Export Performance and Managerial Capabilities in German SMEs[1]

Manfred Fuchs
Institute of International Management, KFU Graz, A-8010 Graz, Austria

Abstract

The main purpose of this study is to examine the relations between distinct managerial basic resources and the impact of managerial export capabilities on export performance in internationalizing SME's. Against the background of the resource-based view and the international process school, the authors develop a model that explains how the relationship between basic managerial resources and capabilities (such financial resources and management know-how), distinct dynamic managerial export capabilities (that focus on market orientation, organizational flexibility, innovation and reputation) impact on export performance. Using survey data from 146 German SME's the authors apply a partial least squares (PLS) path modelling methodology to test cause-effect-relationships in the proposed conceptual model.

Introduction

Within the last decade research in International Management shifted much more interest and attention to discuss and analyse managerial capabilities, such as international experience and market knowledge and tried to explain how those capabilities influence the performance of internationalizing firms. A number of studies concentrate on managerial capabilities as essential antecedents of SMEs export performance (e.g., Aaby & Slater, 1989, Cavusgil & Zou, 1994). Within these studies SMEs' management is increasingly identified as a key success factor "behind" other determinants in order to explain export performance (e.g., Westhead et al., 2001, Castanias & Helfat, 2001). Cavusgil and Zou (1994) criticized that few studies substantiated the link between marketing strategy and export performance. However, despite increased efforts, theoretical and empirical knowledge on cause-effect-relations for export performance remains limited or vague (Aaby and Slater, 1989; Katsikeas et al., 2000, Morgan et al., 2004). Especially the impact of managerial capabilities on export performance remains largely untested.

Except from the question which factors explain export performance, the problem how to measure performance is still a difficult and unresolved issue. Theory and practice uses a wide range of metrics in order to assess performance of international activities within the firm. Especially in international marketing, performance metrics is one of the most important contemporary topics. Equally, in the international marketing research on export venture performance has attracted interests and a number of important studies delivered new insights (e.g., Lages & Lages, 2004, (Morgan, Kaleka, & Katsikeas, 2004)).

Although the current interest on export performance is unquestioned, empirical efforts to explore this area seem less uniform (Cavusgil & Zou, 1994). Looking at the literature it seems that all existing studies use a somewhat different approach to measure antecedents in order to explain export performance (e.g., Aaby & Slater, 1989, Zou & Stan, 1998; Carlos

1 An earlier Version of this paper was written with Phil Kruse, I would like to thank two anonymous reviewers for their helpful comments.

M.P. Sousa, 2008) and, more recently, its outcomes (e.g., Lages & Montgomery, 2004). Barney (2002: 30) assumes that there is "relatively little agreement about which definitions are best, let alone agreement about the criteria against which definitions should be judged" in order to tell us a more realistic story about how do measure performance.

According to Cameron (1986), organizational performance is mainly a problem-driven construct rather than a theory-driven. It is assumed, that different firms have different perspectives of export performance due to different firm specific environments. Thus, different perspectives respectively definitions of performance may be influenced by different determining factors also. It is also criticized that most firms use single performance measures (i.e. Cavusgil and Zou, 1994) which don't reflect the complex topic.

Questions and Theory

Building on research in the domain of International Management this paper is motivated to develop a conceptually rigorous and parsimonious model of export performance (Peng, 2001, Dhanaraj & Beamish, 2003) that may consider or overcome some of the major limitations that characterize past research. One possible way that may help us to achieve such a demanding objective is to more closely at the impact that the resource-based view (RBV) of the firm may have to explain the grounds of firm performance (Penrose, 1959, Barney, 1991, Wernerfelt, 1984, Peteraf, 1993, Helfat, 1997 and 2007). The RBV has persuasively argued that organizational capabilities which are framed as key variable in their conceptual thinking require a "deliberate and sustained investment of financial and managerial resources" in order to stay or to become successful as firm (Ethiraj et al. 2005: 26). Furthermore, RBV identifies resources *and* capabilities in order to explain differential above average performance within and across industries. Recently, Teece emphasized that each firm is build around a "portfolio of idiosyncratic and difficult to trade assets and competencies"(2007: 1319). These idiosyncratic and difficult to trade assets and competencies have been developed from early and somewhat large scale investment in firm specific knowledge such as product development, marketing, distribution (Teece, 2007). We believe that not only the vocabulary of RBV can be directly imported to enhance the practicability of the Upsalla School in IB research, in addition we argue that there is a great correspondence between the practical implications both theories imply on the process of internationalization. In RBV the question is not only that stocks of idiosyncratic assets and competencies, or capabilities explain differences in firm performance, but how do these capabilities actually contribute to firm performance?

