

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

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**Abstract<sup>1</sup>**—International service enterprises have become critical in the global market. As a result, there is increasing need to investigate what factors contribute to creating successful firms. Meanwhile, creating and maintaining long-term relationships between exporters and business clients are seen as an effective tool to enhance a firm's performance. A proposed follow-up study is to develop and empirically test a theoretical framework of the antecedents cover organizational issues, plural forms of governance mechanism and performance implications of successful inter-firm relationships. This study is designed to extend previous research of the service sector in Thailand.

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

<sup>1</sup> The arguments proposed here are intended to provide the theoretical underpinning for an empirical study of this topic in Thailand.

Therefore, it implies that the role of the service sector on both global and national scopes continues to be increasingly important and present significant research opportunities in international services marketing (Javalgi and White 2002).

## I. Introduction

Competition in the global business market has strengthened and consumer demands have become increasingly complex (Sherrell and Bejou 2007). As such, international firms, especially those operating in the business-to-business (B2B) market, must be able to develop and maintain close business relationships with overseas partners (Day 2000; Zinkhan 2002). Successful relationships with foreign partners offer firms a variety of benefits, including greater operational efficiencies, reduced risks (commercial and/or political), gaining speed in getting products to markets, establishing long-term relationships with international suppliers (Cavusgil 1998), creating organizational learning and knowledge transfer (Kale, Singh, and Perlmutter 2000). Cross-border inter-firm relationships require a significant commitment investment in terms of time and financial, technological, and human resources (Lee and Cavusgil 2006). Consequently, many scholars devote considerable attention to identify factors that create successful business relationships and determine optimal B2B exchanges (Vinh 2009).

At the same time, there has been a significant increase in the global service trade. The total value of service exports was US\$ 3,780 billion in 2008, rising from US\$ 1,307.1 billion in 1997 (WTO). In Thailand, the service sector is likewise increasingly important as the total value of \$US 28.8 billion in 2007, increased from \$US 17.6 billion in 2003 (servicethaitrade), ranking at the twenty-seventh of the world's top service exporters in 2007 (see Table 1) (WTO).

**Table 1: World's top service exporters in 2007**

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

Source: World Trade Organization Website (2008)

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

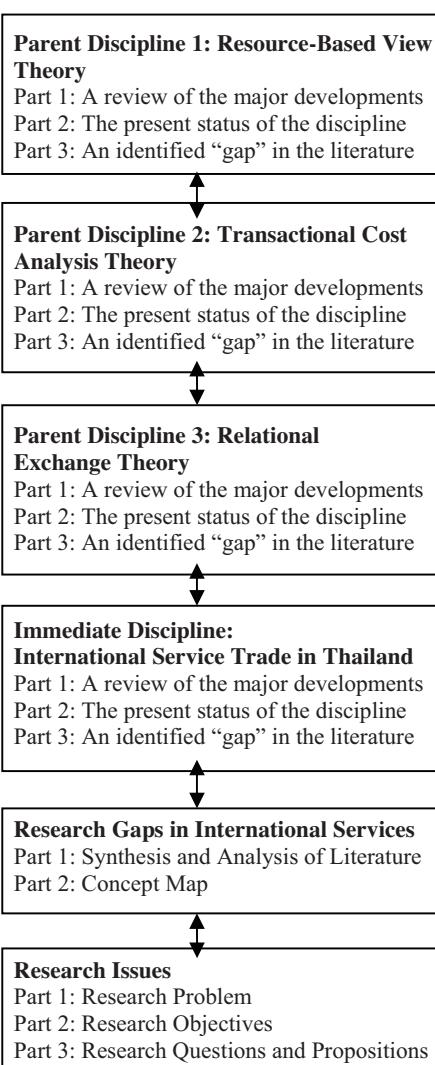
### **1. Resource-Based View of the firm (RBV)**

Resource-Based View of the firm (RBV) has been employed by numerous scholars in various studies since the 1980s (Wernerfelt 1984). RBV focuses on showing how a sustainable competitive advantage is developed when a firm uses its internal resources (asset and capabilities) (Barney 1991). Such resources are seen as imperfectly mobile and heterogeneous across firms (Hunt and Morgan 1995). Moreover, these resources should meet four characteristics defined as rare, valuable, imitable, and nonsubstitutable (Barney 1991) for a firm to develop and sustain a competitive advantage. Findings from international services

### **I. Literature Review**

The following literature review illustrates a connection between the three parent disciplines underpinning this study namely; Resource-Based View Theory, Transaction Cost Analysis Theory and the Relational Exchange Theory, since there is no single theory to explain the complexity and diverse nature of the international marketing of services (Clark et al., 1996). Furthermore, the immediate discipline that focuses on the emergence and development of service exports in Thailand is also included as part of this review of the literature that is outlined in Figure 1.

