Miller (1993) argues that successful organizations tend to become narrow in their focus and overly preoccupied with the specific factors that contributed to its success, instead of looking to other internal and external forces that may contribute. Thus, the firm's tendency to identify and to react to various contingent forces is reduced. The consequence of this behavior is that the firm may begin to allocate its resources in a simpler way, reflecting a singular focus that does not correspond adequately to the complex environment that the firm is actually facing. Hence, in a similar manner, we expect that the firm may be more likely to take a standardized approach to its marketing strategy in an export context when its satisfaction with past performance has been particularly strong and when managers are satisfied with it. A standardized approach is simpler, involving less effort and consideration of environmental and internal forces.

In contrast, when the firm is not performing well, managers do not have the privilege of choosing to do nothing. In these circumstances, when management is not satisfied with the performance levels, strategic decision processes will tend to be more comprehensive than in firms that are performing well (Fredrickson 1985). The firm is motivated to implement precise and discriminant decisions and to expend the effort to make proper choices. It is more willing to explore different opportunities and to adapt as best as possible to the environment. Hence, we expect that, in an exporting context, the firm will rely less on standardized strategies and will begin to adapt more to the specifics of the foreign market in hopes that performance will improve.

H6: Prior period performance satisfaction is negatively associated with adaptation of the marketing mix.

Current and past performance satisfaction. Satisfaction with the preceding year's performance is likely to be positively related to satisfaction with performance improvement in the next period because satisfaction levels tend to reinforce one another from period to period. This works in two ways. When the firm performs well, internal publics (e.g. employees, union representatives) and external publics (e.g. clients/customers, suppliers, investors, and credit institutions) are more likely to react favorably to the firm, thus facilitating continued performance improvement (Isen and Baron 1991). On the other hand, poor performance may negatively influence performance in the next period, as the reputation of both the firm and top management are spoiled by poor performance (Sutton and Callahan 1987). The perception of failure on the part of the different entities interacting with the company, enhanced by the firm's internal instability, will lead the organization into vicious cycles of "unsuccess" (Masuch 1985). Consequently, it is extremely difficult to change the direction of a "downward spiral" (consecutive decreases in performance) (Hackman 1990). Thus, we hypothesize that:

H7: Prior period performance satisfaction is positively associated with satisfaction with performance improvement in the current year.

METHOD

THE RESEARCH SETTING

The research setting is the country of Portugal, a member of the European Union (EU). The EU is the world's largest exporter of goods, maintaining a stable share of approximately one fifth of total world exports (intra-EU trade excluded) since 1990 (European Commission 2000). Like many countries in the EU, Portugal's economic growth depends heavily on the exporting success of its firms. Since entering the EU in 1986, the country's export growth has boomed. From 1986-91, the country's exports increased by 9.5% per annum. The most recent data show that since 1993, Portuguese exports have increased by 60% (National Statistics Institute 1999).

Collectively, these characteristics indicate that Portuguese firms are motivated to develop successful export marketing strategies, an ideal context for considering the activities of export marketing performance and strategy definition.

Our focus is on the firm's *main export venture*, primarily because our exploratory interviews in the research context indicated that firms typically develop a marketing strategy only for their main export venture. Many secondary ventures do not have defined strategies, or their strategies are defined as a consequence of the main venture. Additionally, this approach of a single product or product line exported to a single foreign market allows us to associate marketing strategy more precisely with its antecedents and outcomes.

SURVEY INSTRUMENT DEVELOPMENT

A questionnaire was developed that incorporates a variety of multi-item measures and indicators of the conceptual framework. Additional indicators derived from exploratory interviews in the research context were also included. The firm's commitment to exporting was adapted from Cavusgil and Zou (1994); both product and promotion adaptation were adapted from Zou, Andrus, and Norvell (1997); price and distribution adaptation were adapted from Shoham (1999); and satisfaction with current period performance was adapted from Shoham (1998). All other scales were developed specifically for this research.

The questionnaire was initially developed in English and then was translated into Portuguese. The content and face validity of the items was assessed by four Portuguese judges (university lecturers in marketing); each judge was asked to assess how representative each item was of the final construct. The survey was revised according to their comments. It was then given to a pretest sample of fifteen managers involved in export operations. The pretest results were used to further refine the questionnaire. In order to avoid translation errors, the

questionnaire was translated into English by a different researcher. A full listing of the final items (in English) and their scale reliabilities can be found in the Appendix. The average internal reliability (Cronbach alpha) was 0.84. Table 1 provides an overview of the construct means, standard deviations, and the correlation matrix among constructs.

