

**THE RELATIONSHIP BETWEEN MARKET ORIENTATION AND EXPORT
PERFORMANCE: THE MEDIATION IMPACT OF EXPORT MARKETING
MANAGEMENT COMPETENCY AND THE MODERATING EFFECT OF
ENVIRONMENTAL FACTORS**

SEFNEDI

UNIVERSITI SAINS MALAYSIA

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by

SEFNEDI

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DEDICATION

To my utmost love parents Hajjah Djawalis Aminuddin and Hajji Ismed Bustami who lead me to the values of responsibility and respect, and open my mind to understand the secret and beauty of the life,

To my beloved wife Desva Yenni, S.Pd, I must extend my deepest gratitude and appreciation for her support, understanding, and encouragement when I am preparing this thesis,

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PERHUBUNGAN DI ANTARA ORIENTASI PASARAN DAN PRESTASI EKSPOT: IMPAK PENCELAHAN KOMPETENSI PENGURUSAN PEMASARAN EKSPOT DAN KESAN PENYEDERHANA FAKTOR-FAKTOR PERSEKITARAN

ABSTRAK

Sektor pembuatan berperanan besar ke atas eksport Indonesia dan menyumbang secara signifikan kepada keluaran dalam negara kasar (KDNK). Pengekspot Indonesia dari sektor pembuatan digalakkan oleh kerajaan untuk mempertingkatkan implementasi kompetensi pengurusan pemasaran bagi menambah eksport mereka. Kajian ini mengkaji impak kompetensi pengurusan pemasaran eksport sebagai pencilah ke atas hubungan di antara orientasi pasaran dan prestasi eksport di kalangan firma pembuatan Indonesia. Kesan kesengitan persaingan, pergolakan pasaran dan pergolakan teknologi sebagai pembolehubah penyederhana ke atas hubungan di antara kompetensi pengurusan pemasaran eksport dan prestasi eksport adalah juga dikaji. Kajian juga mengambilkira pengaruh pembolehubah kawalan seperti saiz firma, pengalaman eksport, mod eksport dan jenis industri ke atas prestasi eksport. Pengumpulan data dijalankan melalui kaedah tinjauan secara pos dan sebanyak 109 maklumbalas boleh digunapakai, mewakili 12.43 peratus daripada sampel keseluruhan yang digunakan untuk analisis. Hasil kajian ini mendapati bahawa konstruk orientasi pasaran (orientasi pelanggan, orientasi pesaing, dan koordinasi antara fungsi) dan kompetensi pengurusan pemasaran eksport (kompetensi pengurusan produk, kompetensi pengurusan harga, kompetensi pengurusan promosi, dan kompetensi pengurusan pengedaran) adalah faktor penentu prestasi eksport yang signifikan secara statistik, di mana

orientasi pasaran adalah penentu kepada kompetensi pengurusan pemasaran eksport. Hasil kajian menyokong kesan kompetensi pengurusan produk eksport dan kompetensi pengurusan harga eksport sebagai pembolehubah pencelah ke atas hubungan di antara orientasi pasaran dan prestasi eksport. Kajian ini tidak menunjukkan sebarang bukti meyakinkan yang menyokong kesan penyederhana kesengitan persaingan, pergolakan pasaran, dan pergolakan teknologi ke atas hubungan di antara kompetensi pengurusan pemasaran eksport dan prestasi eksport. Hasil kajian ini juga menunjukkan tiada sebarang pembolehubah kawalan mempengaruhi prestasi eksport secara signifikan.

THE RELATIONSHIP BETWEEN MARKET ORIENTATION AND EXPORT PERFORMANCE: THE MEDIATION IMPACT OF EXPORT MARKETING MANAGEMENT COMPETENCY AND THE MODERATING EFFECT OF ENVIRONMENTAL FACTORS

ABSTRACT

Manufacturing sector plays a major role in Indonesia's exports and contributes significantly to its gross domestic product (GDP). Indonesian exporters in the manufacturing sectors are encouraged by Indonesian government to upgrade their implementation of marketing management competency in order to export more. The study investigates the mediation impact of export marketing management competency on the relationship between market orientation and export performance in Indonesian manufacturing firms. Moderating effect of competitive intensity, market turbulence, and technological turbulence on the relationship between export marketing management competency and export performance are also investigated. The study also considers the influence of the control variables (firm size, export experience, export mode, and industrial type) on export performance. Data are collected through mail survey and a total of 109 usable responses, representing 12.43 per cent of the total sample, are analyzed. The results of the study indicate that the constructs of market orientation (customer orientation, competitor orientation, and inter-functional coordination) and export marketing management competency (export product management competency, export pricing management competency, export promotion management competency, and export distribution management competency) are statistically significant predictors of export performance, whereas market orientation is a

determinant of export marketing management competency. The results support the mediation effect of export product management competency and export pricing management competency on the relationship between market orientation and export performance. This study does not find any evidence to support the moderating effect of competitive intensity, market turbulence and technological turbulence on the relationship between export marketing management competency and export performance. In addition, the findings revealed that none of the control variables significantly influence export performance.

