

Export Market Orientation Strategy, External Environment, and Export Performance of SMEs in Malaysia

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Abstract

Globalization phenomena have changed the trends of business performance all over the world. As a result, many researchers embarked upon different journeys to examine the aftermath of globalization. Many past studies examined the relationship between export market orientation (EMO) and export performance from different parts of the world. Nevertheless, the importance of export market orientation on the firm's export performance is still a hot debate amongst the researchers. The research examined the relationship between export market orientation, external environment, and export performance for manufacturing small and medium enterprises (SMEs) in Malaysia. The survey was done on 779 manufacturing companies listed with the Federation of Malaysian Manufacturers (FMM) involved in the exporting activity and fit the SME criteria. Data was further analyzed using Partial Least Square (PLS) techniques. The research found that EMO had a significant influence on the export performance. However, the research could not support that the external environment moderated the relationship between the EMO and export performance.

Keywords : export market orientation, SMEs, export performance

JEL Classification : M310, M390, M500

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According to Felton (1959), the marketing concept is defined as a corporate state of mind that insists the integration and coordination of all marketing concepts, which in turn are moulded with other corporate functions to produce maximum corporate profits. Stemming out of marketing theory, market orientation concept was introduced by Kohli and Jaworski (1990) based on the marketing concept ; in contrast, Narver and Slater (1990) grounded their market orientation concept based on the organization culture. Despite the different underlying approaches between the two authors, market orientation concept has emerged as an important determinant of the organization's performance (Akyol & Akehurst, 2003; Cadogan, Diamantopoulos, & Siguaw 2002; Dodd, 2005). However, this research was conceptualized based on Kohli and Jaworski's (1990) work which lay a strong emphasis on the ongoing behavioral elements that consists of three elements of market intelligence generation; market intelligence dissemination ; and market information responsiveness. Market intelligence generation involves generation of information pertaining to the customers' needs and preferences which is

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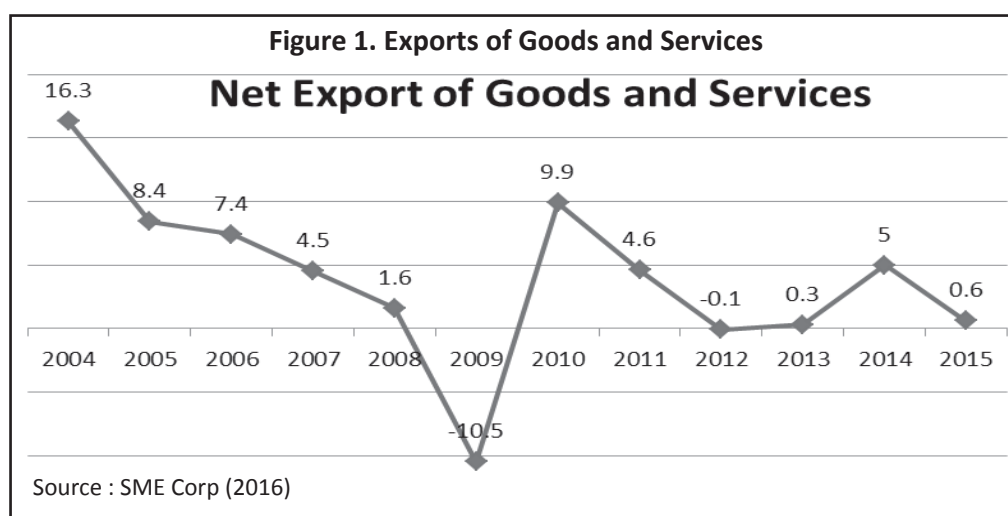
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inclusive of exogenous analysis that changes those needs and preferences (Kohli & Jaworski, 1990). Market intelligence dissemination refers to sharing the market intelligence gathered about the current and future customer needs within an organization. Market information responsiveness involves action responded based on information generated and disseminated (Kohli & Jaworski, 1990). Market orientation could be used in the local and international context and it is termed as export market orientation (Cadogan et al., 2002).

Background

SMEs in Malaysia are categorized into micro, small, and medium enterprises (SME Annual Report, 2010). SMEs are further classified into three main categories : service, manufacturing, and agriculture (SME Annual Report, 2010). Past studies acknowledged that SMEs contribute significantly to the economy growth in Malaysia (Hashim & Hassan, 2008; Hilmi & Ramayah, 2008; Saleh & Nbudisi, 2006) and export performance (Mandy, 2010; Muhammad, Char, Yaso, & Hassan, 2010). According to Habaradas (2008), SMEs contribute in reducing poverty by creating jobs opportunities; scatter economic activities in the countryside which provides widespread economic growth; motivate entrepreneurial ability among the population, and finally become changing agents for transforming the domestic enterprises into large a corporation. Despite of their significant contribution to the nation's economic growth, number of researchers highlighted that SMEs are facing various challenges in their export performance (Hashim & Hassan, 2008; Hilmi & Ramayah, 2008; Muhammad et al., 2010; Saleh & Nbudisi, 2006; Wafa, Noordin & Kim-Man, 2005). This is in lieu with the export performance in the manufacturing sector that has been deteriorating gradually from the period of 2004 - 2013 (Figure 1) despite of its significant contribution towards the growth of the nation. Therefore, organizations (SMEs) need to work on their core competencies and work with job-related factors such as knowledge, skills, and abilities to tackle the surging global competition (Das, Upadhyay & Das, 2013). Market orientation (MO) increases capabilities for internationalizing firms from the emerging markets while improving their exports (He, Brouthers & Filatotchev, 2016).