DATA COLLECTION PROCEDURE

A sample of 2,500 SME firms was randomly generated from a government agency database of Icep-Portugal (1997). This database of 4,765 Portuguese exporters is the most comprehensive and up-to-date database available in the Portuguese market.

The pretest results indicated a strong need for an incentive to motivate the respondents to participate. One manager's suggestion was incorporated into the data collection: Respondents would be provided with a list of potential overseas importers or clients in return for a completed survey. This incentive was stated in the cover letter. In the first mailing, a cover letter, a questionnaire, and an international postage-paid business reply envelope was sent to the person responsible for exporting in each of the 2,500 Portuguese firms. This missive was followed by a second mailing that included a reminder letter and a reply envelope.

The data collection was conducted in the first quarter of 1999. Respondents were instructed to complete all items in reference to 1998 with the exception of the past period performance satisfaction. With these items, respondents were directed to complete the items with 1997 performance in mind.

Of the sample of 2,500 managers, 29 stated that they no longer exported and 119 questionnaires were returned by the mailing service. These firms had either closed down or had moved without leaving a forwarding address. Thus, the sample size was reduced to 2,352. Of these, 519 questionnaires were returned, a 22% response rate. This result is satisfactory,

considering that the average upper management domestic survey response rate is between 15 and 20% (Menon, Bharadwaj, Adidam, and Edison 1999). Non-response bias was tested by assessing the differences between the early and late respondents with regard to the means of all the variables (Armstrong and Overton 1977). Early respondents were defined as the first 75% of the returned questionnaires, and the last 25% were considered to be late respondents. These proportions approximate the actual way the questionnaires were returned. No significant differences among the early and late respondents were found, suggesting that response bias was not a significant problem in the study.

Data profile. The Portuguese exporting industry is primarily composed of small to mid-sized firms. Exporters from all the Portuguese regions participated in the survey. The average annual sales of these firms ranged in the millions from \$1.4 - \$4.6M US (€ 1.5M - € 5M), with 8% of the companies having annual sales over \$32.2M US (€ 35M), and 5% having more than 500 employees.

Over 47% of the export ventures surveyed in this research involved trading with an agent or distributor, 21% involved trades directly with suppliers, while the remainder of the sample involved exports to retail stores and other commercial organizations. Over 75% of the respondents reported on ventures with other European countries, while the remainder occurred with the United States and other non-European countries. The average sales volume of the main export venture ranged from \$370,000 - \$1.4M US (€ 400,000 - €1.5M).

The survey was directed to individuals who were primarily responsible for exporting operations and activities. The job title of these individuals ranged from president to marketing director, managing director, or exporting director. 39.3% of the respondents indicated that they had been responsible for the exporting operations of their firm for 8 to 15 years, while 81.5% of

the respondents ranged from 3 to 30 years of responsibility for the operations. Respondents were also asked to indicate their degree of experience in exporting on a scale where 1=none and 5=substantial. The mean response was 3.6 (sd=.84, range 1 to 5). Collectively, this indicates that although the title of the respondents' positions may be wide-ranging, the individuals appear to have significant knowledgeable in the specific exporting activities of the firm and are experienced with exporting in general.

CONFIRMATORY FACTOR ANALYSIS

In order to assess the validity of the measures, the items are subjected to a confirmatory factor analysis (CFA), using full-information maximum likelihood (FIML) estimation procedures in LISREL 8.3 (Jöreskog and Sörbom 1993). In this model, each item is restricted to load on its pre-specified factor, with the ten first order factors allowed to correlate freely. The chi-square for this model is significant ($\chi^2=1202.59$, 620df, $p<.00$). Since the chi-square statistic is sensitive to sample size, we also assess additional fit indices: the Comparative Fit Index (CFI), the Incremental Fit Index (IFI), and the Tucker-Lewis Fit Index (TLI). The CFI, IFI, and TLI of this model are .94, .94, and .93, respectively. Since fit indices can be improved by allowing more terms to be freely estimated, we also assess the Root Mean Square Error of Approximation (RMSEA), which assesses fit and incorporates a penalty for lack of parsimony. An RMSEA of .05 or less indicates a close fit to the population, while .08 to .10 indicates a satisfactory fit, with any score over .10 indicating an unacceptable fit. The RMSEA of this measurement model is .04.

