

**ORGANIZATIONAL, MARKETING RESOURCE  
PROFILE AND EXPORT PERFORMANCE**

**AN EMPIRICAL STUDY ON SARAWAK EXPORTING  
MANUFACTURING FIRMS**

by

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degree of Doctor Business Administration (DBA)**

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## **DEDICATION**

This dissertation is especially dedicated to my entire loves one:

To my late father, Saban anak Nyelang, for the legacy (visionary, determination, perseverance and wisdom) he left behind, had superbly inspire me to excel in my education, and to my mother, Nyuladan anak Jimbau for her guidance and loves.

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## TABLE OF CONTENTS

	<b>Page</b>
Title Page	i
Dedication	ii
Acknowledgement	iii
Table of Contents	vi
List of Tables	xi
List of Figures	xv
Abstrak	xvii
Abstract	xviii

### CHAPTER 1 INTRODUCTION

1.1	Background of the Study	1
1.2	Malaysian and Sarawak Economy Background	
	1.2.1 <i>Introduction</i>	3
	1.2.2 <i>The Sarawak Economy Background</i>	5
	1.2.3 <i>Sarawak Manufacturing Industry Outlook</i>	7
1.3	Problem Statement	11
1.4	Research Question	15
1.5	Research Objectives	15
1.6	Scope of Research	16
1.7	Significance of the study	17
1.8	Definition of Key Terms	18
1.9	The Organization of the Thesis	20

## CHAPTER 2 LITERATURE REVIEW

2.1	Introduction	22
2.2	Theoretical Background	22
	2.2.1 <i>Neoclassical Approach</i>	22
	2.2.2 <i>The Industrial Organization Theory</i>	24
	2.3.3 <i>The Transaction Cost Economics Theory</i>	25
	2.3.4 <i>Resource-based View</i>	26
	2.3.5 <i>Summary of Theory</i>	31
2.3	Determinants of Export Success	33
2.4	Proposed Theoretical Model and Hypotheses	38
	2.4.1 <i>Conceptual Framework</i>	40
	2.4.2 <i>Key Components of the Model</i>	41
2.5	Domain 1: Organizational Resource Profile	42
	2.5.1 <i>Market Orientation</i>	42
	2.5.2 <i>Firm size</i>	58
	2.5.3 <i>Export Experience</i>	60
2.6	Domain 2: Export Marketing Resource Profile	61
	2.6.1 <i>Competence and Knowledge from RBV Perspective</i>	62
	2.6.2 <i>Marketing Knowledge and Capabilities as Marketing Resource</i>	64
	2.6.3 <i>Export Marketing Management Competencies</i>	69
	2.6.4 <i>Export Product-Market Competencies</i>	70
	2.6.5 <i>Export Pricing Competencies</i>	72

2.6.6	<i>Export Distribution Competency</i>	74
2.6.7	<i>Export Promotional Competencies</i>	75
2.6.8	<i>Type of Export Channel Used</i>	76
2.6.9	<i>Use of Export Information Sources</i>	77
2.7	Domain 3: Moderators	79
2.7.1	Competitive Intensity	79
2.7.2	Export Dependence	81
2.7.3	Market Span	82
2.8	Domain 4: Firm's Export Venture Performance	82
2.9	Chapter Summary	84

### **CHAPTER 3 RESEARCH METHODOLOGY**

3.1	Introduction	85
3.2	Research Design	
3.2.1	<i>Respondents</i>	85
3.2.2	<i>Unit of Analysis</i>	87
3.2.3	<i>Key Informant</i>	88
3.2.4	<i>Questionnaire Development</i>	88
3.3	Operationalization of Research Constructs	
3.3.1	<i>Variables and Operational Measures of Constructs</i>	89
3.3.2	<i>Independent Variables</i>	90
3.3.3	<i>Moderating Variables</i>	93
3.3.4	<i>Dependent Variables: Export Performance</i>	94



3.4	Statistical Techniques for Analysis	96
3.4.1	<i>Factor and Reliability Analyses</i>	97
3.4.2	<i>Descriptive statistics</i>	97
3.4.3	<i>Multiple regression analysis (MRA)</i>	98
3.4.4	<i>Moderated Regression Analysis</i>	99

## **CHAPTER 4 DATA ANALYSIS AND FINDINGS**

4.1	Introduction	100
4.2	Respondents' Profile	
4.2.1	<i>Response Rate</i>	100
4.2.2	<i>Respondents' Characteristics</i>	102
4.3	Goodness of Measure	132
4.3.1	<i>Factor and Reliability Analysis</i>	107
4.3.2	<i>Normality Test</i>	114
4.3.3	<i>Modified Conceptual Framework</i>	116
4.3.4	<i>Descriptive Statistics of Principal Constructs</i>	119
4.4	Correlation Analysis	120
4.4.1	<i>Associations between Independent and Dependent Variables</i>	121
4.4.2	<i>Associations between Moderators and Dependent Variables</i>	123
4.5	Hypothesis Testing	
4.5.1	<i>Predictors of Export Performance</i>	125
4.5.2	<i>Tests for Moderating effects</i>	134
4.6	Chapter Summary	165

## **CHAPTER 5 DISCUSSION AND CONCLUSION**

5.1	Introduction	166
5.2	Recapitulation of Study	166
5.3	Discussion	167
	5.3.1 <i>Organizational Resource profile and Export performance</i>	167
	5.3.2 <i>Marketing Resource Profile and Export Performance</i>	169
	5.3.3 <i>Moderating Effect of Competitive Intensity, Export Dependence and Market Span</i>	171
5.4	Implications	
	5.4.1 <i>Theoretical Implications</i>	175
	5.4.2 <i>Practical Implications</i>	177
5.5	Limitations	179
5.6	Suggestions for Future Research	181
5.7	Conclusions	182
	<b>REFERENCE</b>	184
	<b>APPENDICES</b>	200