➤ **Malaysian SME Exporters :** Exporting is the most preferred entry mode in international business used by the SMEs. Nonetheless, empirical findings on SMEs export performance reported that most SMEs were performing poorly (Acs, Morck, Shaver & Yeung, 1997; Muhammad et al., 2010; Pelham, 2000). In addition, SMEs' level of commitment towards exporting is also very poor (Lages & Montgomery, 2004). SMEs face serious challenges such as under-capitalization and resource constraints (Adigwe, 2012), imperfect information and entry barriers

enforced by the governments which frequently limit their international growth (Acs et al., 1997). Similarly, in Malaysia, SMEs also encountered many obstacles in accomplishing superior organization growth, especially competing in the international market (Muhammad et al., 2010; Saleh & Ndubisi, 2006). Muhammad, et al. (2010) suggested that more studies in measuring SMEs' competitiveness within the global context should be carried out against export performance. More studies on the exporting performance would provide greater benefits to the international marketing community (A-Razak & A-Talib, 2009). These benefits could arise by examining more variables that would lead to higher export performance (Kim & Kim, 2005; Muhammad et al., 2010).

Literature Review

(1) Export Market Orientation (EMO) and Export Performance (EP) : EMO activities refers to firms' collection of information pertaining to their export operations ; disseminating that information within firms, especially to the decision makers; implementing and making responses that persuade the export customers ; develop a competitive advantage against their competitors ; taking advantage or avoiding extraneous export market factors (Cadogan, et al., 2002). Business opportunities are available for all entrepreneurs, however, being market oriented enhances business capabilities by taking advantage of external information, thereby enhancing marketing abilities through customer driven products (Subhash & Vijayakumar, 2011).

Export market orientation activities are positive agents for export performance enhancements (Sousa, Martinez' Lopez & Coelo, 2008). The adaptation of export market orientation behavior in their export operation would facilitate firms to attain superior export performance (Cadogan et al., 2002). Export market strategy is considered as the key determinant of export performance (Cavusgil & Zou, 1994). Nonetheless, market orientation strategy would not grow in the organization unless the employees understand and are willing to apply market-oriented methods in their daily job performances (Baber, Upadhyay, & Kaurav, 2014). Therefore, firms should adopt EMO behavior to remain competitive and perform better than their competitors. Firms that should predict their customer needs would provide them better solutions which, in turn, would place their firm in a better position against their competitors and achieve better export performances (Cadogan et al., 2002). Enormous studies agreed that export market orientation behavior generates higher level of export performance (Akyol & Akehurst, 2003 ; Alotaibi & Zhang, 2017; Cadogan, Diamantopoulos, & De Mortanges, 1999; Cadogan et al., 2002; Cadogan, Kuivalainen, & Sundqvist, 2009; Dodd, 2005; Miocevic & Crnjak-Karanovic, 2012; Murray, Gao, Kotabe, & Zhou, 2007; Rose & Shoham, 2002). Despite their importance, market orientation activities may not be beneficial all the time (Cadogan, Cui & Li, 2003 ; Rose & Shoham, 2002).

Firms that place too much emphasis on the export market orientation may also reduce the firm performances (Cadogan et al., 2009) because too much emphasis on the EMO activities could increase the firms' cost, and it may outweigh the benefits received by the firms (Dodd, 2005). There are also studies which found there is no direct relationship between export market orientation and firms' export performance (Adis, 2010; Kwon & Hu, 2000; Kropp, Lindsay & Shoham, 2006). There are also studies that could not determine a direct association between MO and firms' performance (Appiah-Adu, 1998; Greenley, 1995; Harris, 2001). Diamantopoulos and Hart (1993) found a weak relationship between market orientation and firm's performance in a low demand situation. Meanwhile, Bunic (2007) could not find any significant association between export market orientation and sales growth. Based on the literature review, it can be concluded that there are inconsistencies in the findings with regard to the relationship between export market orientation and export performance. Furthermore, more studies on export market orientation and export performance are needed (Cadogan et al., 2009; Murray et al., 2007; Murray et al., 2011).

In addition, there is also an urge to measure the competitiveness of SMEs in facing the global challenges in

terms of export performance in Malaysia (Muhammad et al., 2010). Hence, it was posited that SMEs that adopt export market orientation in their business settings would substantiate their export performance.