Convergent validity is evidenced by the large and significant standardized loadings of each item on its intended construct (average loading size was 0.82). Discriminant validity

among the constructs is stringently assessed using the Fornell and Larcker (1981) test; all possible pairs of constructs passed this test.

Second order factors. Since the effects of the individual internal and external forces were expected to have similar effects on marketing mix adaptation, we estimated second order factors for each of them. Specifically, a higher order factor of internal forces that includes a first order factor of the firm's commitment to exporting and management's international experience, observable indicators and measurement errors are estimated. The chi-square is significant ($\chi^2=69.61$, 19df, $p<.00$), the CFI and IFI are .97, the TLI is .95, and the RMSEA is .072. The firm's commitment to exporting has a factor loading on the higher order factor of .75, while management's international experience has a loading of .69 on the higher order factor.

In a similar manner, a second order factor of external forces is also estimated. This model includes a first order factor of export market development and export market competition, along with their observable indicators and measurement errors. The chi-square for this model is not significant ($\chi^2=5.44$, 4df, $p<.24$). The CFI and IFI are 1.0, the Tucker-Lewis index is .99, and the RMSEA is .026. The first order factor of export market development has a factor loading of .56 on the higher order factor, while export market competition has a factor loading of .55.

Since three of the four Ps were hypothesized to have similar effects on satisfaction with performance improvement in the current period, these three Ps were estimated together as loading on a higher order factor of three Ps' adaptation. Specifically, a model in which the observable indicators corresponding to promotion, pricing, and distribution adaptation are loaded on their corresponding first order factors; these three factors are then loaded on a higher order

factor of three Ps adaptation. The higher order model accounted for the data well ($\chi^2=174.90$, 62df, $p<.00$), with a CFI and IFI of 0.97, a Tucker-Lewis index of 0.96 and an RMSEA=0.059.

STRUCTURAL MODEL ESTIMATION

The conceptual framework of Figure 1 is simultaneously estimated in a structural equation model using FIML estimation procedures in LISREL 8.3. Specifically, this model contains three second order factors, three first order factors, observable indicators, measurement and latent variable errors, and inter-correlations between the latent factors. The estimation results for the structural paths are exhibited in Figure 2. This model has a chi-square of 1417.75 (df=679, $p<.00$); the fit indices suggest a good fit of the model to the data (CFI= 0.93, IFI= 0.93, TFI= 0.93, RMSEA=0.046).

An examination of the individual paths indicates that product adaptation has a significant negative association ($\beta=-.09$, $p<.05$) with satisfaction with performance improvement in the current year. This provides support for H1. The adaptation of promotion, pricing, and distribution has a non-significant ($\beta=-.05$, ns) association with satisfaction with performance improvement in the current year, providing no support for H2.

Internal forces have a non-significant ($\gamma=.10$, ns) association with product adaptation and a non-significant ($\gamma=.07$, ns) association with the adaptation of promotion, pricing, and distribution strategies. Hence, there is no support for H3. However, internal forces do have a significant positive ($\gamma=.20$, $p<.01$) association with satisfaction with performance improvement in the current year. This provides support for H4.

An analysis of the indirect and total effects of internal forces on satisfaction with performance improvement indicates that these forces have a non-significant ($\gamma=-.01$, ns) indirect effect and a positive, significant total effect ($\gamma=.19$, $p<.01$).

External forces have a significant positive ($\gamma=.27$, $p<.01$) association with product adaptation and a significant positive ($\gamma=.24$, $p<.01$) association with adaptation of promotion, pricing, and distribution strategies. This provides support for H5. There is no significant ($\gamma=-.07$, ns) association between external forces and satisfaction with performance improvement in the current year.

The indirect effect of external forces on satisfaction with performance improvement in the current year is negative and significant ($\gamma=-.04$, $p<.05$), while the total effect remains non-significant ($\gamma=-.11$, $p<.ns$).

Performance satisfaction with the previous year has a significant negative ($\gamma=-.16$, $p<.05$) association with product adaptation and a significant negative ($\gamma=-.18$, $p<.05$) association with adaptation of promotion, pricing, and distribution strategies. Thus, there is support for H6. Performance satisfaction with the previous year also has a significant positive ($\gamma=.17$, $p<.01$) association with satisfaction with performance improvement in the current year, providing support for H7.