## LIST OF TABLES

<b>Table No.</b>		<b>Page</b>
Table 1.1	Malaysia and Sarawak Export Statistics (f.o.b)(RM Million)	4
Table 1.2	Principal statistics of manufacturing industries	7
Table 1.3	Sarawak Export by commodity section in 2002 (RM Million)	9
Table 1.4	Sarawak Value of Exports by Country in 2002	9
Table 1.5	Sarawak Principal Exports – Value and Percentage Distribution in 2002	10
Table 3.1	Sources of Exporters’ List and Number	86
Table 4.1	Questionnaires Rate of Return	102
Table 4.2	General Characteristics of the Respondents in the company (N=80)	105
Table 4.3	Factor Loading in the Rotated Component Matrix for Export Marketing Competencies	109
Table 4.4	Component Matrix for Competitive Intensity	111
Table 4.5	Rotated Component Matrix for Export Information Sources Usage Frequency	112
Table 4.6	Component Matrix for Achievement of Strategic Objectives	113
Table 4.7	Component Matrix for Perception of Success	113
Table 4.8	Reliability of Scales	115
Table 4.9	Descriptive Statistics of Principal Constructs (N=80)	120

Table 4.10	Pearson Correlation Analysis of Independent and Dependent Variables	123
Table 4.11	Pairwise Pearson Correlation Matrix of all Independent and Dependent Variables	124
Table 4.12	Relationship between Organizational Resource Profile, Marketing Resource Profile and Sales Growth (Standardized beta coefficient)	127
Table 4.13	Relationship between Organizational Resource Profile, Marketing Resource Profile and Achievement of Strategic Objectives (Standardized beta coefficient)	129
Table 4.14	Relationship between Organizational Resource Profile, Marketing Resource Profile and Sales Growth (Standardized beta coefficient)	131
Table 4.15	Summary of Hypothesis Testing: The effects of Organizational Resource Profile, Marketing Resource Profile and Sales Growth	132
Table 4.16	Multiple Regressions: Organizational Resource Profile, Marketing Resource Profile, Competitive Intensity, and Sales Growth (Standardized Beta Coefficient)	137
Table 4.17	Multiple Regressions: Organizational Resource Profile, Marketing Resource Profile, Competitive Intensity, and Achievement of Strategic Objectives (Standardized Beta Coefficient)	139
Table 4.18	Multiple Regressions: Organizational Resource Profile, Marketing Resource Profile, Competitive Intensity, and	

	Perception of Success (Beta Coefficient)	143
Table 4.19	Multiple Regressions: Organizational Resource Profile, Marketing Resource Profile, Export Dependence, and Sales Growth (Beta Coefficient)	145
Table 4.20	Multiple Regressions: Organizational Resource Profile, Marketing Resource Profile, Export Dependence, and Achievement of Strategic Objectives (Beta Coefficient)	146
Table 4.21	Multiple Regressions: Organizational Resource Profile, Marketing Resource Profile, Export Dependence, and Perception of Success (Beta Coefficient)	151
Table 4.22	Multiple Regressions: Organizational Resource Profile, Marketing Resource Profile, Market Span, and Export Performance - Sales Growth (Beta Coefficient)	153
Table 4.23	Multiple Regressions: Organizational Resource Profile, Marketing Resource Profile, Market Span, and Export Performance – Achievement of Strategic Objectives (Beta Coefficient)	154
Table 4.24	Multiple Regressions: Organizational Resource Profile, Marketing Resource Profile, Market Span, and Export Performance – Perception of Success (Beta Coefficient)	157
Table 4.25	Summary of Hypothesis Testing: Moderator Effect between Independent and Dependent (Beta Coefficient)	159

## LIST OF FIGURES

<b>Figure No.</b>		<b>Page</b>
Figure 2.1	Conceptual Framework of Organizational Resource Profile, Marketing Resource Profile, and Export Performance	41
Figure 4.1	Revised Conceptual Framework of Organizational Resource Profile, Marketing Resource Profile and Export Performance	118
Figure 4.2	Relationship between Organizational Resource Profile, Marketing Resource Profiles and Export Performance	126
Figure 4.3	Relationship between independent, moderator and dependent variables	135
Figure 4.4	The moderating Effect of Competitive Intensity on the Relationship between Firm Size and Satisfaction Level on Strategic Objectives Achievement	141
Figure 4.5	The moderating Effect of Competitive Intensity on the Relationship between Local Sources of Export Information Usage Frequency and Satisfaction Level on Strategic Objectives Achievement	142
Figure 4.6	The moderating Effect of Export Dependence on the Relationship between Export Marketing Management Competencies and Satisfaction Level on Strategic Objectives Achievement	148
Figure 4.7	The moderating Effect of Export Dependence on the Relationship between Export Pricing Competencies and	

	Satisfaction Level on Strategic Objectives Achievement	149
Figure 4.8	The moderating Effect of Export Dependence on the Relationship between Type of Export Channel and Satisfaction Level on Strategic Objectives Achievement	150
Figure 4.9	The moderating Effect of Market Span on the Relationship between Export Pricing Competencies and Satisfaction Level on Strategic Objectives Achievement	156