In this paper we need to understand and differentiate resources, capabilities and dynamic capabilities in order to operationalize major factors that determine firm success. While in theory this differentiation is already ambiguous it is a much more difficult problem to solve in practice. We use dynamic capabilities as "the subset of the competence/capabilities which allow the firm to create new products and processes" as described by Teece & Pisano (1994: 541). It is simply argued that dynamic capabilities enable the firm to respond to changing market circumstances that contribute to the firm's export market success.

In early RBV resources have been stylized as key factor to understand firm performance. However, we acknowledge that the RBV is far from crapping precisely how and which idiosyncratic assets and competencies emerge within a firm. In addition we acknowledge that we still don't understand fully how and which resources and capabilities explain firm performance. To answer this question is not easy, because capabilities are ambiguous and ill-structured tasks and are very often embedded in intangible and implicit organizational routines, and unconscious habits and organizational milieus within the architecture of the firm (Schreyögg & Kliesch-Eberl, 2007).

Nevertheless firms must have accumulated some assets and expertise over time (Dierickx & Cool, 1989). To a large extent these assets and expertise is best described as pre-existing know how that is deployed in the process of internationalization. Applying this idea

to SMEs we argue that especially those firms that lack basic resources such as financial weak firms have difficulties to develop in-house foreign market knowledge that is contributing to foreign market firm performance. We also argue that they may lack basic resources that would allow to buy in foreign market expertise. And consequently we focus on these pre-existing know how as a dynamic capability that helps to explain failure and success in the process of internationalization.

In this context, the management must ensure the idiosyncratic use of resources in order to generate sustainable competitive advantage (Burmann, 2002). Thus, not only the existence of pertinent and applicable resources is important, but also the organizational and managerial capabilities to combine, use, select, complement, utilize, and last but not least to identify opportunities to render the goods and services that export ventures require in a dynamic and complex international environment. RBV literature has identified the complementary and ubiquitous use of resources as important factor that contributes to firm performance (Helfat, 1997: 341).

RBV emphasizes resources as central focus to understand firm performance (e.g., Peteraf, 1993, Amit & Shoemaker, 1993). Recent theoretical contributions distinguish between capabilities and resources available to the firm (Teece et al., 1997). In export ventures resources are firm-controlled asset stocks that constitute the crude and unrefined materials available to the firm's export unit (e.g. Black & Boal, 1994). In turn, capabilities are the organizational and firm specific processes by which these resources are utilized in order to render services and goods for the export (e.g., Day, 1994). Sidney Winter (2003) describes a capability as the "ability to perform a particular task or activity" (Helfat et al, 2007:1). It is important in our research to note that firms not only differentiate from within existing stocks of resources but essentially from their differentiated, path dependent and idiosyncratic stocks of available processes in use, that are in general termed capabilities. In RBV heterogeneity is a major notion to explain different firm performance within and across industries (Teece et al., 1997). Export managers deploy available firm resources and capabilities that result in positional advantage respectively in greater performance in the export market (Barney, 1991, Grant, 1991).

RBV is used as a focus in a number of important research articles in international entrepreneurship. In addition we pertain that RBV offers a theoretical explanation that extents the traditional approach how SMEs internationalize, without incrementally going through different stages of organizational learning that depend on each subsequent time sequence as suggested by the various stage models (e.g., Johanson & Vahlne, 1977, Cavusgil, 1980).

Autio et al. (2000) demonstrated that smaller firms may own "inherent advantages" utilizing existing resources and - we would like to add – that these inherent advantages are translated into capabilities that can make small firms more flexible in international market environments. These "inherent advantages" may explain how smaller firms utilize existing export market knowledge that contribute to explain or determine the success of internationalization processes.