The indirect effect of performance satisfaction in the preceding year has a positive, significant effect ($\gamma=.03$, $p<.10$) on satisfaction with performance improvement in the current year. The total effect is also positive and significant ($\gamma=.20$, $p<.01$).

DISCUSSION

The results indicate that satisfaction with performance improvement in the current period is positively associated with internal forces of the firm, product standardization, and satisfaction with the preceding year's performance. Additionally, the impact of the internal forces and the preceding year's performance satisfaction have a much greater impact, approximately two times that of product standardization on satisfaction with performance improvement in the current

period. External forces and adaptation of promotion, pricing, and distribution strategies are not significantly related. The results also indicate that the degree of adaptation of marketing strategies is responsive to satisfaction with the preceding year's performance and to external forces of the firm, but not to the internal forces of the firm.

One of the key contributions of this research is the finding that marketing strategy is not only an antecedent, but also an outcome of the firm's satisfaction with the preceding year's export performance. In the past, researchers have ignored this aspect of the marketing-performance relationship. In this research, we are able to confirm the hypothesis that previous period performance can affect strategic decision-making in the current period. It may be that past performance motivates the firm to search broadly for information and to conduct the in-depth analyses necessary to promote and to sustain strong performance into the future.

An additional key result is that satisfaction with performance improvement in the current period is affected:

- *directly* by internal forces
- *indirectly* by external forces through their influence on marketing strategy
- both *directly* and *indirectly* by satisfaction with the preceding year's export performance via its effects on marketing mix adaptation.

The results also suggest that satisfaction with past performance offers additional insights into firms' alignment of their strategies to their environments and internal capabilities.

ADAPTING MARKETING STRATEGIES TO EXPORTING VENTURES

The research supports previous findings that product adaptation has a negative impact on export performance. This may be due to the fact that product standardization benefits from economies of scale while insuring product quality across markets. Perhaps a product adaptation strategy increases the costs, which may impact the firm's ability to provide a competitive offering in export markets. It might also be that product adaptation changes the product in ways

that are less desirable to the export market or that quality is somehow hampered by such a strategy. For these and possibly other reasons, a product adaptation strategy is negatively related to satisfaction with current period performance.

It is surprising to find that adaptation of promotion, pricing, and distribution does not have an impact on satisfaction with performance improvement with the current period. This may occur for several reasons. It may be that the value of adapting these aspects of the marketing mix differs across products. For example, clothing and food may require more adaptation to local variations in taste and culture than do industrial machinery and chemical products. It might also be that such adaptations are more likely to impact long-term performance instead of current period satisfaction with performance improvement. Perhaps, too, it takes longer than the current year to observe the impact of adapting promotion, pricing, and distribution strategies—particularly if a promotion campaign or adaptation in distribution strategy is a long-term, multi-year effort. Future research is needed to further examine this possibility.

ANTECEDENTS TO MARKETING STRATEGY

The internal forces of the firm do not appear to impact adaptation of the marketing mix. This is consistent with the notion that marketing strategies should be responsive to the external environment, rather than driven by the internal environment of the firm. However, the internal forces of the firm play a significant role in explaining satisfaction with performance improvement in the current period. As managers' international experience increases, the firm is in a better position to explore existing opportunities in the foreign market while minimizing the risks associated with inexperienced decision-making. As the firm's commitment to exporting activities increases, it tends to allocate more financial and human resources to these activities, which improves satisfaction with performance improvement.

Forces external to the firm, such as export market development and competition, are positively associated with marketing strategy adaptation. This is consistent with earlier studies that indicate that education and sophistication of customers in developed countries, as well as the need to differentiate product offerings in competitive markets, puts pressure on firms to adapt their marketing strategy. It may be that more competition in developed markets creates the need for differentiation and product adaptation. Additionally, a larger market size may justify the cost of adaptation. In particular, when Portuguese firms export to more developed countries, the market demands are such that adaptation of their products and marketing strategies is necessary for success. In contrast, Portuguese firms have more power over exports to less developed countries; for these countries, the firms will tend to use standardized strategies. This sentiment is clearly evidenced in the remarks of one manager:

When we are selling to LDCs, there is a tendency to standardize. In our sector, they accept everything; it is almost as though we are doing them a favor. On the other hand, in the more developed countries everyone knows that we cannot play games. Either we adapt our product or we have to leave the market.