## **ABSTRAK**

Persoalan yang sering ditanya serta mendapat perhatian yang meluas dari para sarjana dan golongan pengamal adalah berkenaan dengan kenapa ada sesetengah firma yang berprestasi tinggi dan ada yang kurang berprestasi. Bagi mengupas persoalan tersebut, kajian ini memfokus ke arah penentu utama yang mempengaruhi prestasi sesebuah firma. Walaupun kajian seumpama ini adalah meluas, masih ada keperluan untuk menyelidik prestasi firma pengeksport dan pembuat di Malaysia. Kajian ini mengkaji dua penentu utama prestasi syarikat: profil sumber organisasi dan profil sumber pemasaran. Kajian ini menerokai perhubungan di antara sumber-sumber firma, penentu-penentu persekitaran, dan prestasi firma. Ia mengusulkan sebuah kerangka model berdasarkan teori sumber asas. Terdapat tigabelas cadangan hipotesis yang timbul dan diusulkan. Penemuan yang dihasilkan oleh kajian ini yang menggunakan metod soal-selidik adalah daripada respon di kalangan firma-firma pengeksport dan pembuatan di Negeri Sarawak, Malaysia. Pada amnya, penemuan dari kajian ini menunjukkan bahawa kesan dari sesetengah kategori sumber-sumber telah membolehkan firma-firma untuk mencapai prestasi yang tinggi. Secara khusus, penemuan kajian ini mencadangkan bahawa pengalaman eksport, kompetensi eksport produk-pasaran, kompetensi eksport promosi adalah merupakan penentu-penentu utama prestasi firma ini. Berdasarkan penemuan-penemuan ini, implikasi teori dan praktikal telah dibincang dan kekangan serta cadangan untuk kajian selanjutnya juga dikemukakan.



## **ABSTRACT**

The most common question that has attracted much attention among scholars and practitioners is why some firms perform better while others do not. To probe further, this dissertation is prepared by focusing on the key determinants of exporting firm performance. In spite of numerous literature on this subject, a need remains for investigating the performance of Malaysian exporting manufacturing firms. This study examines two determinants of export success: the organizational resource profile and marketing resource profile of the firm. This research explores the relationships among the firms' resources, the firms' external factors and export performance. It proposed a model framework based on the resource-based view framework. Thirteen sets of hypotheses emanating from this framework are presented. The findings of this study are based on the responses obtained from a cross-sectional survey of eighty exporting manufacturing firms based in Sarawak, Malaysia. In general, the results indicate that effect of some of the categories resources enables the firms to obtain superior levels of performance. Specifically, the results of this study suggest that export experience, export product-market competency, and export promotional competency are the key factors that can determine the firms to achieve superior performance. The implications of these findings for research and practice are discussed and the limitations of the study are also presented. Directions for future research are also suggested.

# CHAPTER 1

## INTRODUCTION

### **1.1 Background of the Study**

In an environment that is becoming increasingly market-led and resource development, management decisions of today firms must place equal emphasis on their organizational resources as well as on the development of marketing competencies. Organizational resources, competencies and the firms' strategic profile all play roles in determining the firm's ability to compete under the existing rules of competition (Veliyath & Fitzgerald, 2000). Organizational and marketing resources, though distinctively different, have been regarded as important sources of competitive advantage of a firm. However, as noted by Day (1990), the process by which knowledge and competencies are developed and acquired to build market-driven organizations is complex and highly firm-specific. Firms in different countries are likely to have differential capabilities in the application of marketing knowledge. This differential is likely to be particularly pronounced in the context of domestic firms in the developing countries like Malaysia. In light of this, the present study was conducted to explore the importance of several pertinent organizational and marketing resources have on firm performance.

Research on the determinants of export performance has been heightened in the last three decades (see Aaby & Slater, 1989; Bilkey, 1978; Chetty & Hamilton, 1993; Madsen, 1987; Zou & Stan, 1998). The numerous studies that had been conducted in this field are a strong testimony on the importance of the field of export marketing. Despite this fact, the effort expended to study the field of exporting is still autonomous and uncoordinated (Aaby & Slater, 1989; Cavusgil & Zou, 1994; Zou &

Stan, 1998). The outcome of these studies with regards to the knowledge of export performance determinants is still fragmented and confusing (Aaby & Slater, 1989; Cavusgil & Zou, 1994).

The present study focuses on empirically investigate the combined effects of organizational and marketing resource profiles on firm's export performance among Malaysian exporting firms. The underlying premise in considering these issues is based on the argument that the ability of the firm to effectively optimized their resources and competencies to meet customer requirements more effectively than competitors is likely to lead to improved performance levels (Zou, Fang & Zhao, 2003). Scholars in the export marketing knowledge had indicated that there is a positive relationship between several pertinent firm's internal factors and export performance (Aaby & Slater, 1989; Chetty & Hamilton, 1993; Leonidou & Katsikeas, 1996; Madsen, 1987; Zou & Stan, 1998).

The ultimate goal of the present study is to better understand the success factors of exporting firms. Because in order to enhance our understanding on export performance, it is necessary to identify factors that are helpful in explaining export success. If primary influences on export success can be isolated, then it becomes feasible to identify those firms mostly likely to succeed overseas and normative guidelines regarding export strategy and behavior can be developed. Thus, in this study, a model that highlights those variables believed to have a major impact on export performance in the exporting firms is developed and subjected to a preliminary evaluation using empirical data.

Zou et al. (2003) argued that most studies in export marketing research, despite its significant progress in the last thirty years, have been guided by the industrial organization (IO) economics theory. IO framework views an exporter's

competitive advantage to be derived primarily from an external analysis of competition in the product market. In this sense, the IO framework had placed very little emphasis on the impact of idiosyncratic internal capabilities of a firm's competitive position (Barney, 1991). Therefore, in line with the recent trend in other field of study, in particular strategy field, the present study used the Resource-based View (RBV) framework to investigate how organization resource and marketing competencies resource profile of firms affect Malaysian firms' performance in the export markets.

The RBV suggests that firms should not be observed in terms of product market activities but rather in terms of their resources (Wernerfelt, 1984). Prahalad and Hamel (1990) argued that the superiority of firms over their rivals is due to the difference in their core competencies and the way they are deployed. This implies that the assumption of firms being heterogeneous in their resources in which they are expected to possess different profile of resources (Amit & Schoemaker, 1993).