CHAPTER 1

INTRODUCTION

The purpose of this chapter is to provide an overview of the study. This chapter begins with the background of the study. This is followed by the research problem, research questions, and research objectives. It also highlights the significance and scope of the study, definitions of terms, and ends with organization of the study chapter.

1.1 Background of the Study

Exports are very crucial for national economy growth. As such, many governments either in developed or developing countries assist their exporters. For instance, the Government of Indonesia (GOI) launched a white paper policy 2003 (Instruksi Presiden No.5, 2003) in order to encourage Indonesian exporters. It declared the 1990s as the era for increasing exports of non-oil and gas products and set an overall quantitative exports target of US \$ 98 billion for the year 2005.

In the year of 2004, Indonesia reported that its total exports (US \$ 69, 714 million) contributed approximately 33.7 per cent to gross domestic product (GDP). The total exports consisted of non-oil and gas (70.5%) and oil and gas (29.5%). Of non-oil and gas exports, the contributions of manufacturing, agricultural, and mining & others exports were 78.5 per cent, 11.4 per cent, and 10.1 per cent respectively. In other words, the significant contributions of the manufacturing products to the total exports and gross domestic product (GDP) exceeded all the agricultural and mining products from the year of 2000 to 2004.

Although the Indonesian total exports increased slightly during the year of 2001 to 2004, the contribution of manufacturing industry to the total exports seemed to decrease rapidly from the year of 2002 to 2004, which was accounted for 69.5 per cent, 63.8 per cent, and 55.3 per cent respectively. Table 1.1 shows Indonesian principal statistics of manufacturing, agricultural, mining and others, oil and gas exports, total exports, and GDP from the year of 2000 to 2004.

Table 1.1
Manufacturing, Agriculture, Mining and Others, Oil and Gas, Total Exports and GDP of Indonesia 2000-2004

Sector	2000		2001		2002		2003		2004	
	US\$ Mil	(%)	US\$ Mil	(%)	US\$ Mil	(%)	US\$ Mil	(%)	US\$ Mil	(%)
Manufacturing	42,003	67.6	37,671	66.9	39,730	69.5	39,891	63.8	38,539	55.3
Agricultural	2,709	4.4	2,439	4.3	2,568	4.5	4,840	7.7	5,592	8.0
Mining&Others	3,045	4.9	3,575	6.4	2,748	4.8	4,145	6.7	4,995	7.2
Oil & Gas	14,367	23.1	12,636	22.4	12,113	21.2	13,651	21.8	20,588	29.5
Total Exports	62,124	100	56,321	100	57,159	100	62,527	100	69,714	100
GDP	199,559	*31.1	204,468	*27.5	206,001	*27.8	206,392	*30.3	207,088	*33.7

Source: *Indonesian Central Bureau of Statistics, 2005 (Biro Pusat Statistik, BPS)*

*=(Total exports / GDP)x100%

With respect to Indonesian manufacturing exports, Japan was the first main destination for Indonesian manufacturing exporting products, which accounted for 14.55 per cent. United States ranked the second and accounted for 14.22 per cent, followed by Singapore (10.09%), China (5.87%), and Malaysia (5.06%) while the rests such as Korea, Germany, Taiwan, and Australia accounted for below five per cent in 2004.

In addition, the main Indonesian manufacturing exporting products were food, beverages and tobacco; textile, leather and footwear; wood and furniture; paper and printing; fertilizer, chemicals and rubber; cements and non-metallic products; transport equipment and machinery. Table 1.2 shows the Indonesian

exports of the manufacturing products between the year 2000 to 2004. The table displays that among manufacturing exporting products in the year 2004, the highest export performance was the textile, leather and footwear that accounted for 20.73 per cent and followed by the wood and furniture, which accounted for 14.91 per cent of the total manufacturing exports.

Table. 1.2
Indonesian Exports of Manufacturing Industry during Year of 2000-2004

Industry	2000		2001	2002	2003	2004	
	US\$ Mil	(%)	US\$ Mil	US\$ Mil	US\$ Mil	US\$ Mil	(%)
Textile, leather and footwear	9,119	21.71	7,101	9,662	9,881	7,989	20.73
Paper and printing	5,838	13.90	5,508	5,701	6,203	4,987	12.94
Wood and furniture	4,490	10.69	4,524	4,398	4,480	5,746	14.91
Fertilizer, chemicals and rubber	4,436	10.56	4,464	3,889	3,451	3,985	10.34
Food, beverages and tobacco	4,146	9.87	3,793	3,854	4,009	3,889	10.09
Transport equipment and machinery	4,877	11.61	4,664	4,184	3,842	3,931	10.20
Cements and non-metallic products	2,696	6.42	2,652	2,674	2,804	2,405	6.24
Others	6,401	15.24	4,965	5,368	5,221	5,607	14.55
Total	42,003	100	37,671	39,730	39,891	38,539	100

Source: *Indonesian Central Bureau of Statistics, 2005 (Biro Pusat Statistik, BPS)*

According to the present Minister of Trade and Industry of Indonesia (Pangestu, 2004), foreign competitors, marketing problems, and high bureaucracy were the main factors that weakened the Indonesian export performance. In addition, Soewandi (2003) asserted that Indonesian successful exporters should emphasize product quality, pricing, promotion, and consumer satisfaction such as on-time delivery. However, these arguments were based on descriptive analyses only. This suggested a need to investigate the determinants of export performance of the Indonesian manufacturing firms.