☞ **H₁:** There is a significant relationship between export market orientation and export performance.

(2) External Environment Moderates the Relationship Between EMO and EP : There is very little planning in the small firms; insufficient resources and scarce resources of SMEs may increase the direct and indirect impact of the environment towards the firm's performance (Pelham, 2000). Therefore, it is vital for the managers to scrutinize the external environment compared to the internal environment (D'Aveni & Macmilan, 1990). Moreover, compared with the domestic market, export markets are very complicated, hence it is more sensible to be market orientated in an international capacity (Murray, Gao & Kotabe, 2011). The increasing competition in the global market and uncertainty has increased the competition amongst the exporters (Sefnedi, 2007). The uncertainty in the external environment has prompted managers, especially in the export business, to speculate and react to certain vital information (Cadogan & Cui, 2004). More than 50% of the small manufacturing firms collected information about the market growth or market segments on a continuous basis (Leonidou, Katsikeas, & Piercy, 1998). The environment uncertainty yielded strong competition and increased technological change, which prompted firms to monitor the changes closely and act swiftly (Cadogan et al., 2003; Jaworski & Kohli, 1993). Increased uncertainty in the external environment caused firms to be more market oriented (Rose & Shoham, 2002).

High environment uncertainty created pressure on firms to generate, disseminate, and respond to information in the market place and adjust to its changes. On the other hand, in a low environment uncertainty, circumstances create competitive advantage for the market oriented behavior (Van Egeren & O'Connor, 1988). Environment uncertainty could influence market orientation, while competitive intensity might strengthen this effect (Murray, et al., 2011). Hence, an environment-market oriented behavior can be accomplished by tuning market oriented behavior towards the situation created by the environment (Cadogan, Cui, Morgan & Story, 2006). A number of researchers found that external environment does not moderate the market orientation and performance relationship (Cadogan et al., 2002; French, 2006; Greenley, 1995; Jaworski & Kohli, 1990, 1993; Slater & Narver, 1994). In contrast, there are also researchers who found that external environment moderates the market orientation and firm performance relationship (A-Talib, 2005; Cadogan, Cui, & Li, 2003, 2006; Cadogan, et al., 2009; Rose & Shoham, 2002). French (2006) and Cadogan et al. (2006) explained that the relationship between external environment and market orientation is still unclear and inconsistent; therefore, research is needed in these areas. Based on the literature, there is inconsistency in findings discovered regarding the moderating role of external environment between EMO and the export performance; therefore, further investigation is warranted.

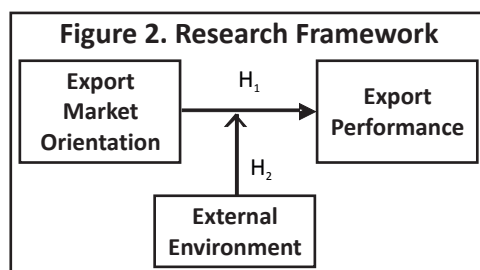
☞ **H₂:** External environment moderates the relationship between EMO and EP.

(3) Underpinning Theories

(i) Export Market Orientation and Resource Base View : Export market orientation activities are considered as rare and inimitable marketing capabilities based on the resource base view (Cadogan et al., 2009). Market intelligence (Czinkota, 1982) and marketing capabilities (Haar, Jerry, & Ortiz-Buonafina, 1995) are prerequisite for the firms' export entry and expansion. In order to ensure their success in the marketplace, firms should leverage their marketing resources (Srivastava et al., 1998). Resources are bundles of tangible and intangible assets owned by a firm, and this includes a firm's management skills, its processes or routines, and the information and knowledge it controls (Barney, 1991). Export market orientation behaviors are intangible assets that are built by the SMEs over time, and these cannot be bought or obtained easily. These intangible assets include social structures, employee's tacit knowledge (skills, experience, and knowledge that were gathered over the years with

the firm) which builds as firm resources and capabilities, which in turn become SMEs' competitive advantage over their competitors. If these assets are managed efficiently and effectively, SMEs would enjoy superior export performance. SMEs that apply EMO behavior in their firms will generate more information about their surroundings, and deploy appropriate export market strategies to suit the target market against their competitors. Market oriented activity refers to business resources that facilitate firms to attain competitive advantage and generate superior export performance (Cadogan et al., 2009). Therefore, EMO behavior creates a continuous competitive advantage for the firm and leads to better export performance (Cadogan et al., 2002, 2007, 2009; Dodd, 2005, French, 2006).