The purpose of this chapter is to provide an overview of the thesis and its organization. It begins by presenting the overview of Malaysian and Sarawak economies in which the study was conducted. The chapter is then extended by stating the research problems, followed by the research questions and objectives. Then the discussion is followed by the significance of the research, the scope of the study, definition of some principal terms and finally, the organization of the studies.

## **1.2 Malaysian and Sarawak Economy Background**

### **1.2.1 Introduction**

Malaysia covers an area of about 330,252 square kilometers, consisting of Peninsular Malaysia (131,713 sq km) and the states of Sabah and Wilayah Persekutuan Labuan

(Federal Territory of Labuan) (74,089 sqkm) and Sarawak (124,450 sqkm). The current population of Malaysia is about 24.53 million (2002 Census) (Yearbook of Statistics Malaysia 2002).

Like many other developing countries of the world today, Malaysian firms are also moving forward along the stages of internationalization process, benefiting from the rapid growth in the regional economy in particularly and the world economy at large. As the state of the world economy is currently experiencing a rapid growth, the enormous business opportunities that arise from it may well be the key motivating factor for firms, especially smaller ones, to initiate their internationalization process. Exporting has long been seen as one of the most attractive foreign market entry and business expansion mode for many firms as it does not require a sizeable resources commitment and because of lower risk in relation to other form of international business such as overseas manufacturing (Katsikeas, 1994).

Table 1.1

*Malaysia and Sarawak Export Statistics (f.o.b)(RM Million)*

	<b>Year</b>	<b>RM Million Sarawak<sup>a</sup></b>	<b>RM Million Malaysia<sup>aa</sup></b>
1	1992	12,497	103,487
2	1993	12,610	121,237
3	1994	13,470	153,688
4	1995	15,659	184,986
5	1996	18,429	197,026
6	1997	21,089	220,890
7	1998	20,100	286,563
8	1999	23,235	321,560
9	2000	31,152	373,270
10	2001	28,362	334,420
11	2002	27,409	354,855

Source: <sup>a</sup>Yearbook of Statistics Sarawak 2003 and Yearbook of Statistics Malaysia 2002, Department of Statistics Malaysia. <sup>aa</sup>Economic Report 1992/1993 – 2002/2004, Ministry of Finance, Malaysia.

For a record, Malaysia reported a total export of RM334, 420 in 2001. Malaysia major trading partners are the US (20.2%), Singapore (16.9%), EU (13.6%), Japan (13.3%), other ASEAN countries (8.2%), Hong Kong (4.6%), and others made up of 23.1% (Yearbook of Statistics Malaysia 2002). Table 1.1 shows Malaysia and the state of Sarawak principal statistics of export and the manufacturing industries for the duration of ten years from 1992 to 2002.

### **1.2.2 The Sarawak Economy Background**

Sarawak covers an area of 124,450 square kilometer, is the largest state in Malaysia. The population of Sarawak in 2000 is 2.072 million. The state of Sarawak (hereafter referred to as Sarawak) is geographically separated from the other two regions of Malaysia, i.e. Malaysia (Peninsular Malaysia) and Malaysia (Sabah). Trade transactions with these two regions will be in the form of inter-regional trade within Malaysia. This is in line with the practice of the Department of Royal Customs, Malaysia, whereby inter-regional trade transactions between these regions are required to fill in the appropriate customs declaration forms (Yearbook of Statistics Sarawak, 2003).

The ‘general’ system of recording is adopted in compiling external trade statistics of Sarawak. Under the system, the national boundary of the State of Sarawak is used as the statistical frontier. All goods entering or leaving the state of Sarawak are recorded, whether or not such goods are subject to clearance. Accordingly, goods entering or leaving customs bonded warehouses, Free Industrial Zones and Duty Free Shops are recorded in the statistics.

Exports in the Sarawak context refers to *locally produced* of manufactured goods or *imports for subsequent export taken out of Sarawak*. Similarly, re-exports

refer to *goods taken out of Sarawak in the same form* as they were imported *without any transformation*. Re-packing, sorting or grading processes are not considered part of the transformation process.

Table 1.2 exhibits a comparison of principal statistics of manufacturing industries in relation to the number of establishments and value of gross output between the three regions in Malaysia in five years period (1995-2000). Obviously, the Peninsular Malaysia which is consisting of eleven other states recorded the largest number of establishment, so were the gross output by the manufacturing sector. However, if these figures are further divided equally by the eleven states, the result will paint a different picture. For instance, dividing the number of establishments in the Peninsular Malaysia in year 2000 by eleven states equally resulted in each state to have about 1,860 firms. Though the average number is still slightly higher than Sarawak who have 1,853 firms in the same year, it must be noted that the manufacturing firms in the Peninsular Malaysia are concentrated in the Klang Valley (Selangor and Kuala Lumpur), Penang and Johore. This shows that the number of manufacturing firms in Sarawak is not inferior to that in above mentioned three states in the Peninsular Malaysia.

Furthermore, for the five years duration, the number of establishments in Sarawak has slightly increased from 1,768 in 1995 to 1853 in 2000. The Asian financial crisis in 1997, however, had somehow affected the growth of not only Sarawak economy but also other Asian countries as a whole. The value of gross output had also improved remarkably in that five years despite the crisis, in which Sarawak recorded approximately 151% increased from RM10,858 million in 1995 to RM27,214 million in 2000 as indicated by Table 1.2. In 1991 Sarawak only recorded the value of gross output of RM6,322 million, an increased of about 330 %. The

drastic increased in the value of gross output of Sarawak manufacturing demonstrates the importance of this sector to the Sarawak economy, hence offer a rich area for study.