A substantial body of literature on export performance providing empirical evidence has been published over the past three decades (see Bilkey, 1978;

Madsen, 1987; Aaby & Slater, 1989; Chetty & Hamilton, 1993; Zou & Stan, 1998; Katsikeas, Leonidou & Morgan, 2000; Leonidou, Katsikeas & Samiee, 2002). What stands out in these literatures are the multiplicity of views with respect to the determinants of export performance and the nature of relationships between these factors and export performance (Aaby & Salter, 1989; Cavusgil & Zou, 1994). The researchers in this field asserted that this is partly due to the poor conceptualization of the export performance nature (Lee & Yang, 1990), the weakness of theoretical foundation of the export performance literature and irrelevance in practice (Dhanaraj & Beamish, 2003). In one of the state-of-the-art reviews, Gamunden and Hans-George (1991) stated that there are over 700 explanatory variables that have been advanced in the literature as determinants of export performance. They suggested the need for a parsimonious model in order to be understood and implemented by practitioners. Thus, it needs to be addressed in future research conceptually and empirically to reduce the confusion in the literature (Zou & Stan, 1998). Thus far, there is no model yet of export performance, which is generally favored in the literature.

The notion of marketing competency as the important variable for a firm performance has been documented (Aaby & Slater, 1989; Cavusgil & Zou 1994; Chandler & Hanks 1994; Conant, Mokwa & Varadarajan, 1990; Droge, Vickery & Markland, 1994; Fahy, Hooley, Greenley & Cadogan, 2006; Francis & Collin-Dodd 2004; Katsikeas, 1994; Leonidou et al., 2002; Michel, Golfetto & Zerbini, 2006; Moore & Fairhurst, 2003; Prasad, Ramamurthy & Naidu, 2001; Vorhies & Harker, 2000; Woodside, Sullivan & Trappey, 1999; Zou, Fang & Zhao, 2003). Nevertheless, a review of studies found that empirically the studies on

marketing competency were operationalized in many different and fragmented ways.

On the other hand, market orientation as the crucial variable to firm performance has been found in previous studies (Bhuian, Menguc & Bell, 2005; Calantone, Kim, Schmidt & Cavusgil, 2006; Heiens, 2000; Hult, Hurley & Knight, 2004; Kirca, Jayachandran & Bearden, 2005; Kohli & Jaworski, 1990; Kuada & Buatsi, 2005; Langerak, 2003; Narver & Slater, 1990; Pelham 1997; Raju & Lonial, 2001; Shoham, Rose & Kropp, 2005; Tay & Morgan, 2002).

However, the results of previous studies on how market orientation influence firm performance is still inconclusive. For instance, some scholars asserted that market orientation *per se* does not influence firm performance directly but rather intervened by other certain variables (Farrell, 2000; Han, Kim & Srivastana, 1998; Hurley & Hult, 1998; Kyriakopoulos & Moorman, 2004; Naidu, Parvatiar, Sheth & Westgate, 1999; Pelham, 1997; Slater & Narver, 1994) and some studies found positive and significant relationships (Aldas-Manzano, Kuster & Vila, 2005; Desphande & Farley, 1998; Jaworski & Kohli, 1993; Kara, Spillan & DeShields, 2005; Matsuno, Mentzer & Ozsomer, 2002, Narver & Slater, 1990; Pelham, 2000; Rueker, 1992; Slater & Narver, 1994, 2000; Tang & Tang, 2003). Some studies reported the relationship is not significant (Appiah-Adu & Rachhod, 1998; Diamantopoulos & Hart, 1993; Greenley, 1995), while some scholars found that market orientation is only related to firm performance for certain subjective measures (Jaworski & Kohli, 1993; Rose & Shoham, 2002; Rukert, 1992; Slater & Narver, 1995).

Furthermore, it is interesting to note that most previous research on market orientation has been concentrated thus far on firm's performance in

domestic operations and very limited research has been done explicitly on the impact of the market orientation on the export performance (Cadogan, Diamantopoulos & Mortanges, 1999). In line with this argument, Dalgic (1994) suggested that further conceptual and empirical studies need to be carried out and argued that future models of export performance should incorporate market orientation as an important variable of companies. Only in the last few years, researchers have explored issues relating to market orientation in an international context (Akyol & Akehurst, 2003; Codagon, Diamantopoulos & Siguw, 2002; Cadogan, Cui & Li, 2003; Cadogan & Cui, 2004; Rose & Shoham, 2002). However, the results showed that there is no unequivocal evidence as to if and when market orientation has a positive impact on export performance.