But it is noteworthy that we argue that these "inherent advantages" can only be utilized or emerge only within the SME if it has resources at its disposal from which it can build up these "inherent advantages". Thus we hypothesize that a firm first have to have sufficient access to basic resources including financial resources in order to develop managerial capabilities for export markets.

We assume that in smaller firms an existing bundle of idiosyncratic export market knowledge can be much more easily redirected and reusable to serve opportunities in a specific foreign target market as compared to large MNEs that suffer always from a certain degree of organizational inertia. In addition existing managerial capabilities in smaller firms can be more precisely directed to emerging export market opportunities than in larger firms. Provided that a small firm have the means (basic managerial capabilities) resource scarcity may

well be translated in more readily available unique and idiosyncratic capabilities (export market capabilities) in smaller firms than in large MNEs. In turn more readily available unique and idiosyncratic capabilities (in our terminology export market capabilities) may facilitate a small firm to identify more easily an attractive or promising export market (Peteraf & Barney 2003, Peng & York, 2001).

There exist a number of studies that explain the influence of different resources on the export performance of SMEs (i.e. Fahy, 2002, Dhanaraj & Beamish, 2003). In British SMEs Westhead identified a strong causal relation between successful export processes and available resources in SMEs (Westhead et al., 2002). The differences in size between SMEs and large MNCs have been studied by O'Gorman & McTiernan (2000), Knight (2001), Etemad (2004) and Hollenstein (2005). Although differentiating in detail, these studies conclude that a lack of resources, a lack of capital, a lack in managerial knowledge and human resources tend to constrain smaller firms. Especially a lack of financial resources is identified as a key factor that influences the failure/success of export ventures (Westhead et al., 2004).

How do firm resources and managerial capabilities determine the success of exporting firms?

In general the literature perceives SMEs as missing the appropriate and sophisticated managerial know how (sometimes simply called as managerial resources) that constrain the opportunity to internationalize and therefore limit the performance of export ventures. If these studies are considered in detail one major question remains to ask: How do managerial resources and capabilities determine the failure and success of internationalizing SMEs?:

How are available material and immaterial resources interrelated and translated into existing managerial and organizational know how from which firm specific knowledge emerges that subsequently determine the success/failure of internationalizing SMEs (Castanias & Helfat, 2001)? Thus, the major question in this paper focuses on: How do managerial resources available within SMEs contribute to international performance? And in turn, on which firm resources depend the emergence of managerial capabilities of SMEs? And further, how do these managerial capabilities relate to material (i.e. financial) resources that are dedicated to maintain export ventures?

Questions above concerning failure and success of internationalizing SMEs require a precise definition how performance is defined and how to measure performance. Depending on the strategic goals and overall objectives, a firm will, most of all, internationalize when strategic options are compatible with the present stock of resources and competencies (De Clercq et al., 2005). Hence, an analysis of potential factors influencing SMEs international performance must consider the specific resources and capabilities available in these firms. Focussing on firm objectives it might be necessary to analyze the different measures respectively variations of export performance because of the possibility that different resources and capabilities influence different export objectives.

Not only is it a difficulty to operationally analyze firm capabilities that determine the performance of internationalizing firms.

In addition, as mentioned, there is no common consent how to measure performance and there is no consent at all, how to define performance. A common predicament in performance research is that it is measured one-dimensionally in many studies. Usually, firms attempt to achieve a number of objectives simultaneously. Sometimes these objectives complement each other, sometimes not. That simply makes it necessary to consider performance measures as multi-dimensional and complex (Dess & Robinson, 1984). What is to be done in order to depict multi-dimensionality and complexity in an appropriate pattern, performance has to be constructed in terms of content and in the context of the right theoretical approaches (Andritzky, 1976). Performance is assumed as the position by which a firm meets self-defined objectives. In this paper we hypothesize performance as being influenced by various man-

agement-driven capabilities. Therefore we approach an additional question in our research of SMEs internationalization:

Are there significant variations of export performance in our model, which are influenced in a different way by the selected managerial export capabilities?