(ii) External Environment and Contingency Theory : Lawrence and Lorsh (1967) suggested that contingency theory explains the relationship between a firm and its external environment which constitutes a competitive advantage for the firm. The fundamental concept of contingency theory is that no one structure is suitable for all situations; rather, firm effectiveness could be achieved in numerous ways, and the selection of an appropriate method depends upon the situation and suitability (Hickson, Hinings, Lee, Schneck & Pennings, 1971; Ruekert, Walker & Roering, 1985). Kim and Kim (2005) suggested that organization adaptation of change is considered to be a 'fit' to situation a concept that is an integral part of contingency theory. Cadogan et al. (2009) recognized of market oriented behavior as firm resources and is dependent on the internal (strategy) and external (environments) that are surrounding the firm. According to Cadogan et al. (2009), contingency theory could be used to determine the relationship between EMO behavior, external environment, and export performance (Cadogan et al., 2009). Therefore, the resource base view and contingency theory were used to elucidate the relationship between export market orientation, external environment, and export performance. Based on the literature review, the following research framework (Figure 2) is introduced :



Research Methodology

(1) Sampling : In this research, the population referred to is the manufacturing SMEs in Malaysia who had registered themselves with the Federal of Malaysian Manufacturing (FMM) and were engaged in the exporting activities. According to the FMM Directory for the year 2010, there were 779 manufacturing companies listed that matched the SMEs description and were engaged in the exporting activities. Based on Krejcie and Morgan's (1970) table with 95% confidence level, the sample size of 260 was determined. The sample size of more than 30 but less than 500 is suitable for most research (Roscoe, 1975). Similar studies on SMEs in Malaysia by Osman, Ho, and Galang (2011) ; June and Mahmood (2011) ; Abd Aziz and Mahmood (2011) revealed a response rate of between 20% to 23%. Based on these studies, the number of questionnaires should be increased by five folds to achieve the preferred sampling size. However, the population size was too small; so the questionnaires were distributed to the entire population. The questionnaires were distributed to the owners/managers of the SMEs due to their involvement in the running of the business, and their views represents the entire firm. The research was conducted from Jan - December 2016. Furthermore, the response rate were increased though reminder letters and

follow up calls. Overall, 233 questionnaires were returned, giving the response rate of 29%. Another 11 questionnaires were removed due to the questionnaires being incomplete. Further, 21 questionnaires were eliminated during the detection of outliers, leaving 201 questionnaires for further analysis.

(2) Measurements : The research instruments for export market orientation (13 items), external environment (6 items), and export performance (4 items) were adopted from Cadogan, Diamantopoulos, and De Mortanges (1999). The scale comprises of using a 7-point Likert scale ranging from 1 which represents *very strongly disagree* to 7 which represents *very strongly agree*. Cadogan et al. (1999) developed the three components pertaining to market information from the scale underpinned by Kohli and Jaworski (1990). These scales offer strong psychometric properties in terms of reliability and validity in assessing the export market orientation activities. There are many other instruments such as EXPERF developed by Zou and Stan (1998) and APEV developed by Lages, Lages, and Lages (2005) to measure the firms' export performance. However, according to Matanda and Freeman (2009), EXPERF and APEV scales are very complex for respondents whose organizations do not maintain formal financial records and firms would not be willing to disclose their financial performance easily. Furthermore, it is difficult to obtain objective data information from an exporting firm. Therefore, it was more logical to use Cadogan et al. (1999) subjective instruments in evaluating respondents' assessments of export performance. Based on the argument presented by Matanda and Freeman (2009), this research has adopted Cadogan et al. (1999) instruments to measure the relationship between export market orientation, external environment, and firm's export performance. Furthermore, the instruments are valid and reliable tools to measure firms' export performance (Cadogan et al., 1999).

Data Analysis and Results

(1) Common Method Variance : Since this is a cross sectional research, the latent variables were tested for common method variance. This is necessary before assessing the inner and outer research model (Podsakoff, MacKenzie, Lee & Podsakoff, 2003). The common method variance could be caused by one factor that explains most of the variance in hand causing measurement error (Podsakoff et al., 2003). Common method variance could also distort the relationship between the variables. Nonetheless, the common method variance problem could be resolved through Harman single factor test (Podsakoff et al., 2003). The test result shows that the maximum variance that is explained by a single factor is 30.22%. Therefore, the result confirms that the data does not suffer from the common method variance bias.

(2) Model Evaluation : Partial least square method was used to test the relationship between export market orientation and external environment against export performance. Anderson and Gerbing (1988) two-step method was used to evaluate the research structure model. In the first step, measurement model was assessed followed by the hypothesis testing.