Cadogan (2005) argued that market orientation and export performance relationship are issues of great interest at the moment. Thus, such an investigation is needed because the international operations are increasingly important for business survival (Deshpande & Farley, 2004). In addition, most of researches conducted on market orientation have been dominated by U.S. studies.

It is argued that market orientation and export marketing management competency are two important concepts in marketing field. Nevertheless, until recently, there have been very few, if any, studies to investigate the linkage between market orientation, export marketing management competency, and export performance together in an integrated framework. Therefore, the purpose of this study is to examine the role of export marketing management competency on the linkage between market orientation and export performance in Indonesian manufacturing exporting firms in an attempt to shed the light on

how market orientation affects export performance. The role of environmental variables in moderating the relationships between export marketing management competency and export performance is also investigated.

1.2 Research Problem

The previous literature of export performance highlighted the poor conceptualization, the weakness of theoretical foundation, and the lack of consistency in export performance measurement (Dhanaraj & Beamish, 2003; Lee & Yang, 1990; Zou & Stan, 1998). Market orientation and export marketing management competency are the two important and dominant concepts in marketing field that have grown independently of each other in explaining export performance. Dobni and Luffman (2000) argued that the two concepts are closely linked. Furthermore, they asserted that market orientation appears to provide a strong explanation for competency and that competency is related to performance. Nevertheless, most of the support for this notion is narrative, and the empirical study to support it is still lacking (Norzalita & Norjaya, 2004; Prasad et al., 2001).

Moreover, scholars question as to how market orientation affects export performance, how export-marketing competency can be established, and how environmental variables moderate these relationships. With respect to how the market orientation influences firm performance, previous studies reported that the association between market orientation and firm performance are mixed in results (Aldas-Manzano et al., 2005; Appiah-Adu & Rachhod, 1998; Desphande & Farley, 1999; Diamantopoulos & Hart, 1993; Greenley, 1995; Jaworski &

Kohli, 1993; Kara et al., 2005; Matsuno et al., 2002; Narver & Slater, 1990; Pelham, 2000; Slater & Narver, 1994, 2000; Tang & Tang, 2003).

Some studies asserted that intervening variable between market orientation and firm performance should be explored further (Farrell, 2000; Han et al., 1998; Hurley & Hult, 1998; Kyriakopoulos & Moorman, 2004; Naidu et al., 1999; Pelham, 1997; 2000; Slater & Narver, 1994). According to their argument, market orientation influences firm performance indirectly through intervening variables, and future research attentions should, then, be directed to explore these mediators.

It is argued that market orientation appears to provide a strong explanation for export marketing management competency, and in turn, relates to export performance. In addition, most previous studies on market orientation have been concentrated on firm's domestic operations and limited research has explicitly been carried out to study the impact of a market orientation on international or export business performance. Subsequently, specific relationship between market orientation and export marketing competency has not been delineated explicitly (Norzalita & Norjaya, 2004; Dobni & Luffman, 2000; Prasad et al., 2001)

To date, there has been very few, if any, study that investigates the linkage between market orientation, export marketing management competency, environmental variables, and export performance together in an integrated framework. Specifically, there is a lack of empirical research pertaining to the market orientation in Indonesian manufacturing exporting firms. We do have constrains and limitations of knowledge and empirical study concerning the problems faced by the Indonesian manufacturing exporting firms

that relate to the market orientation, export marketing management competency, environmental factors, and export performance issues. Therefore, this study is motivated by several following considerations:

1. The scarcity of systematic and empirical research that investigates the effect of market orientation on export marketing management competency and on export performance.
2. The lack of study to investigate the impact of export marketing management competency as an intervening variable on the relationship between market orientation and export performance.
3. The lacks of study investigating the moderating effect of environmental factors on the relationship between export marketing management competency and export performance.

Given this background, the main research problem in this study is to find out whether some Indonesian manufacturing exporting firms are more successful than others and to what extent the role of market orientation as a resource creates export marketing management competency to the firms than leads to better export performance. The role of environmental factors to moderate the relationships between export marketing management competency and export performance is also to be investigated.

1.3 Research Questions

Based on the background of the study and research problem, this study attempts to answer the following questions:

1. What is the relationship between market orientation and export performance in Indonesian manufacturing exporting firms?
2. What is the relationship between market orientation and export marketing management competency in Indonesian manufacturing exporting firms?
3. What is the relationship between export marketing management competency and export performance in Indonesian manufacturing exporting firms?
4. What is the moderating effect of market turbulence, competitive intensity, and technological turbulence on the relationship between export marketing management competency and export performance?
5. What is the mediation impact of export marketing management competency on the relationship between market orientation and export performance?