As mentioned, strategic management differentiates between resources and capabilities (e.g., Barney, 1991, Grant, 1991). According to Barney (1991) and Teece et al. (1997) resources are assumed as dynamic capabilities on the one hand. Those dynamic capabilities are defined as any attribute, tangible or intangible, physical or human, intellectual or relational, that can be deployed by a firm to achieve a competitive advantage and high performance in its markets (Hooley et al., 2005). What makes research difficult is that these authors conflate resources and capabilities. In turn, basic resources, which often stand for financial and managerial resources in the context of SMEs (Wu, 2007), comprise a company's asset of resources and abilities. We settle these resources as basic resources and basic managerial capabilities, which serve primarily to certain dynamic capabilities and hence contribute indirectly to performance. Unfortunately we are differentiating strictly between resources and basic or simple managerial capabilities but would like to emphasize with our term "basic" that basic managerial capabilities depend very much directly from the available financial resources in smaller firms.

Although conceptually useful such a description turns out to be of limited value in operationally analyzing such a construct. In the following we distinguish between (basic) resources and relevant (dynamic) management export capabilities that seem to have a significant impact on SMEs' internationalization.

First we concentrate on the basic resources within SMEs that are determined by financial resources and basic management capabilities. We measure the degree of availability of financial resources that are needed to render the goods and services for export. We simply assume that financial liquidity is a major requirement that enables the firm to handle export operations (i.e. Tseng & Yu, 1991) and influence the basic management capabilities as well as the dynamic capability to manage exports. Financial resources are measured in this research using measures developed by Morgan et al. (2004).

Dynamic capabilities theory indicates that the management is causing a major influence that relate to a differentiated set of capabilities (Castanias & Helfat, 2001). Operations management includes the production and delivery of goods and services and is concerned with the transformation of raw inputs into outcomes that customers value. Management has been identified as the deciding factor because in smaller firms the manager is the major source how a decision is made (e.g., Westhead et al., 2001, Lloyd-Reason et al., 2004). SME managements' experiences and knowledge are identified as a crucial factor in terms of SME's internationalization (Ibeh, 2003: 5). These basic managerial capabilities are assumed to play an important role with regard to the implementation of other dynamic capabilities like innovative aspects (i.e. successful launch of new products in export markets) and flexibility aspects like the competence to handle international partners (Aragon-Sanchez & Sanchez-Marin, 2005). Managerial capabilities are measured on two dimensions. One dimension focuses on the capability to identify customer needs (management information). Next we focus on the managerial capability to create, maintain, negotiate and build, fix and rebuild appropriate relationships with customers in export markets (Morgan et al., 2004). These dimensions build our construct management information, because it denotes the managerial ability to capture important marketing and market information and also not only how to acquire but also how these information is utilized. In turn, the second dimension is measured by the degree of knowledge regarding export markets and export market expertise (Morgan et al., 2004, Day, 1994). Export market knowledge and firm specific managerial expertise, which are termed as basic managerial capabilities. This variable is operationalized by using measures developed by Morgan et al.

(2004). We hypothesize that these measures strongly relate positively to managerial export capabilities.

We further hypothesize that managerial export capabilities are influenced dominantly by the available stock of basic resources. Grant (1991) specified resources (i.e. capital) as input factors that are only productive by the capability to identify opportunities, the capability to coordinate investments and the capability to utilize these resources effectively. Similar, Amit & Schoemaker (1993) declared resources such as capital or know-how as basic assets controlled by the firm. We assume that those capabilities develop in the course of using available resources that emerge as organizational processes that achieve target results. Day (1994) defines capabilities as the organizational and firm specific processes by which these available resources are utilized in order to produce services and goods for the export. Due to the influence of the basic resources, those managerial export capabilities are embedded deeply in SMEs' organizational routines and habits that differentiate each competing firm from each other (Mahoney, 1995). Although differences in capabilities exist we decided to concentrate on four common sets of activities and common operative action in which firm capabilities are embedded.

One of the more important export oriented capabilities is embedded in different market orientation. Market orientation expresses the managerial ability to drive objectives and strategies by the creation of customer satisfaction and value (Hooley et al., 2005). It also refers to adequate understanding of customer needs and the frequent assessment of customer satisfaction. Also a manager should understand how the employees contribute to customer value. The market orientation of the organization has been proposed as a key differentiating resource that is closely related to performance (Narver & Slater, 1990). Market orientation takes time to build, is complex, is built out of tacit skills and experience, and is difficult if not impossible to transfer from one firm to another (Hooley et al., 2005). Managers operating in one firm may be less effective if taken out of that firm and into a competitor operation with a different embedded orientation. Hooley et al. (2000) identified the market orientation as important factor in the international field positively influencing the performance of firms in this competitive business.