(3) Assessment of the Outer Measurement Model : Reliability and validity test can be used to access the measurement model (Henseler, Ringle, & Sinkovics, 2009). Reliability is important to determine the internal consistency in measuring the instruments (Hair, Black, Babin, Anderson, & Tatham, 2006). The reliability of the instrument can be tested using composite reliability (Henseler et al., 2009). The Table 1 shows that the composite reliability values for *EMO*, *EE*, and *EP* are far greater than the cut-off value of (0.70) recommended by Henseler et al. (2009). Hence, this confers the reliability of the instruments. On the other hand, the factor loading for the instruments is between 0.724 and 0.931, which is higher than the cut-off value of 0.50 recommended by Churchill (1979), which suggests that the instruments are reliable. Convergent validity test, as suggested by Fornell and Larcker (1981), was performed using average variance extracted (AVE) values. The Measurement model

Table 1. Measurement Model

Construct	Item	Loading	<i>AVE</i>	Composite Reliability
External Environment	EE1	0.851	0.677	0.863
	EE5	0.848		
	EE6	0.767		
Export Market Orientation	EMO1	0.931	0.809	0.967
	EMO11	0.899		
	EMO12	0.891		
	EMO13	0.908		
	EMO2	0.905		
	EMO4	0.863		
Export Performance	EMO5	0.895		
	EP1	0.736	0.58	0.847
	EP2	0.724		
	EP3	0.808		
	EP4	0.776		

Note: 1. Average Variance Extracted (*AVE*).

2. Export Market Orientation (*EMO*), External Environment (*EE*), Export Performance (*EP*) details of items are listed in the Appendix 1.

3. *EE* (2,3,4); *EMO* (3,6,7,8,9,10) was deleted due to low factor loading (< 0.70).

(Table 1) illustrates that the *AVE* for *EE*, *EMO*, and *EP* surpasses 50%, that is, each construct is capable of elucidating more than 50% of the variance independently and fulfills the convergent validity test criteria successfully.

Table 2. Cross Loadings

	<i>EE</i>	<i>EMO</i>	<i>EP</i>
EE1			0.851
EE5			0.848
EE6			0.767
EMO1		0.931	
EMO11		0.899	
EMO12		0.891	
EMO13		0.908	
EMO2		0.905	
EMO4		0.863	
EMO5		0.895	
EP1			0.736
EP2			0.724
EP3			0.808
EP4			0.776

Note: Export Market Orientation (*EMO*), External Environment (*EE*), Export Performance (*EP*). Details of items are listed in Appendix 1.

Table 3. Discriminant Validity

	<i>EE</i>	<i>EMO</i>	<i>EP</i>
<i>EE</i>	0.741		
<i>EMO</i>	0.012	0.899	
<i>EP</i>	0.547	0.094	0.762

Note: Diagonals represent the square root of EVE, while the off-diagonals represent its correlations.

Export Market Orientation (*EMO*), External Environment (*EE*), Export Performance (*EP*)

It is important to do discriminant validity while assessing latent variable analysis because this will determine whether structural paths are real, or it is a creation of statistical discrepancies (Fornell & Larcker, 1981). Discriminant validity could be satisfied through two components - factor loading of the construct must be greater than the latent variable, and the square root of the *AVE* values from the constructs should be better than the correlation values between the latent variables (Fornell & Larcker, 1981). Discriminant validity was also tested, and the results are illustrated in the Table 2. The results obtained show that each of the latent variables' loading is higher compared to the different construct, hereafter meeting the discriminant validity criterion. The *AVE* assessment is the average sum of variation that a latent construct is capable in explaining the observed variables to which it is theoretically related (Hair et al., 2006). Based on the comparison between the *AVE* square root values and the correlation values in Table 3, the discriminant validity was obtained ; hence, the instruments for the research are found to be valid.

Discussion

↳ **Structure Model** : The Figure 3 displays the research structure model. The coefficient of determination (R^2) is well used for regression analysis. R^2 is explained by variance in the endogenous by the exogenous variable (Henseler et al., 2009). R^2 values of 0.75, 0.50, and 0.25 can be considered substantial, moderate, and weak, respectively (Hair, Celsi, Money, Samouel & Page, 2011). Estimation of path coefficient (β) explains the hypothetical relationship between the variables in the research model (Henseler et al., 2009). The coefficient of determination, R^2 , is 0.453 for the EP endogenous latent variable. This means that the three latent variables (*EE*, *EMO*, and *EMO*EE*) moderately explain 45.3% of the variance in *EP*. Path coefficient is obtained through the PLS algorithm. In SmartPLS, bootstrap method is used to test the structural path using t - statistic (Hair et al., 2011).

Results from the bootstrapping procedure (201 cases, 1000 samples, no sign changes option) reveal that all of the three structural relationships are significant ($p \leq 0.01$). The model predictive capability can be tested using blindfolding method. This is a cross validation procedure as suggested by Stone (1974) and Geisser (1975) and is measured using the Q^2 values. Q^2 value greater than zero for an endogenous construct indicates that the path model's predictive accuracy is acceptable for that particular construct. In this research, the cross-validated redundancy value (Q^2) is 0.497, which is greater than zero. When cross-validated redundancy value is greater than zero, then the model has predicative capability (Fornell & Cha, 1994). The bootstrapping results are shown in the Figure 4.