Table 1.2

*Principal statistics of manufacturing industries*

<b>Region</b>	<b>Year</b>	<b>No. of establishment</b>	<b>Value of gross output (RM million)</b>
Malaysia	1995	22,453	246,923
	1996	20,204	273,439
	1997	23,029	297,130
	1999	21,891	361,389
	2000	20,455	440,005
Peninsular Malaysia	1995	19,285	227,405
	1996	16,963	250,801
	1997	19,571	269,949
	1999	18,640	329,259
	2000	17,047	400,445
Sabah	1995	1,400	8,660
	1996	1,377	9,328
	1997	1,484	10,611
	1999	1,364	12,046
	2000	1,555	12,346
Sarawak	1995	1,768	10,858
	1996	1,864	13,310
	1997	1,974	16,570
	1999	1,887	20,085
	2000	1,853	27,214

Note: No survey was carried out in 1998. Information based on sample survey and data refer to overall estimates of the manufacturing sector.

Source: Yearbook of Statistics Sarawak 2003, Department of Statistics Malaysia, Sarawak

### **1.2.3 Sarawak Manufacturing Industry Outlook**

Similar to other states in Malaysia and in most countries, SMEs account for the largest part of the manufacturing base in Sarawak, thus increasing the likelihood of



export engagement. In 2000, majority (89.6%) of the manufacturing establishments in Sarawak are SMEs (Sarawak Statistics Department, 2001).

The well-known limitations of smaller companies in terms of personnel, production, financial, and other resources create serious handicapped for export development, which need to be removed through proper assistance. In Sarawak, according to the Statistics Department (2001), they contributed only 8.7% to total output, 5.5% to total manufacturing value added, employed 24.9% of total manufacturing workforce and accounted for only 8.5% of total capital investment in fixed assets in the manufacturing sector in 2000.

Despite resource constraints, smaller enterprises can be formidable competitive forces in international business and can contribute to job creation, technological innovation, and economic development. For example, in an unpublished study commissioned by the Sarawak Ministry of Industrial Development (SMID), conducted in 2003 reported that labor intensity (LIs), though constituted a small number of 10.4%, contributed 91.3% to total output, 94.5% to total value added, employed 75.1% of total manufacturing workforce, and invested 91.5% of total capital investment in the manufacturing sector (SMID's Labor Intensity Report, 2003). Also, discovered by the same study, Factor proportion analysis shows that a large majority of the SMEs in Sarawak in 2000 were very highly labor intensive in nature (98.7%). These figures lend support to the importance of SME in generating employment to the local populace.

Table 1.3 provides an account of Sarawak's export by types of major commodity in year 2002. The statistics show that mineral fuels, lubricants and related products recorded the highest sales, followed by manufactured goods and crude materials and inedible. As Sarawak is rich in her natural resources such as oil & gas, it

is unsurprising that the by-products of this resource contribute the most to Sarawak Export. However, the manufactured goods had steadily increased in the last ten years.

Table 1.3

*Sarawak Export by commodity section in 2002 (RM Million)*

No.	Commodity Section	RM (million)
1	Food	475.9
2	Beverages and Tobacco	51.2
3	Crude materials, inedible	2,670.7
4	Mineral fuels, lubricants, etc.	17,002.2
5	Animal and vegetable oils and fats	1,036.0
6	Chemicals	395.7
7	Manufactured goods	3,681.1
8	Machinery and transport equipment	1,865.8
9	Miscellaneous manufactured articles	177.0
10	Miscellaneous transactions & commodities	54.1
	Total	27,409.7

Source: Yearbook of Statistics Sarawak 2003, Department of Statistics Malaysia, Sarawak

Table 1.4

*Sarawak Value of Exports by Country in 2002*

No.	Country of Destination	Value (RM million)	Percentage Distribution
1	China, People Rep. of	787.5	2.9
2	India	1,148.3	4.2
3	Japan	10,637.6	38.8
4	Korea, Rep. of	2,731.0	10.0
5	Malaysia, Peninsular	4,834.8	17.6
6	Malaysia, Sabah	491.9	1.8
7	Philippines	449.9	1.6
8	Singapore, Rep. of	379.0	1.4
9	Taiwan	1,860.8	6.8
10	Thailand	357.6	1.3
11	U.S.A	711.0	2.6
12	Other Countries	3,020.4	11.0
	Total Exports	27,409.8	100.0

Source: Yearbook of Statistics Sarawak 2003, Department of Statistics Malaysia, Sarawak

As shown in Table 1.4 above, the bulk of Sarawak export goes to Japan which accounted for about 39% in year 2002. Other major markets are South Korea, Taiwan, India, the USA and the neighboring ASEAN countries. It was also revealed that the type of products that are exported to Japan and South Korea are mainly made up of liquefied natural gas, petroleum-based products and timber-based products.

Table 1.5

*Sarawak Principal Exports – Value and Percentage Distribution in 2002*

<b>No.</b>	<b>Principal Exports</b>	<b>Value (RM million)</b>	<b>Percentage Distribution</b>
1	Crude Petroleum	6,142.7	22.4
2	Petroleum Products	555.0	2.0
3	Liquefied Natural Gas	9,888.4	36.1
4	Urea	232.3	0.8
5	Saw Logs	1,645.6	6.0
6	Sawn Timber	816.6	3.0
7	Black Pepper	117.0	0.4
8	White Pepper	21.5	0.1
9	Rubber	14.1	0.1
10	Palm Oil (Crude & Processed)	937.5	3.4
11	Palm Kernel	5.9	0.0
12	Sago Flour and Starch	32.2	0.1
13	Prawns, Fresh, Frozen	136.0	0.5
14	Cocoa Beans (raw/roasted)	11.5	0.0
15	Wooden Dowels	33.7	0.1
16	Wooden Mouldings	39.1	0.1
17	Plain Plywood	2,508.1	9.2
18	Veneer Sheets and Sheets for Plywood	310.2	1.1
19	Glazed Floor, Hearth and Wall Tiles	124.7	0.5
20	Excavators, Levellers, Bulldozers, etc.	35.3	0.1
21	Electrical Power Machinery & Parts Thereof	91.8	0.3
22	Electrical Machinery & Apparatus	690.4	2.5
23	Ships, Boats & Floating Structures	36.4	0.1
24	Motor Cars C.B.U. Used	887.5	0.3
25	Other Exports	2,896.3	10.6
	<b>Total Exports</b>	<b>27,409.8</b>	<b>100.0</b>