Another important aspect is the processes how to deal with international customers. In general these negotiation skills are linked to managerial capabilities in SMEs. Export transactions, like contractual agreements and deals to obtain revenues in international markets are coordinated, as contract parties jointly determine export activity and manage functional performance through a process of flexible negotiations (Bello & Gilliland, 1997). In a bilateral system individual goals are reached through joint accomplishments, and a concern for the long-run benefit of the system serves as a restraint on individual tendencies (Heide, 1994). Consequently, the establishment of export cooperation, in the form of flexible adjustments made by both parties, is likely to increase the effectiveness and efficiency with which export deals are performed. To measure this flexibility as potential competence influenced by SMEs' management, we used the tested scale of Bello & Gilliland (1997).

A third important dynamic capability concerning export is the ability to successfully innovate in the marketplace (Han et al., 1998). Superior market innovation capabilities are potential foundations for sustainable competitive advantage. They are complex and require managerial competencies, they rely on tacit skills and an innovation in one firm is not easily duplicated in another (Hooley et al., 2005). We hypothesize that innovation capability is being a major source that determines performance.

Fourth dynamic managerial export capability linked to SMEs' performance is related to generate reputation as a firm specific asset, which is perceived as an intangible resource (Zou et al., 2003). Those intangible and difficult to trade assets are developed over time and embedded in organizational routines and are conceived as a major part of what we call managerial capability. Reputation is often translated into the value of brands. Especially interna-

tional reputations respectively brands are difficult to build, take time to develop and cannot be easily transferred to other organizations (DeChernatony & Mac Donald, 1992). So we hypothesize the capability of building reputation in export markets as positively influencing the performance of firms.

Conceptual model and hypotheses

Our empirical research is based on the proposed conceptual model, which illustrates the basic relation between basic resources and managerial export capabilities. The model differentiates four firm specific sets of managerial export capabilities that influence export performance in SMEs (see figure 1).

The model is based on four major hypotheses. First hypothesis (H1) proposes a positive relation between (basic) managerial capabilities and managerial export capabilities. As mentioned, especially SMEs' basic managerial capabilities are identified as key factor that relates to export performance (e.g., Westhead et al., 2001). With SME managerial expertise, such as foreign market knowledge the managerial export capabilities can be improved (Wu, 2007). Thus, export market knowledge and experiences of the management can be associated with influencing the managerial export capabilities that are able to create sustainable competitive advantage within SMEs' internationalization (Day, 1994). These managerial export capabilities play an important role with regard to the implementation of e.g. innovative and flexibility aspects mentioned above in the international field (Aragon-Sanchez & Sanchez-Marin, 2005).

- H1-RBV: "The basic managerial capabilities of an SME are positively related to the managerial export capabilities".

Next we assume a direct influence caused by the stock of financial resources on managerial export capabilities (H2). We also assume that the basic managerial capabilities need to be supported by financial funds (H3) which are deployed to the export activities of SMEs. The financial resource requirements of export operations, such as money for the acquisition of managers with experience in export projects and the ability to realize those projects, mean that access to financial resources for these activities is essential to an SME (e.g., Gomez-Mejia, 1988). So the question arises how financial support (identified as a major basic resource) can influence the managerial aspects. On the one hand, it sounds reasonable that financial liquidity should be deployed for acquisition and support of basic managerial capabilities which in turn influence other aspects that might be relevant for the impact on international performance. On the other hand, however, it might be possible that specific managerial export capabilities can be affected by financial support in a direct manner. To get insights into these possibilities we test the following hypotheses:

H2-RBV: "The basic financial resources of an SME are positively related to the managerial export capabilities".

- H3-RBV: "The basic financial resources of an SME are positively related to the basic managerial capabilities of an SME".