1.4 Research Objectives

In answering the research questions, this study seeks to attain at least five research objectives in the context of Indonesian manufacturing exporting firms.

These objectives are as the following:

1. To investigate the impact of market orientation on export performance.
2. To investigate the impact of market orientation on export marketing management competency.
3. To investigate the impact of export marketing management competency on export performance.

4. To explore the moderating effect of market turbulence, competitive intensity, and technological turbulence on the relationship between export marketing management competency and export performance.
5. To examine the mediation impact of export marketing management competency on the relationship between market orientation and export performance.

1.5 Significance of the Study

This study is expected to contribute to both theoretical and practical perspectives. There are at least four reasons why this study is significant.

First, the topic represents two research streams that are market orientation and export marketing management competency. For the most parts, these have progressed independently of each other. The export performance literature suggests that there are at least three major determinant factors that contribute to export performance of a firm, namely organizational factors, management factors, and strategies. Therefore, the study on interrelation between market orientation, export marketing management competency, and export performance in an integrated framework is great interest for both researchers and practitioners. More specifically, this study investigates the interrelation between market orientation and export marketing management competency and explore the role of export marketing management competency in mediating the relationship between market orientation and export performance. Thus, in the export performance perspective, this study offers a new explanation why some exporting firms are more successful than others. In the marketing fields, this study adds value to the theory that market orientation

not only related to business performance in a domestic context but also in an international business context.

Second, the significance of this study is related to the effect of environmental variables on the relationship between export marketing management competency and export performance. Such investigation is not conducted prior to this study, and thus, this study claims itself to be among the first to explore the effect of foreign environmental variables, i.e., Market turbulence, Competitive intensity, and Technological turbulence on the relationship between export marketing management competency and between export performance.

Third, most studies of market orientation and firm performance have been carried out in the United States or in other Western countries. There is very few, if any, research conducted on market orientation and export performance of firm especially from Indonesia. Thus, this study examines whether market orientation yields the same results in Indonesian manufacturing exporting firms as it did in Western countries.

Finally, for the policy makers as well as Indonesian manufacturing exporters, this study provides a framework on determinants of export performance in Indonesian manufacturing exporting firms.

1.6 Scope of the Study

This study has limited itself to Indonesian manufacturing exporting firms that are listed in manufacturing industry directory of Indonesia 2005 and their export performance during the year period of 2002-2005. Specifically, this study focused on the mediation impact of export marketing management competency

on the relationship between market orientation and export performance in Indonesian manufacturing exporting firms.

1.7 Definition of Terms

These are several key terms repeatedly mentioned throughout this study and are operationally defined as follows:

1.7.1 Market Orientation

Market orientation is the organization culture that most effectively creates the necessary behaviors for the creation of superior value of customers and, thus continuous superior performance for business (Narver & Slater, 1990. p.21).

Market orientation consists of three components namely:

1. *Customer Orientation* is an orientation to sufficiently understanding the customer in order to create products of superior value of them.
2. *Competitor Orientation* refers to 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.
3. *Inter-functional Coordination* is defined as a coordinated utilization of company resources in creating superior value for its customer.

1.7.2 Export Marketing Management Competency

Export marketing management competency is an assessment of how well or poorly manufacturing firms possessed specific export marketing activities related competencies as compared to their main competitors in the export market (Conant et al., 1990; Woodside et al., 1999; Zou et al., 2003).

1.7.3 Environmental Factors

The environmental variables were adapted from Kohli and Jaworski (1990) and Jaworski and Kohli (1993). They consisted of three variables namely, market turbulence, competitive intensity, and technological turbulence.

1. *Market turbulence* refers to the rate of change in the composition of customers and their preferences.
2. *Competitive Intensity* refers to the degree of competition in an export market.
3. *Technological Turbulence* refers to the rate of technological change.

1.7.4 Export Performance

Export performance is the outcome of a firm's activities in export market. It consists of three components namely financial export performance, strategic objective of export performance, and satisfaction of export performance (Zou, Taylor & Osland, 1998).

1.8 Organization of the Study Chapters

This study consists of five chapters. The beginning chapter presents the brief introduction on background of the study that reviews the significant contribution of manufacturing industry on Indonesia's exports, introduces the study problem, objectives, significance and scope of the study, and definition of terms.

Chapter two reviews an extensive overview of the literature on theoretical background, determinants of export performance, market orientation, export marketing management competency, and environmental variables, which are central to the study.

Chapter three illustrates the research methodology employed in attempting to answer the research questions, and it includes research conceptual framework, research hypotheses, research design, population and sample, questionnaire design, research variables and measurements, questionnaire design, data collection procedure, and statistical analysis.

Chapter four presents the data analysis and findings. It begins with undertaking descriptive statistics on response rate and profile of responding firms. This is followed by assessing goodness of measures, test of response bias, correlation analysis, multiple regression analysis, and hierarchical regression analysis in order to test the research hypotheses.