Source: Yearbook of Statistics Sarawak 2003, Department of Statistics Malaysia, Sarawak

In terms of the principal exports of Sarawak, similar to the export by commodity section, liquefied natural gas recorded the highest exports value which accounted for 36%, followed by crude petroleum with 22%. Taken together, timber-based products (plain plywood, saw logs, sawn timber, wooden dowels, wooden mouldings, veneer sheets and sheets for plywood) accounted for 19.5%. Thus, based on the statistic shown in Table 1.5, it can be deduced that the Sarawak's manufacturing sector is still characterized by the products of natural resources as evidenced by her type of product exported.

### **1.3 Problem Statement**

Export success factors had been one of the most widely research area in export and marketing discipline. Many studies had investigated and identified the various factors related to firm performance. At the same time, several export models had been developed to better understand the interplay and impact of these factors on performance. Yet scholars are still researching for the right models as evidence by the number of recent studies in export and marketing literature whereas the practitioners are constantly seeking for practical approach as guidelines in their exporting endeavors. Export models such as Aaby and Slater (1989); Bijmolt and Zwart (1994); Madsen (1989); Styles and Ambler's (1994) Hybrid Model, Yeoh and Jeong's (1995) Model, each has its own unique attractiveness but still contains some limitations in providing practical guidance towards achieving superior export performance which requires alternative model to be developed.

As exporting has become increasingly vital for the achievement of corporate prosperity and long-term commercial viability (Katsikeas, 1994) managers are always in need of new and better guidelines to ensure the success of their export venture.

However, from the many studies that had been conducted in this area, their findings have often been conflicting, making it difficult for managers to identify which of these models to comply. As noted by Cavusgil and Kirpalani (1993), an area of great concern is that there are only a few generalize conclusions that can guide firms in their export endeavors.

Previous researches have suggested that base on the characteristics of different market environments, the firms' resources is unlikely to have similar impacts or influences across all markets. As the vast majority of the empirical studies in export area have surveyed firms based in highly industrialized countries, particularly in the USA (Aaby & Slater, 1989, 1994; Cavusgil & Naor, 1987), it is argued that attempts to generalize from such findings to export marketing contexts in other countries can be both dangerous and misleading (Katsikeas, 1994). This is because of the differences that exist among countries in terms of economic, socio-cultural, technological and legal factors.

Further to that, unlike domestic market, global market is facing far more challenges and uncertainties especially as a result of the globalization and liberalization of many countries of the world today. These changes coupled with the ever advancement of information and communication technology, to a great extent, had a far reaching impact on the business practices and conducts. The new challenges and changes which have constantly affecting the firms in the international market has led to a greater need for further analysis on the role and impacts of these critical environmental factors together with some other firm-specific characteristics on business performance.

Though the impacts of some of these factors on business performance have been widely investigated in the past, the findings of such studies had not been very

successful in explaining why some exporting firms performed better compared to others (Aaby & Slater, 1989; Zou & Stan, 1998). Through numerous research efforts in the past many different factors had been suggested as determinants for export venture success. The large number of factors or variables suggested by the export literature had resulted in a lot of confusion thus, producing conflicting findings which is difficult to generalize across different setting. In view of this, Zou and Stan (1998) had classified these factors into four major types: controllable internal, uncontrollable internal (which does not exist) uncontrollable internal and uncontrollable external factors. Unfortunately, the results of these research findings had been mixed, thus culminate in inconclusive evidence. As had been discussed earlier in this section, there might be some other factors that could have caused conflicting findings. Specific country and/or economic setting, level of resources and competencies possession might affect the firms in different ways. Hence, there is still a need to research further into this critical area as the exporting firms are facing more and greater competition in the international market.

Thus, in light of the continued conflicting empirical results (further explained in Chapter Two), more studies are warranted to fill this gap in the literature. It is believed that an investigation on the factors of the firm's organizational and marketing resource profile in countries with varying national market environments can help to explain why some firms are better of than others. Through an empirical study, those factors that had been suggested by past literature can be further analyzed which could help to test the generalizability of the postulated concepts and also help in enhancing our understanding on whether the possession or lack of possession of such resources could explain the development of exporting firms particularly in Malaysia.

Further to that, though there have been numerous studies on export, few had explicitly base their studies on certain concrete theory. With the exception of a few, most of those studies according to Zou et al. (2003) have adopted the industrial organization (IO) theory to view a determinant of export performance. IO theory that focuses on the impact of a firm's strategy and external environment on its competitive position however, had always been criticized for it had placed little emphasis on the impact of idiosyncratic internal capabilities on a firm's competitive position (Barney, 1991; Porter, 1990). As an alternative theory Wernerfelt (1984) and later Barney (1991) suggest the resource-based view (RBV). Although empirical studies are growing rapidly, most studies concentrate on isolating only a few resources – namely intangible resources – within single industry contexts to examine resource effects on firm success (Galbreath, 2005). Thus, if the scope of resources can be broadening beyond just those that are intangible some scholars (Foss, 1997; Anderson & Kheam, 1998) argued that it can be empirically beneficial to RBV research. Through this way, testing the relationship between intangible resources, tangible resources and firm performance in the same study may help to more precisely validate the main prescription of the RBV.