H_1 posits that there is a significant relationship between export market orientation and export performance of SMEs. The results show that there is a positive and significant relationship between export market orientation and SMEs' export performance ($\beta = 0.662$, $p < 0.001$) which confirms H_1 . The t - value is 16.510, providing evidence that export market orientation is an important element to gauge the firm's export performance. H_2 states that external environment moderates the relationship between export market orientation and export performance of

Figure 3. Structure Model

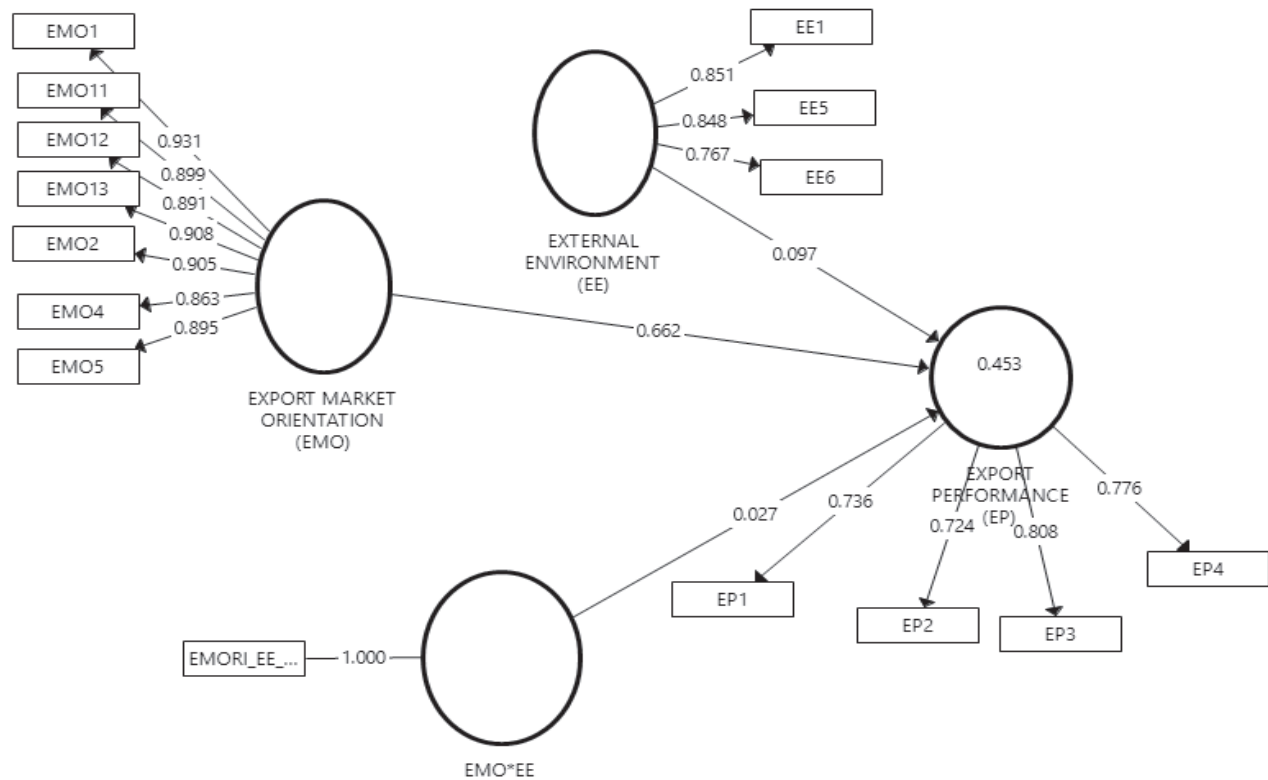


Figure 4. Bootstrapping Output

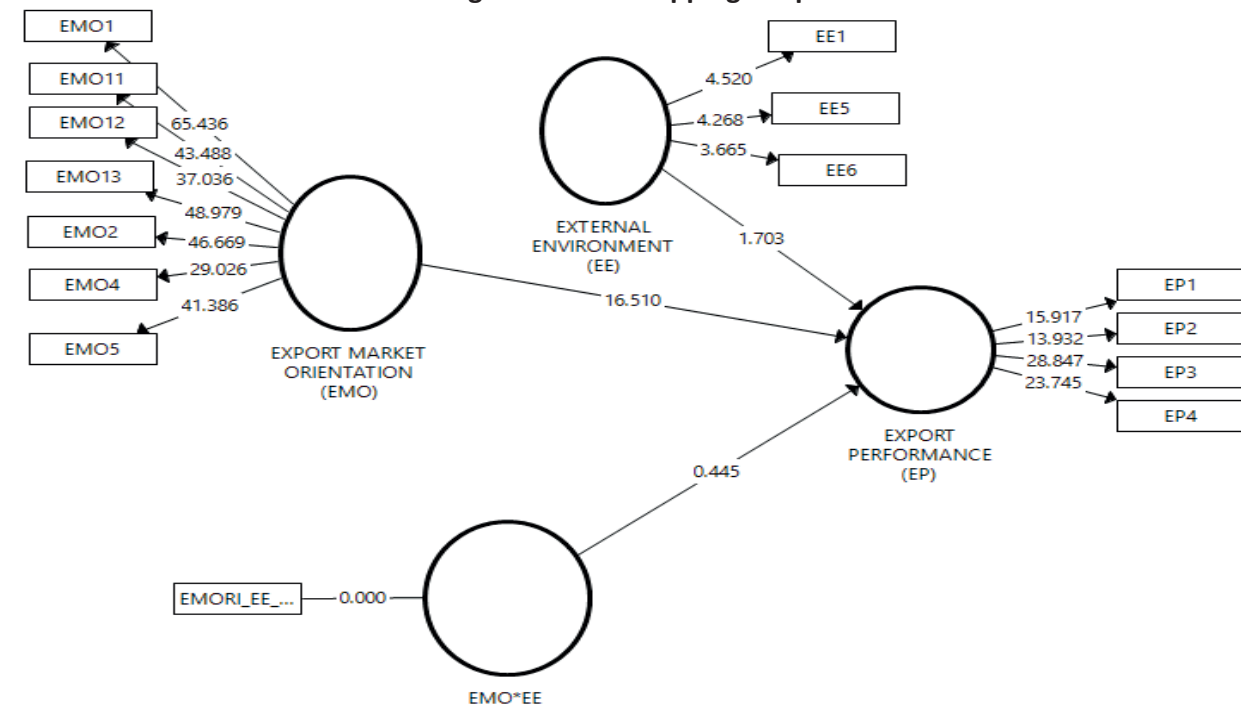


Table 4. Path Coefficient and Hypotheses Results

Hypotheses	Relationship	β	R^2	Std. error	t - value	Decision
H1	$EMO > EP$	0.662	0.453	0.02	16.510**	Supported
	$EE > EP$	0.097		0.02	1.703**	
H2	$EMO > EE > EP$	0.027		0.04	0.445	Not Supported

Note: ** $p < 0.001$

SMEs ($\beta = 0.027$, $p > 0.001$). The results provide evidence that external environment does not moderate the relationship between export market orientation and export performance. Grounding on these facts H_2 is not supported. The t -value is 0.445, hence providing support that the external environment does not moderate the relationship between export market orientation and export performance. The summary of the findings are presented in the Table 4.

Implications

(1) Theoretical Implications : The research finds that there is a significant relationship between export market orientation and export performance. The research findings are similar to the findings of Cadogan et al. (2002) who found that export market orientation had a significant relationship with export performance. Nonetheless, the research could not determine the moderating role of the external environment between export market orientation and export performance. This research finding differs from previous studies who found that external environment moderates the relationship between export market orientation and export performance (Diamantopoulos & Hart, 1993; Greenley, 1995). These anomalies could be due to different cultural settings between the fully developed and developing countries (A-Razak & A-Talib, 2009 ; Hooley, Fahy, Greenley, Beracs, Fonfara & Snoj, 2003).