Chapter five deals with discussion and conclusion. It begins with the recapitulation of the study and is followed by discussion on the findings and the contribution of the study both theoretically and practically. The conclusions, limitation of the study, and suggestions for the future research are also included.

CHAPTER 2

LITERATURE REVIEW

2.0 Introduction

This chapter describes theoretical background, determinants of export performance, market orientation, export marketing management competency, and environmental variables to show the relevance and significance of the research questions that are outlined in chapter one.

2.1 Theoretical Background

There are at least two major theoretical approaches in international marketing research that relate to the firm's export performance. These are the industrial organization theory and the resource based-view (Calantone et al., 2006; Morgan, Kaleka & Katsikeas, 2004; Zou & Cavusgil, 2002; Zou et al., 2003). The industrial organization theory ascribes a firm's international performance to its external market position. The resource based-view focuses on internal organizational resources to identify the determinants of a firm's international marketing performance.

In previous export performance literature, Calantone et al. (2006), Morgan et al. (2004) and Zou et al. (2003) found that most studies have adopted the industrial organization theory to view a firm's export strategy, characteristics, and external factors as the primary determinants of export performance. This theory states that the external environment imposes pressure to which exporters must respond. In line with this, Zou and Stan (1998) suggested that the exporters who respond successfully to their external environments by developing and implementing an appropriate strategy would

enjoy superior performance. The strategy factors have been frequently studied such as product adaptation and strength, promotion adaptation and intensity, price adaptation, channel relationships, and type of channels (Zou et al, 2003).

However, Calontone et al (2005) and Zou et.al (2003) argued that the industrial organization framework only focuses on the impact of a firm's strategy and external environment on its performance, and the framework has placed little emphasis on the impact of idiosyncratic internal capabilities on a firm's performance (Barney, 1991; Porter, 1990).

In order to overcome or to fill this gap, Barney (1991) introduced the new theoretical perspective that is the resource based-view. It views the firm not in light of its activities or strategy in the product market but as a unique bundle of tangible and intangible resources. In addition, the bundle of a firm's resources, not its product market strategy, but lie at the heart of the firm's competitive advantages (Peteraf, 1993; Wernerfelt, 1984). In other words, the resource based-view states that the principal determinants of a business export performance and its strategy are the firm's resources.

Not all firm's resources have the potential leading to competitive advantages. Furthermore, Barney (1991) argued that to create competitive advantage, a resource must have four attributes: It must (1) be valuable, (2) be rare, (3) be difficult to imitate, and (4) have no strategically equivalent substitute. Specifically, resources that are necessary for creating competitive advantage can be divided into two types namely assets and capabilities. Assets are the resources endowments a firm has accumulated, for instance investment in facilities. Capabilities are a firm's complex bundle of skills and accumulated

knowledge, exercise through organizational process that enables the firm to coordinate activities and make the best use of its assets (Day, 1994).

Thus, export performance is influenced by different type of variables that have been proposed in different theoretical perspectives. In short, the industrial organization theory argues that external factors determine the firm's strategy, and in turn influences firm performance. In contrast, the resource based-view argues that the firm's internal resources determine the firm's strategy, and in turn affects firm performance. In responding of this, Zou and Stan (1998) classified these variables into internal and external variables. The internal variable is divided by controllable and uncontrollable variables, and external variable consists of uncontrollable variables only.

In recent years, there are an increasing number of international marketing studies where these studies are based on the resource based-view. For instance, the study done by Calantone et al., (2006), Danaraj and Beamish (2003), Morgan et al., (2004), and Zou et al., (2003). In addition, Knudsen and Madsen (2002) reported that the resource-based perspective, which over the last 10 years or so has emerged as dominant paradigm. Hence, with respect to theoretical base, this study is anchored in the resource based-view to explain its research conceptual framework in the context of Indonesian manufacturing exporting firms.

2.2 Determinants of Export Performance

Export has been documented as a crucial factor for nation's economic development. Therefore, there have been numerous studies done to explain determinants of export performance. There are at least three reasons for

gaining a particular interest in export business research. First, the export business is considered as low cost and less risky mode of foreign market opportunities. Second, the national government has more attention to its export sector. Finally, the high competition occurs in the worldwide markets (Leonidou & Kaleka, 1998).

Furthermore, Katsikeas et al. (2000) and Ogunmokun and Ng (2004) argue that superior export performance is very important for the three certain groups. First, the firm's managers view export as a tool to improve firm's growth, financial performance, competitiveness, and survival. Second, the policy makers view export as a mean to accumulate foreign exchange reserves to increase employment level, productivity, and social prosperity. Finally, the marketing researchers consider export as a promising area to build theory.