Figure 1: The literature review framework



Source: Developed for this study

marketing research have identified that a service provider will be successful in its exporting activities when it possesses strong internal resources and is able to utilize these resources to achieve a competitive advantage (Javalgi and Martin 2007; La, Patterson, and Styles 2005). The RBV approach is also valuable when conducting export marketing research, since it provides a rich theoretical framework for various export models that can be conceptualized and empirically tested (Dhanaraj and Beamish 2003).

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

## **2. Transaction Cost Analysis Theory (TCA)**

### **Transaction Cost Analysis Theory**

(TCA) explains the situation when firms engaging in inter-firm relationships face potential opportunistic behavior from their partners coupled with exchange hazards including specialized asset investments, difficulty in performance measurement and uncertainty (Williamson 1985, 1996). Thus, firms develop governance arrangements that require “comprehensive contracting whereby all relevant future contingencies pertaining to the supply of a good or service are described and discounted with respect to both likelihood and futurity” (Williamson 1985, P.69). These arrangements are seen as contractual safeguards that help minimize costs and performance losses that may result from exchange hazards (Heide 1994). therefore, proposes to adopt RET in the study since it effectively provides “a more insightful and complete understanding of exporting” (Leonidou 2003, p.130).

## **III. Conceptual framework**

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

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

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

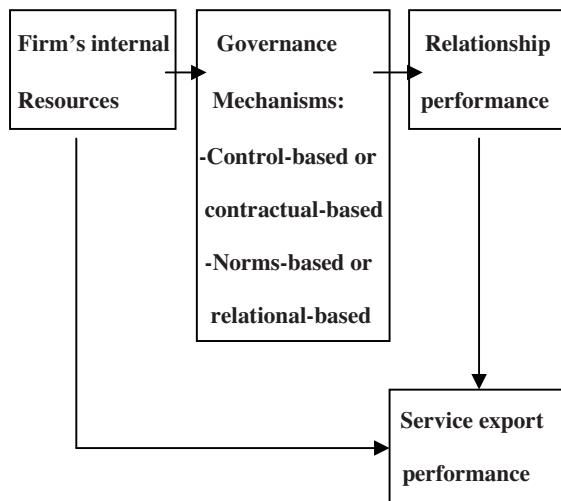
TCA has been influential in international relationship marketing studies (Gencturk and Aulakh 2006; Yu, Liao, and Lin 2006) since contractual arrangements help structure the relationships between exporters and foreign customers, by reducing risks and uncertainties (Zhang, Cavusgil, and Roath 2003). Roxenhall and Ghauri (2004) also considered the signing contract a ritual in today's business dealings because contracts affirm the existence of the agreements or business deals and act as a major means of structuring relationships between exporters and foreign partners. Especially, in the case of service exports, explicit contracts also facilitate a harmonious relationship (Ring and van de Ven 1992) by formally specifying rewards and punishment in the contract, establishing long-term orientation and commitment, and providing for alternative partners in the case of exchange defects (Williamson 1985).

## **3. Relational Exchange Theory (RET)**

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

Relational-based governance is useful for moderating contract enforcement when conflict situations arise (Kaufmann and Stern 1988). Hence, relational-based or norms-based governance is an important mechanism to improve the exchange performance of inter-firm relationships (Heide and John 1990). However, only few international relationship marketing studies employed RET over the past decade (Styles, Patterson, and Ahmed 2008). This research,

Figure 2: Preliminary Conceptual Framework



Sources: Developed for this study

#### IV. Research Issues

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

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

*Objective1: To explore the factors that characterize successful export performance of service firms from the perspectives of service exporters.*

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

*Research Proposition 2: A firm's internal resources*

#### 1. The Research Problem

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

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

#### 2. The Research Questions, Research Objectives and Research Propositions

Because service exporters and traditional merchandise exporters possess different characteristics, they exhibit distinctively different behaviors (Andersen et al. 2006). Moreover, key success factors that drive service exports and merchandise exports performance must be considered as definitely different. It is not only that these two types of exporters have different key success factors, but the key factors driving service export performance are also different in degree from those that drive export performance in selling merchandise goods. For example, service exporters exhibit lower levels of market oriented behavior than product exporters (Cadogan et al. 2002) while the performance of service exporters is determined by the level of export commitment and firm size to a much higher degree than for product-oriented exporters (Chadee and Mattsson 1998).

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

*positively influence contractual-based governance.*

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

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

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

*Objective2: To explore the factors that characterize successful cross-border interfirm relationships from the perspectives of the service exporters.*

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

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

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

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tactical levels."

*Research Question 3: How do firm's relationships performance influences export performance?*

*Objective3: To understand why successful inter-firm relationship performance leads to successful export performance in the context of service.*

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

## **V. Conclusions**

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

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