We also consider the possibility that external forces may be significantly associated with satisfaction with performance improvement in the current year. The results indicate that external forces appear to affect performance only indirectly through marketing strategy, particularly through the degree of product adaptation. The results indicate that in more developed and competitive foreign markets, there is higher pressure to have a more adapted product. However, product adaptation may lead to lower satisfaction with performance improvement. This suggests that it can be difficult to find the appropriate balance between marketing strategy and characteristics of the external environment to achieve the desired export success.

THE IMPACT OF PERFORMANCE SATISFACTION IN THE PREVIOUS YEAR

The firm's performance satisfaction in the previous year plays a significant role in the adaptation of marketing strategies and satisfaction with performance improvement in the current

year. Specifically, previous year satisfaction promotes marketing strategy standardization. Pre-study interviews with Portuguese managers indicates that as firms improve their performance, they tend to relax and to eschew more complex strategies. They suggest that standardized strategies help to “reduce the disorder” that results from having different strategies in different markets. Others point to the risk associated with strategy adaptation and note that it is a disincentive to alter strategies, particularly when performance has been satisfactory.

An important aspect to remember is that, while satisfaction with performance can feed back upon itself and can impact current period decision-making and performance evaluation in multiple ways, its positive or negative impact can depend on the speed of adjustment to failure or success, as well as the frequency of observation (March and Sutton 1997). Hence, the short-run effects of past period performance may differ from its long-run effects. This can hold both positive and negative consequences for the firm. For example, a firm may adapt to poor past performance by tightening controls, formalizing procedures, and restricting complex information processing (D’Aunno and Sutton 1992; Staw, Sandelands, and Dutton 1981), generating a positive effect in the short run, and a detriment to performance in the long run. On the other hand, when performance is strong and the firm increases slack and decreases search and effort, performance may be negatively affected in the short run, but valuable exploration and risk-taking may have a positive long-run effect (March 1991). Hence, research that incorporates past performance should pay particular attention to whether the observed effects are measured in the short or long term.

This is to say that researchers generally ignore a significant part of the marketing-performance phenomenon. Marketing research in the future should pay more attention to the impact of preceding performance on current marketing strategy, rather than concentrating

exclusively on the impact of current strategy on performance. We hope that these empirical findings will encourage academic research to reflect more often on the importance of previous export performance for current marketing strategy. This is not to say that future research on the marketing-performance relationship should omit performance as a dependent variable; but it is useful to include it as an independent variable.

MANAGERIAL IMPLICATIONS

In addition to providing systematic insights into export marketing phenomena, this research can aid managers in improving their export performance and formulating appropriate marketing strategies. First, the results indicate that firms are likely to improve their export performance if they have more experienced, expert, and committed managers. Hence, companies may profit by investing in human resources in their exporting operations and by encouraging export managers to enhance their marketing expertise and understanding of export markets.

Second, a critical issue is whether to adapt the domestic product to the foreign market or to pursue a standardized strategy. This research indicates that product standardization has a positive impact on export performance, suggesting that the savings associated with the economies of scale, together with the existence of a consistent product across markets, may enable firms to offer more competitive products.

Third, the results suggest that marketing strategy definition is strongly influenced by past performance levels. Therefore, managers should consider how the previous year's performance levels impact the current year's performance. In particular, if the previous year's performance is unsatisfactory, managers should consider how to break this pattern such that the current year's performance does not follow suit. By better understanding the relationship between past and

current period performance and by making the appropriate co-alignment with the internal and external context of the export venture, managers can avoid being caught in a vicious cycle of successive unsatisfactory results.

LIMITATIONS OF THE RESEARCH

There are some limitations of the research to be considered. The first limitation is that the data are not longitudinal. Although we attempt to capture the dynamics of the exporting phenomenon by focusing each question on specific time periods, thus building in a logical progression, the fact remains that the collected data are still cross-sectional. Another limitation is that the data incorporate only the view of one firm in the exporting relationship—the exporter—and do not consider views on the other side of the dyad. The fact that the research context involved only one country may limit the generalizability of the results to some degree. However, countries in situations similar to that of Portugal may also benefit from the findings. Finally, the survey methodology may have created common method variance that could have inflated construct relationships. This could be particularly threatening if the respondents were aware of the conceptual framework of interest. However, they were not told the specific purpose of the study, and all of the construct items were separated and mixed so that no one respondent would be able to detect which items were affecting which factors. Hence, the biasing possibilities of common method variance were partially minimized.