A substantial body of integrated literature on export performance has been published over the past three decades (Madsen, 1987; Aaby & Slater, 1989; Gamunden & Hans-George, 1991; Chetty & Hamilton, 1993; Leonidou, Katsikeas & Piercy, 1998; Zou & Stan, 1998; Katsikeas et al., 2000; Leonidou et al., 2002). Generally, the purpose of the integrated literature is to examine the different trends in studying export performance and identifying weaknesses and strengths of previous studies. Moreover, the integrated literature provided directions for further research. Table 2.1 presents the summary of previous integrated reviews.

Although, there are many variables considered as determinants of export performance in the previous studies, the wide disagreement still exists in the field with respect to the nature and significance of variables used as determinants of export performance. According to Leonidou et al., (2002), there

Table 2.1
Summary of Findings: Integrated Reviews of Export Performance 1987-2002

Author(s) & Year	No. of Study	Findings
Madsen (1987)	17	The study classified three groups: organizational structure (O-Structure), Environmental structure (E-Structure), and strategy. It is found that association between export performance and strategy concept is often not clear, the variables of organizational structures are only associated with export sales, and environmental structure variable are the least studied.
Aaby & Slater (1989)	55	The study categorizes four independent variables (firm characteristics, competency, environment, and strategy). The study revealed that: 1. Most of knowledge relate to successful export practices are fragmented. 2. Most studies are too simplistic and exploratory due to their focus on one predictor and one dependent variable. 3. Previous studies have limited implications to marketing and management theory.
Gemunden (1991)	50	The study model comprises five categories of determinants of export success namely, home country, managers, activities, firm characteristics, and export market characteristics. The study concluded that: (i) it does not make any sense to develop only one model that explains all three variables in one export performance. (ii) Firm size, information activity, R&D, and export-oriented product adaptation have been researched frequently and have a positive influence on export share of total sales. (iii) The study recommends in deeply studying of information.
Chetty & Hamilton (1993)	111	They accept Aaby & Slater's (1989) model, and bring together 111 studies to test the proposed framework. They provide considerable support for their conceptual model of export performance by confirming, through meta-analysis, both the validity and relative importance of a number of key variables in each part of the general model. However, they still do not find proof the inclusion of some variables, such as management control system, perception of competition, and use intermediaries. They confirm that firm size indeed is a causal factor in export success.
Zou & Stan (1998)	50	The study classifies internal factors (controllable and uncontrollable) and external factors (uncontrollable) for determinants of export performance. Internal factor is based on RBV, while external factor is based on IO theory. The study concluded that: 1. Some parts of findings are consistent with previous reviews (Aaby & Slater, 1989; Madsen, 1987). 2. However, some parts of findings are inconclusive such as: (i) the effect of environmental factors on export performance, (ii) the issues of definition and measurement of export performance, (iii) limited agreement of the relevant determinants of export performance, and (iv) issue of unit analysis and firm size (large and medium size focus).
Leonidou et al., (1998)	46	The study focuses on the effect of managerial factors in facilitating or inhibiting various dimensions of exporting. These managerial characteristics are arranged according to two dimensions, namely objective versus subjective, and general versus specific. The empirical results show especially positive results for educational level and command of languages, but for others are very small to draw specific conclusions. They stated that future empirical inquiry should be the organizational parameters, the external environment, and behavioral aspects.
Katsikeas et al., (2000)	102	The study focuses on the measurements and determinants of export performance. Its model comprises three factors namely: 1. Background factors (managerial, organization, and environment). 2. Intervening variables (Targeting factors, namely, identification, selection, and segmentation, and marketing strategy factors, namely, export product, pricing, distribution, and promotion). 3. Outcome factor (export performance). The study suggested that it needs to improve the measurement of export performance and examines interrelationship among their dimensions.
Leonidou et al., (2002)	36	The study highlights the effect of marketing strategy elements on the measurement of export performance. It is found that: 1. The overall effects of marketing strategy elements on export performance are positive but the relationship is not always significant. 2. The strongest effect of marketing strategy elements is measured by exporting sales. 3. There is a need to improve export performance measurement in the future.

are five groups of variables that influenced export performance in the previous study. These are managerial characteristic, organizational factors, environmental factors, export targeting, and marketing mix variables. Managerial characteristics refer to personal, experiential, attitudinal, behavioral, and allied traits of the exporting firm's decision makers (Leonidou et al., 2002). Among managerial characteristics, management perception, awareness and attitude (Aaby & Slater, 1989), educational level and command of languages (Leonidou et al., 1998), and international experience (Cavusgil & Zou, 1994; Leonidou et al., 1998; Zou & Stan, 1998; Yeoh, 2004) are the most important determinants of export performance.