Against this background, the topic was extended further in the present study conducted among the exporting firms in one of Malaysia's state most rapidly growing economy, Sarawak. A study of this nature is warranted to assess the applicability and usefulness of the resource based theory in explaining the effects of organizational and marketing resources profile of firms on their performance, particularly in a small but fast developing open economy different from the economic setting of developed western countries.

To sum it up, the problem being addressed in this study is that there is still remain few generalizable conclusions on what specific internal factors that can provide firm with a rare, inimitable and difficult to duplicate resources which can help guide managers in their firms' export venture, and in turn unable to provide clear insight as to why some exporting firms have superior performance than their rivals.

#### **1.4 Research Question**

The broad research question is: what firm's resources could explain the difference firm's export performance? Sub-questions derived from the broad research question, are as follows:

- i. Do organizational resources profile explain firm's superior export performance?
- ii. Do marketing resources profile explain firm's superior export performance?
- iii. Do competitive intensity, export dependence, and market span moderate the relationship between organizational, marketing resources profile and export performance?

#### **1.5 Research Objectives**

In order to answer the specific research questions, this study seeks to resolve three principal objectives that include the following:

- i. To investigate the effects of organizational resources variables - market orientation, firm size and export experience on export performance.
- ii. To investigate the effects of export marketing competencies, type of channel use and usage frequency of export information sources on export performance.



- iii. To examine the moderating effects of competitive intensity, export dependence, and market span on the relationship between organizational, marketing resources profile and export performance.

### **1.6 Scope of Research**

Based on the classification of the determinants of export performance by Zou and Stan (1998 p 343), the study focuses on examining the influence of one component of the firms' internal-controllable factors - marketing resource profile, and one component of internal-uncontrollable factors - organizational resource profile. The study excludes the examination of management characteristics, attitudes and perceptions, as the study's unit of analysis is at the firm level rather than managerial level. Theoretically, it is justified by resource-based theory (Barney, 1991; Zou & Stan, 1998). Three moderating factors were also tested.

In terms of the geographical scope of the study, it covers all potential exporting firms in the Malaysian state of Sarawak. The study was conducted among the top decision makers (senior managers and/or owners) of exporting firms chosen among manufacturing and trading companies in Sarawak, Malaysia. The firms selected for the study are necessarily engaged actively in exporting activities. It is a consensus study in that all the known population was targeted.

The justification for selecting the state of Sarawak as the basis for the study is based on the importance of her economy which in the past ten years had contributed significantly to the Malaysian economy. Also, to a certain extent, the characteristics of her manufacturing-based companies is slightly different from that in the Peninsular Malaysia, warrant a study to be conducted exclusively. The Sarawak manufacturing sector is unsurprisingly characterized by mainly timber-based, oil and gas, and other

building and related products, as reflected by the background of its economy discussed earlier in the section. The number of companies that had venture into international trade has also gradually increased. Though, the exact number is not known, their contribution to the state economy is very significant. In 2002, Sarawak recorded Ringgit Malaysia 27,409.8 million in her external trade (Yearbook of Statistics Sarawak, 2003).

### **1.7 Significance of the study**

A sizeable number of previous studies were guided by the industrial organization (IO) framework, based on the principle of the strategy-environmental co-alignment (Venkatraman & Prescott, 1990; Zou, Fang & Zhao, 2003). In this study, a RBV framework is used as the guiding framework. By adopting the RBV framework, it extends the current export marketing literature and simultaneously it also has the potential to provide some managerial relevance by offering managers useful guidelines for improving their firms' performance.

Additionally, the majority of studies that had examined the relationship between firm's resources and performance in several countries, notably, the western advanced economies have found mixed results, thus culminating in inconclusive evidence. In this instance, the attempt by this study is expected to shed some light as to why there has been varying results in the previous study findings.

Accumulatively, this study makes a contribution to practice by considering the specific country/economic context that is the East Malaysian context. It also provides evidence on:

- i. The combined effects of organizational and marketing resources on firm export performance.

- ii. The extent of the effect of competitive intensity in the export market on the relationship between organizational and marketing resources and firm export performance.

As marketing competencies are the type of advanced management practices that vary from country to country because they diffuse slowly across national borders (Kogut, 1991), the findings of this study would provide scholars and practitioners on how firms from the developing countries such as Malaysia utilize and execute these resources in their endeavor to enhance their firms' performance.

For managers, the result of the current study would help them to assess the effectiveness of organizational and marketing resources utilization in a fast-growing economy, Sarawak. Understanding more about business strategies in Sarawak can be enormously helpful for foreign firms interested in collaborating and/or competing against Sarawakian enterprises. Assessing the consequences of each component of organizational and marketing resources on performance would also facilitate managerial action by isolating the differential impact of each.

## **1.8 Definition of Key Terms**

Below are the definitions and descriptions of terminologies that were used in this study:

### **1.8.1 Resources**

This study adopts Barney's (1991) definition who is one of key proponent of resource-based view and does not distinguish between resources and capabilities. It refers to "all assets, capabilities, organizational processes, firm attributes, information,

knowledge, etc. controlled by a firm that enable the firm to conceive of and implement strategies that improve its efficiency and effectiveness” (Barney, 1991, p.101)

### **1.8.2 Market Orientation (MO)**

Market Orientation refers to “the organization culture that most effectively creates the necessary behaviors for the creation of superior value for buyers and, thus, continuous superior performance for the business” Narver and Slater (1990, p.21). Market orientation consists of three behavioral components:

**i. Customer orientation:**

An orientation to sufficiently understanding the customer in order to create products or services of superior value to them.