DIRECTIONS FOR FUTURE RESEARCH

This research has shown the empirical link between past and current satisfaction with performance improvement. However, there remains a paucity of research systematically investigating this link more thoroughly. Specifically, additional research is necessary to explain *how* past performance impacts current performance, particularly when past performance is

negative or positive. Our results indicate that in the short term, performance tends to be perpetuated, such that negative past performance satisfaction leads to negative current period performance satisfaction, and vice-versa. However, is it possible to break a negative cycle and to improve performance in the short term? This remains an intriguing direction for future work.

This research also suggests that current satisfaction with performance improvement is a function of the fit between internal and external forces, as well as the level of product adaptation in the export marketing strategy. A fruitful direction for research would be to further understand the factors that affect the adaptation of the marketing mix as a whole, and in the long term. Additionally, work is needed to explore the indirect relationships between these variables. To date, the focus has been restricted to the adaptation of only one of the four Ps, and the direct effects of its antecedents.

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TABLE 1
MEANS, STANDARD DEVIATIONS, AND CORRELATIONS

Construct	Mean	SD	Min	Max	1	2	3	4	5	6	7	8	9	10
1. Product adaptation	2.2	.88	1.0	5.0	---									
2. Promotion adaptation	2.5	.81	1.0	5.0	.24	---								
3. Price adaptation	2.8	.93	1.0	5.0	.33	.34	---							
4. Distribution adaptation	3.1	.97	1.0	5.0	.17	.39	.41	---						
5. Management international experience	3.0	.74	1.0	5.0	-.01	.07	.11	.09	---					
6. Firm's commitment to exporting	3.3	.87	1.0	5.0	.19	.09	.04	.08	.34	---				
7. Export market competition	3.8	.73	1.0	5.0	.04	-.03	.01	.02	.14	.24	---			
8. Export market development	3.7	.87	1.0	5.0	.13	.08	-.01	.13	.13	.30	.25	---		
9. Satisfaction with performance in preceding year	2.8	.74	1.0	5.0	-.02	.01	-.06	-.06	.23	.27	.01	.15	---	
10. Satisfaction with performance improvement in current year	3.0	.90	1.0	5.0	-.09	.03	-.10	-.03	.13	.11	-.02	.04	.20	---