(2) Managerial Implications : The key findings of the study also suggest that EMO activities have a significant impact on the manufacturing SMEs in Malaysia. The EMO activities are important and should be adopted by the SMEs to sustain their competitive advantage against their competitors. Due to advancement in the technology information, SME owners/managers could easily generate information, disseminate it within their organizations, and respond to information in an efficient and effectively manner, which could build competitive advantage for the firm. SMEs are known to lack complex form organization and financial resources (Miocevic & Crnjak-Karanovic, 2012). However, with proper training and development, owners/managers of SMEs can generate market oriented behavior that could result in competitive advantage for the firm, especially in their export performance. Training is vital in developing EMO behavior in the international market (Czinkota & Ronkainen, 1995). Current advancement in information technology would enable SME owners/managers to extract information in a latent or knowledge base resource that builds competitive advantage and leverage for the firm (Miocevic & Crnjak-Karanovic, 2012). Export market orientation activities could attain competitive position for the firm and result in higher export performance (Cadogan, Paul, Salminen, Puumalainen & Sundqvist, 2001; Cadogan et al., 2002 ; Dodd, 2005 ; Miocevic & Crnjak-Karanovic, 2012 ; Murray et al., 2007).

(3) Policy Implications : Many studies reported that SMEs are experiencing poor export performance (Lages & Montgomery, 2004 ; Muhammad et al., 2010; Pelham, 2000). SMEs face a lot of serious challenges, like : under-capitalization (Adigwe, 2012) and imperfect information and entry barriers enforced by the governments, which frequently limit their international growth (Acs et al., 1997). Therefore, policy makers should facilitate the SMEs to compete more effectively in the international market. Policy makers should formulate certain policies that

could assist the growth of the SMEs in the short and long run. Policy makers should assist the SMEs in their application for financial loans, tax exemption for new firms for the initial period, education, training and development, which would increase the SMEs' commitment towards exporting.