Teece et al. (1997) point out that a firm's basic ability to integrate its resources and capabilities positively impact operational firm performance. An important question in this context is where and how those capabilities emerge and how they influence performance (Ethiraj et al., 2005). Dynamic capabilities enable firms to create, deploy, and protect the intangible assets that support their performance (Teece, 2007: 1319). They are the antecedent organizational routines by which managers transform their resource base to create new value-creating strategies and so attain to higher performance (Grant, 1996). Dynamic capabilities also lie behind the creation and recombination of other resources into a competitive advantage (Wu, 2007). Without dynamic capabilities to transform basic (financial and managerial) resources into future advantages, those basic resources do not translate into international per-

formance for SMEs. Hence, it is necessary to state what kinds of resources and capabilities are relevant and significant for successful SME internationalization.

Rangone (1999) identified three basic capabilities of SMEs: innovation, production and market management capability. Innovation capability represents a firm's ability to develop new products and processes (Hooley et al., 2005) in order to achieve superior performance (e.g. cost, time-to-market, etc). Production capability is the ability to produce and deliver products to customers, and simultaneously ensuring competitive priorities (e.g. quality, flexibility, costs). According to flexibility cooperative behaviour facilitates coordination of activities which, in turn, provides potential cost advantages and improved competitive strength for both parties (Bello & Gilliland, 1997). Therefore flexibility, which denotes the capability to react flexible according to changing patterns and need in export markets, is central to cooperative export partnerships, which may lead to effective implementation of marketing strategy and better performance (Cavusgil & Zou, 1994). When unexpected situations arise, both parties should rather work out a new deal than hold each other to the original terms (Bello & Gilliland, 1997). This managerial export capability we assume to be related to the basic managerial capabilities, because experienced managers might provide higher improvement to such a situation.

Thirdly, marketing management capabilities are mentioned, which refer to a firm's ability to sell its products effectively and efficiently. With SMEs the marketing management capability stands for the managements ability to market orientation (Rangone, 1999), which has been proposed as important differentiating resource that is related to performance (Narver & Slater, 1990). As a fourth dynamic capability of export we analyze SMEs' reputation assets, denoted as intangible resources before (Zou et al., 2003), which might be determined by the quality of the basic managerial capabilities. Because when a firm achieves reputation or branding advantage in the export market, it commands customers' positive attitude and loyalty (Zou et al., 2003). This could enable an SME to charge a premium price in the export market, thus improving its export profitability. Therefore we expect SMEs to gain higher performance due to reputation aspects. In terms of the stated explanations we propose that

H4-RBV: "The managerial export capabilities are positively related to SMEs' export performance outcomes".

We fully agree that in order to assess export performance a set of multiple items and dimensions to measure the value of export performance is mandatory (Diamantopoulos, 1998, Lages et al., 2005). Throughout the history of performance reporting, there has been a consistent dilemma. Although a single measure might not be sufficient to determine whether a firm is performing well, it is sufficient to determine that performance is bad. Generally, there are no real measures of corporate health, only of "ill health" (Ambler, 2001). Thus, if a whole set of export performance metrics finds nothing is wrong, the export operations are probably doing quite well (Lages et al., 2005). The greater the number of measures, the greater is the likelihood of assessing the real situation of the firm in form of feasible results. However, a model for measuring performance has a higher benefit if fewer items have acceptable explanatory power. Especially if items provide specific information with regard to certain objectives of a firm they provide improved benefit. Thus, it should be differentiated which aspects are rather influencing financial objectives than strategic goals, and vice versa. Due to the importance of different perspectives concerning performance, we adapted the measure of Lages et al. (2005) to get insights to this domain (cf appendix A). The chosen construct contains that measures in our sample performance is build from 14 items that measure satisfaction, financial and strategic contribution goals and so provides a broad view to the international performance of SMEs. The assumed relationships of the different aspects stated and the corresponding relations to export performance are shown in our model in Figure 1.