All correlations >.12 are significant at $\alpha=.01$

FIGURE 1
CONCEPTUAL FRAMEWORK

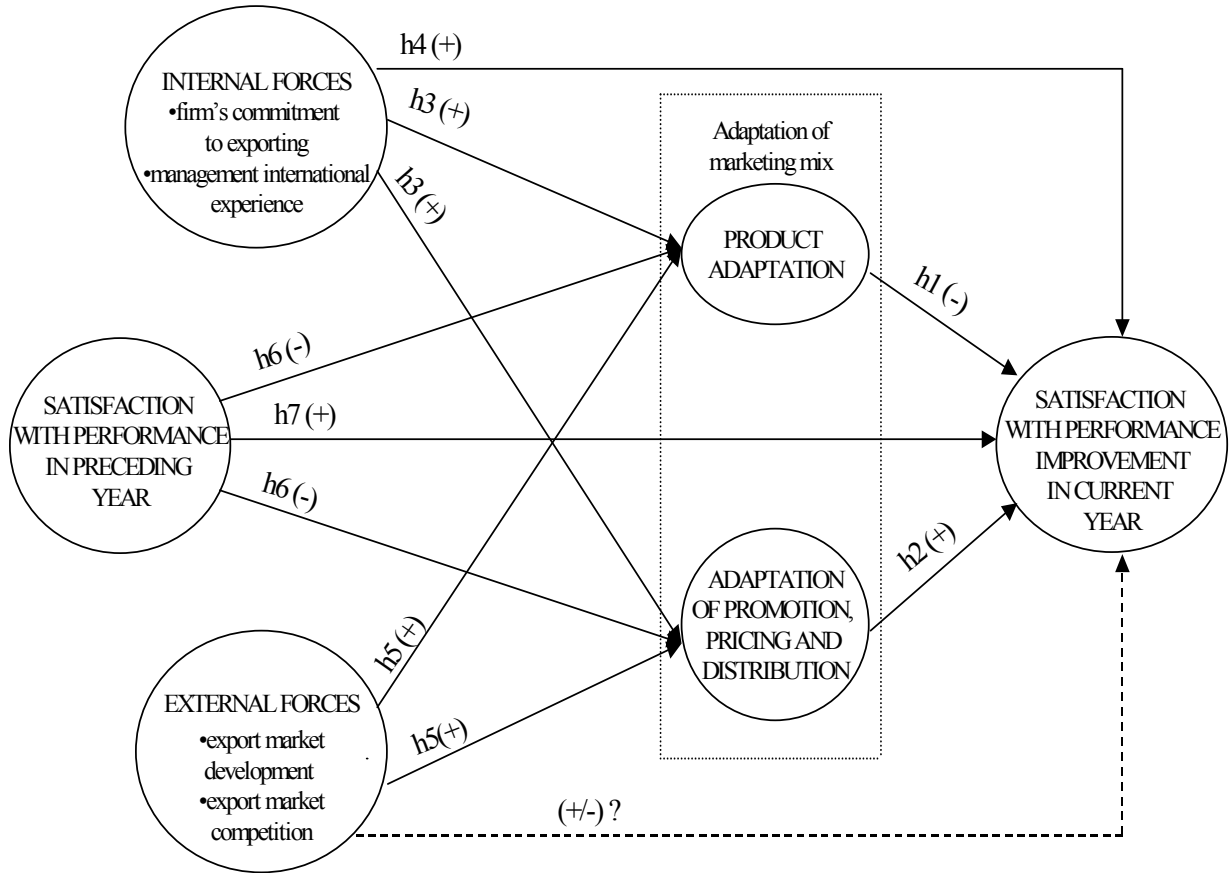
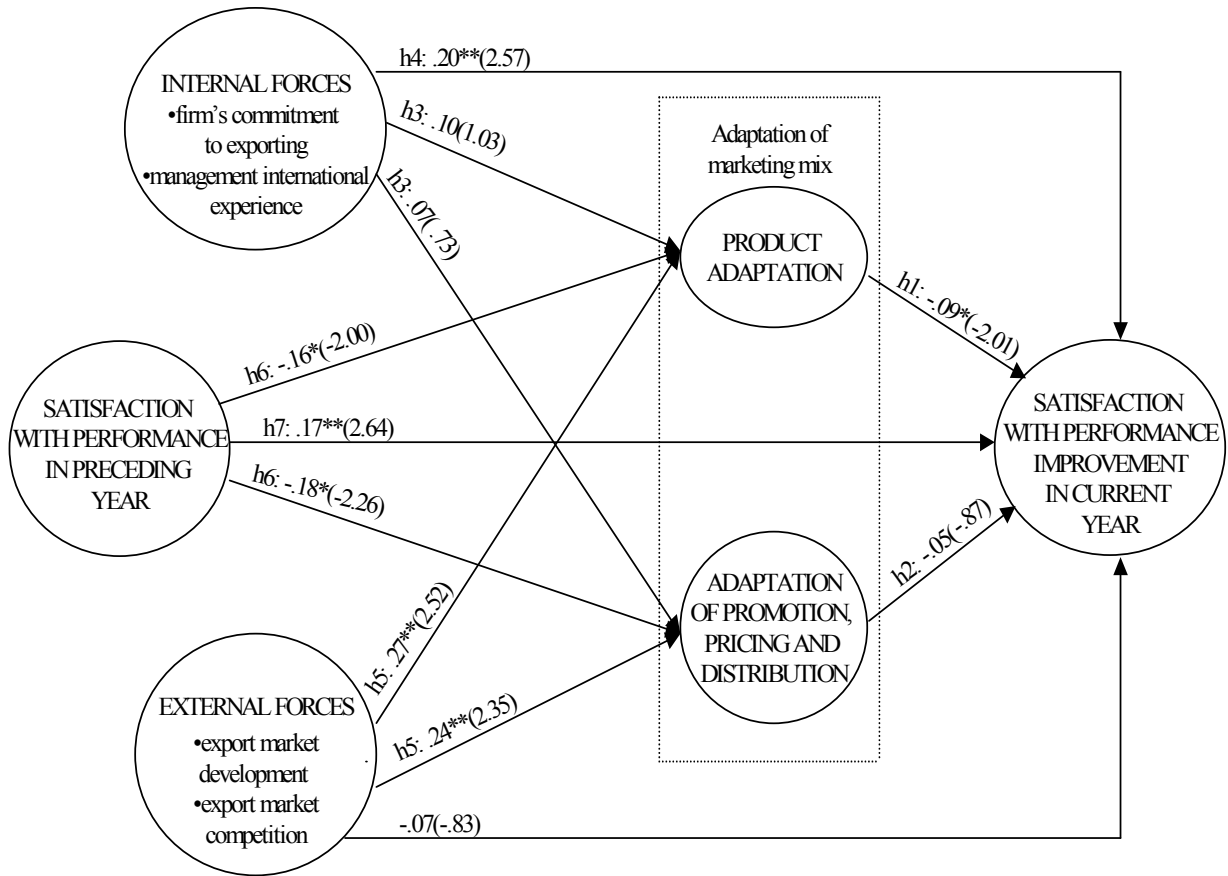