Conclusion

Overall, this research has achieved its objective and provided some explanation on how manufacturing SMEs in Malaysia could increase their export performance and succeed in the international market place. SME owners/managers need to adopt aggressive strategies for future expansion and to ensure their firms' sustainability. In summary, the outcome of the study demonstrates that there is a significant relationship between export market orientation with export performance. However, the research could not determine that external environment moderates the relationship between the export market orientation and export performance. The research also offers policy makers some insights on how to develop the SME owners'/managers' ability to perform better in the international market and run their export operations smoothly and efficiently. By adopting customer oriented strategies through export market orientation, SMEs could pay full devotion in meeting their customer needs and wants. Lastly, by adopting export market orientation in their businesses, SMEs would be able to understand the specific need of their customers, and this will generate higher export performance through customer loyalty, and this will ensure their sustainability in the international market place.

Limitations of the Study and Future Directions

The current research has applied seven point scales, self-reported by the owners/managers of the SMEs. As many studies before this, this research was conducted using cross-sectional methodology, which only shows a snapshot for certain time. Cross sectional studies, alike this study, do not illuminate the reason of correlation nor the causal order between the variables. Therefore, the interpretation of the results is limited to the association and not causation. The subjective assessment of export performance was based on a single respondent in a firm; therefore, it is vulnerable against many cognitive biases. The research samples from FMM Directory may not be comprehensive and hinders the generalizability of the results obtained in this study. Self-reported information from the senior export executives should be considered with some reservation. Even though intelligence generation, dissemination, and responsiveness activity are closely related to each other, future research should discover which activity is the most important in the day to day activities of the SMEs. As highlighted earlier, too much emphasis on export market orientation activity could inflict further cost to the firm. Firms that apply export market orientation in the export operations will reap its benefit only up to certain extent, and after that, it will only bear cost for the firm (Cadogan et al., 2009). The EMO relationship with export performance forms like an inverted U.

Future research may consider longitudinal study that incorporates export market orientation, external environment, and export performance of SMEs. Nonetheless, the dimensions explored for the construct are not exhaustive. Future research could investigate the role of managerial mindsets between the EMO and export performance relationship (Miocevic & Crnjak-Karanovic, 2012). Future research may determine other aspects that could influence the firms' export performances such as innovation, marketing mix, and human resource management. Future research could also explore other elements that moderate the relationship between EMO and export performance. The cultural role would be better understood when cross-cultural studies are carried out in other countries to determine its impact on the export performance. Future research should look into other factors such as business strategy, organizational skills, leadership skills, and information technology adoption that could

increase the export performance. Therefore, additional studies could further clarify how the manufacturing SMEs behavior in Malaysia is different as compared and contrasted to that of SMEs in other countries.

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APPENDIX 1

Export Market Orientation (EMO) Scales

EMO1	In this company, we generate a lot of information concerning trends e.g. regulations, technological development, political economics in our export markets.
EMO2	We constantly monitor our level of commitment and orientation to serving export customer needs.
EMO3	We are slow to detect fundamental shifts in our export environment (e.g. regulation, technology, economy).
EMO4	We periodically review the likely effect of changes in our export environment (e.g. regulation and technology).
EMO5	We generate a lot of information in order to understand the forces which influence our overseas customers' needs and preferences.
EMO6	Too much information concerning our export competitor is discarded before it reaches decision makers.
EMO7	Information which can influence the way we serve our export customers takes forever to reach export personnel.
EMO8	Important information about our export customers is often lost in the system.
EMO9	Information about our export competitor's activities often reaches relevant personnel too late to be of any use.
EMO10	Important information concerning export market trends (regulation, technology) is often discarded as it makes its way along the communication chain.
EMO11	If a major competitor were to launch an intensive campaign targeted at our foreign customers, we would implement a response immediately.
EMO12	We are quick to respond to competitive action that threatens us in our export markets.
EMO13	We rapidly respond to competitive actions that threaten us in our export markets.

Source: Cadogan, Diamantopoulos and De Mortanges (1999)

External Environment (EE) Scales

EE1	In our kind of business, customers' product preferences change quite a bit over time.
EE2	Our customers tend to look for new products all the time.
EE3	Sometimes, our customers are very price-sensitive, but on other occasions, price is relatively unimportant.
EE4	We are witnessing demand for our products and services from customers who never bought them before.
EE5	New customers tend to have product-related needs that are different from those of our existing customers.
EE6	We cater to too many of the same customers that we used to in the past.

Source: Cadogan, Diamantopoulos and De Mortanges (1999)

Export Performance (EP) Scales

EP1	The level of our export sales volume.
EP2	The profitability of our export operation.
EP3	Our share of export market sales.
EP4	The rate at which we are able to enter new markets.

Source: Cadogan, Diamantopoulos and De Mortanges (1999)