**ii. Competitor orientation:**

Firm-wide orientation to understand and identify the short term strengths and weaknesses and long term capabilities and strategies of both current and future competitors

**ii. Inter-functional coordination.**

A coordinated utilization of company resources in creating superior value for its customers

### **1.8.3 Marketing Competencies**

The notion of distinctive marketing competencies refers to an assessment of how well or poorly firms possessed specific marketing-related competencies as compared to their competitors (Prasad, Ramamurthy, & Naidu, 2001)

#### **1.8.4 Export Performance**

It is defined as the outcome of a firm's activities in export markets (Shoham, 1996).

This study adopted three measures of performance recommended by Styles (1998):

- i. Sales growth (the average percentage of growth of firm's export sales in the major market over three years – 2001 – 2003),
- ii. Achievement of strategic objectives (a weighted index over five-point highly dissatisfied/highly satisfied scale of a firm's six strategic objectives),
- iii. Perception of success (a weighted index over five-point unsuccessful/very successful scale of managers' perception on their firm's export venture overall success and their perception of how their competitors would rate their performance).

#### **1.8.5 Competitive Intensity**

Competition Intensity refers to the degree of competition in the firm's major export market as determined by six major aspects of competition: price, product quality, product variety, market support, customer service, and product technology (Prasad, Ramamurthy, & Naidu, 2001).

### **1.9 The Organization of the Thesis**

The organization of this thesis is as follows:

Chapter Two discusses the major stream of literature – organizational and marketing resource profile, sources of export information usage, export performance, and competitive intensity, which are central to the research topic. Chapter Three describes the research methodology employed in this study. It first discusses the conceptualization framework and model and also the development of hypotheses

which arise from the literature surveyed in Chapter Two. The chapter then continued with the discussion on research design, data collection procedures, questionnaire development, measurement of constructs, data preparation procedures, and the proposed statistical analysis. Chapter Four describes empirical results and principal findings of the study. Chapter Five, the final chapter presents the discussion on the study findings and conclusions. It also addresses limitations of the study and future research directions.

## **CHAPTER 2**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

The objective of this chapter is to review the existing marketing literature in order to show the relevance and significance of the research questions outlined in Chapter One.

#### **2.2 Theoretical Background**

The literature had indicated that there are three major theoretical approaches to researching international firms' international performance. These approaches are (1) the industrial organization (IO) theory which ascribes a firm's international performance to its external market position, (2) transaction costs analysis, which uses market imperfections to explain a firm's international strategy choice and efficiency in international marketing, and (3) the resource-based view (RBV) that focuses on internal organizational resources to identify the determinants of a firm's international marketing performance (Williamson, 1985; Zou & Cavusgil, 2002; Zou & Zhao, 2003). The succeeding section describes the evolution of these theories. It begins with the neo-classical approach to the present theory of RBV which becomes the basis for the development of the present study theoretical framework.

##### **2.2.1 Neo-Classical Approach**

In the efforts to assess the differences and similarities between resource-based approach and previous theoretical developments in IO economics, Barney (1991) starts with neo-classical microeconomics which sometimes also referred to neo-

classical price theory. The main focus of neo-classical price theory is on how market forces determine the quantity, quality, and price of goods and service sold in the market. Barney (1991) asserts that this theory adopts many of the same assumptions as the broader resource-based view - that economic actors (be they firms or people) are boundedly rational utility maximizers, that markets can vary in their competitiveness, that information can vary in how it is diffused across a market, and so forth. The only one important difference between the assumptions of neo-classical microeconomics and the resource-based view lies on the former adopts the assumption that, in general, resources and capabilities (what neoclassical microeconomists call factors of production) are elastic in supply. This means that when demand for a particular resource or capability increases, the price of acquiring this resource will also increase, and the total amount of this resource made available to the market, the price of this talent in this labor market will increase, and the number of people who make their engineering talent available in this market – either by training to become engineers or by moving from another market to this market – will increase.

Instead, the resource-based view acknowledges that many factors may, in fact, be elastic in supply. However, this view also argues that because some resources and capabilities can only be developed over long periods of time (i.e., path dependence), because it may not always be clear how to develop these capabilities in the short to medium term (i.e., causal ambiguity), and because some resources and capabilities cannot be bought and sold (i.e., social complexity), at least some factors of production may be inelastic in supply (Dierickx & Cool, 1989; Barney, 1991). Supply inelasticity thus can become a source of sustained competitive advantage (Peteraf, 1993).



However, Barney (2001) reiterates that there continues to be significant debate in the literature about whether or not equilibrium analysis can be appropriately applied in resource-based analyses (Mahoney & Pandian, 1992). If the resource-based view is seen as a logical extension as neo-classical microeconomics, this debate becomes doubtful, since it is clear that the only acceptable theories in neo-classical microeconomics are equilibrium theories. Also, if positioned this way, controversy about the determination of the value of a firm's resources, and thus controversy about whether or not the resource-based view is tautological, would also have been doubtful (Priem & Butler, 2001), since in this context it becomes clear that the value of a firm's resources and capabilities is determined by the market context within which a firm is operating (Barney, 2001). By the late 1980s, it became clear that that positioning the resource-based view relative to neo-classical microeconomics did not effectively address issues that were critical to many strategic management scholars.

### **2.2.2 The Industrial Organization Theory**

In their review of export literature, Zou et al. (2003) found that most studies have adopted the industrial organization (IO) theory to view a determinant of export performance. The theory of industrial organization economics posits that a firm's environment influences its strategy and structure, which in turn affect firm performance (Porter, 1980). In other words, the external environment imposes pressure to which exporters must respond. Essentially, firms that make strategic decisions in response to environmental influences and adeptly manage the implementation of these decisions will be able to achieve an advantage in the marketplace.