Organizational factors refer to elements pertaining to the company characteristics, operations, resources, and objectives of the exporting organization (Leonidou et al., 2002). Among organizational factors, firm size was one of the most researched variables. However, the result was mixed effect on export performance (Aaby & Slater, 1989; Chetty & Hamilton, 1993; Madsen, 1987; Majocchi, Bacchiocchi & Mayrhofer, 2005; Zou & Stan, 1998). It is interesting to note that most positive effects are found when size is measured by total firm sales, while some negative effects are found when it is measured by number of employees (Zou & Stan, 1998). However, Haahti, Madupu, Yavas, and Babakus (2005) argued that firm size does not affect export performance directly. Subsequently, another organizational factor that considered as a key of determinants of export performance is the firm commitment to export market. It has been reported with positive effect on export performance (Cavusgil & Zou, 1994; Madsen, 1989; Naidu & Prasad, 1994).

Environmental factors refer to factors shaping the task and macro-environments within which exporters operate in both domestic and international markets (Leonidou et al., 2002). The environmental factors can be divided into three characteristics namely; industry characteristics, foreign market characteristics, and domestic market characteristics. Generally, the previous studies found that the relationship between environmental factors and export performance is still inconsistent (Cavusgil & Zou, 1994; Elango & Sambharya, 2004; Julian & O’Cass, 2002; Kaynak & Kuan, 1993; Madsen, 1987; Morgan et al., 2004; Yeoh, 2004). For instance, industry characteristics such as technological turbulence or manufacturing complexity reported a positive influence on export performance (Zou & Stan, 1998). Export market characteristics such as export market attractiveness has positive effect on export performance, others reported a negative effect (e.g. Kaynak & Kuan, 1993). On the other hand, domestic market characteristics have contradicting effect on export performance. For instance, Katsikeas and Morgan (1994) found a positive effect on export performance for national export policy, but Madsen (1989) found a negative influence of domestic market attractiveness on export sales.

Export targeting refers to the identification, selection, and segmentation of international market. Export targeting involves the number and type of export market (i.e. countries) that a firm may select, as well as its segmentation activities within each export market (Leonidou et al., 2002). The influence of market segmentation on export performance has been documented by positive effect (Leonidou et al., 2002). However, others reported insignificant effects on export performance (Madsen, 1987; Zou & Stan, 1998).

Marketing-mix variables refer to the company's export product, pricing, distribution, and promotion activity. Product adaptation and strength are found to be important determinant of export performance especially sales, profit, and growth (Leonidou et al., 2002; Zou & Stan, 1998). However, Kaynak and Kuan, (1993) found a negative effect of product adaptation on export performance. Price has been documented with positive influence on all performance measures (Leonidou et al., 2002) wherein the effect of price competitiveness is mostly significant (Aaby & Slater, 1989; Zou & Stan, 1998). The effect of promotional adaptation on export performance is found by mixed result. According to Zou and Stan (1998), this is because of the promotional measurement that used in prior studies. The last variable of marketing-mix activity relates to distribution. Channel support was reported to have positive effect on export performance (Cavusgil & Zou, 1994) while channel type of distribution has mixed effect as reported by Madsen (1989) and Zou and Stan (1998). According to Leonidou et al. (2002), the channel type is depended on largely the export markets.

Based on the reviews above, what stands out in the export performance literature is the multiplicity of views with respect to the determinant of export performance and the nature of relationships between these factors and export performance. In addition, very few studies have built upon an explicit theoretical base. The literature in this area still shows, with a few exceptions, a lack of an application of theoretical reasoning and inconsistency in export performance measurement (Aaby & Slater, 1989; Katesikeas et al., 2000; Loenidou et al., 2002; Shoham, 1998; Zou & Stan, 1998).

Thus, this study looks outside of the extent of export performance to see if other theoretical frameworks can shed light on the question of export performance especially in Indonesian manufacturing exporting firms.

2.3 Market Orientation

Market orientation has become an increasingly popular research theme and has been receiving a great attention from many scholars (Bhuyan et al., 2005; Cadogan et al., 1999; Cadogan et al., 2002, 2003; Cadogan & Cui, 2004; Calontone et al., 2005; Deshpande & Webster, 1989; Greenley, 1995; Heiens, 2000; Hult et al., 2004; Hunt & Morgan, 1996; Kirca et al., 2005; Kohli & Jaworski, 1990; Kuada & Buatsi, 2005; Langerak, 2003; Narver & Slater, 1990; Pelham 1997; Raju & Lonial, 2001; Rueker, 1992; Shoham et al., 2005; Slater & Narver, 2000; Tay & Morgan, 2002). However, the market orientation is the only organizational variable that was quite ignored in the determinants of export performance literature. By considering and integrating the market orientation construct into export performance model, it is argued that it enhances our understanding of export performance. This is because of the notion that market orientation is a good indicator to respond market requirements. In addition, it is also able to provide a solid foundation for a sustainable competitive advantage for a firm, subsequently, enhances the firm's performance (Hunt & Morgan, 1995; Kohli & Jaworski, 1990; Narver & Slater, 1990; Slater & Narver, 1994).

2.3.1 Defining Market Orientation

It is found that scholars have provided many different definitions of market orientation. For instance, Deshpande and Webster (1989) defined market