FIGURE 2
MODEL ESTIMATION RESULTS



* $p < .05$, ** $p < .01$ (one-tailed test)

Estimates are completely standardized and t-values are noted in parentheses.

Observable indicators, factor loadings, measurement and latent errors, and inter-factor correlations are not included for simplicity of depiction.

APPENDIX

SCALE ITEMS AND RELIABILITIES

α = Internal reliability (Cronbach 1951)
Unless otherwise specified, all items refer to 1998.

ADAPTATION OF THE MARKETING MIX

Question: To what extent do the following aspects differ in comparing the main export market to the domestic market?

Scale: 1=No Adaptation; 5=Extensive Adaptation

PRODUCT ADAPTATION ($\alpha=0.81$)

- Product brand name
- Product design
- Product labeling
- Variety of the main exporting product line

PROMOTION ADAPTATION ($\alpha=0.89$)

- Advertising theme
- Media channels for advertising
- Promotion objectives
- Budget for promotion
- Direct marketing

PRICE ADAPTATION ($\alpha=0.85$)

- Determination of pricing strategy
- Concession of credit
- Price discounts policy
- Margins

DISTRIBUTION ADAPTATION ($\alpha=0.87$)

- Criteria for selection
- Transportation strategy
- Distribution budget
- Distribution network

MANAGEMENT INTERNATIONAL EXPERIENCE ($\alpha=0.75$)

Question: Consider the people involved in your main export venture during the past year (1998). How would you classify their:

Scale: 1=None; 5=Substantial

- Degree of professional exporting experience
- Degree of overseas experience—live/work abroad
- Degree of training in international business, e.g., attended formal courses and export seminars
- Ability to follow up on trade leads in the main importing market

FIRM'S COMMITMENT TO EXPORTING ($\alpha=0.81$)

Question: Consider the main export venture over the past year (1998). To what extent do you agree or disagree with the following statements?

Scale: 1=Strongly Disagree; 5=Strongly Agree

- There was substantial planning for this export venture
- There was a significant amount of human resources involved in the exporting activity
- There was a significant degree of management commitment to exporting
- There were more financial resources for exporting than those used for the domestic market

EXPORT MARKET COMPETITION ($\alpha = 0.79$)

Question: Considering the main export venture over the past year (1998), how would you characterize the following aspects?

Scale: 1=None; 5=Substantial

- Extent of price competition in the industry
- Competition in the accomplishment of delivery deadlines
- Competition in the industry

EXPORT MARKET DEVELOPMENT ($\alpha = 0.77$)

Question: Considering the main export venture over the past year (1998), how would you characterize the following aspects of the export market?

Scale: 1=None; 5=Substantial

- Degree of country's development
- Level of consumer education in the importing country

SATISFACTION WITH PERFORMANCE IMPROVEMENT IN CURRENT PERIOD ($\alpha = 0.95$)

Question: How satisfied are you with the results of your main export venture from 1997 to 1998?

Scale: 1=Much Less Satisfied in 1998 than in 1997; 5=Much More Satisfied in 1998 than in 1997

- Export sales volume
- Export profitability
- Market share in the main importing market
- Overall export performance

SATISFACTION WITH PRECEDING YEAR'S PERFORMANCE ($\alpha = 0.92$)

Question: How satisfied are you with the 1997 results of your main export venture?

Scale: 1=Not Satisfied at All; 5=Extremely Satisfied

- Export sales volume
- Export profitability
- Market share in the main importing market
- Overall export performance