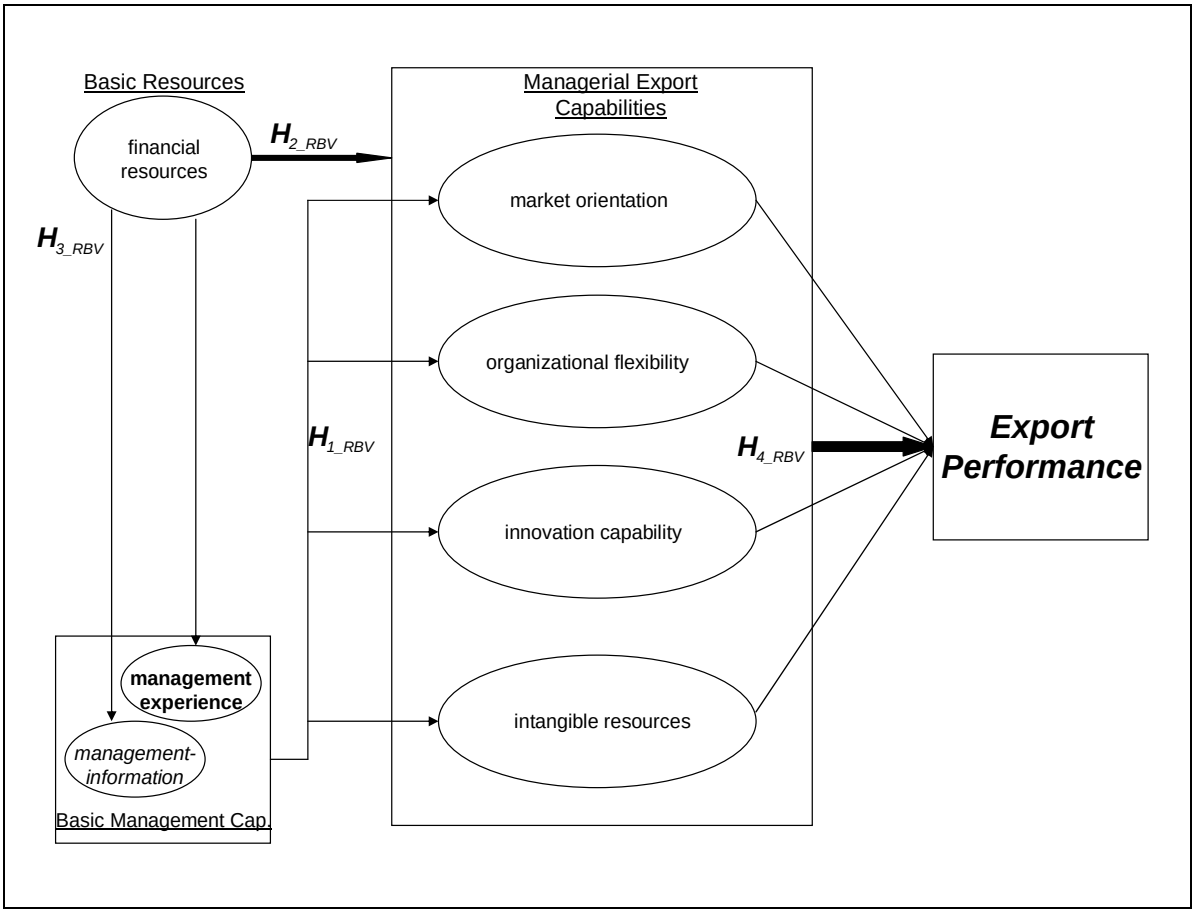

Figure 1: Relationships of selected constructs in the conceptual model.

Methodology

In order to test the above model we conducted a survey using mailed questionnaires. We selected 1500 firms from the Sachon BDI industrial database which includes all exporting companies in Germany. Criteria for selection were staff and sales (less than 250 staff, less than 50 million in revenues). Next we contacted by phone the company and asked to participate in our study (contacted were differing in each firm either a general, sales or export manager). The number of 526 firms agreed to participate in our study and each firm received the questionnaire by mail.

The questionnaire was pilot tested prior to the main survey – 28 responses were obtained following a random fax mailing to various exporting SMEs. The final questionnaire was mailed to the 526 participating SMEs. After several follow up-actions, 146 useable responses were received, a response rate of 27.8%. Non-response bias was tested through analysis of mean scores on the resource items for early vs. late respondents (Armstrong & Overton, 1977). No significant differences were found using t tests at the 0.5 level, providing some confidence that non-response bias was not a problem in this study.

Table 1: Different performance models with Cronbach α values.

Performance model		Cronbach α
Basic model (7 items)	„overall performance“	.8947
Variation 1 (3 items)	„export contribution“	.9214
Variation 2 (3 items)	„strategic export contribution“	.8514

Cronbach Alphas for constructs used tested models are listed below in table 1.

A confirmatory factor analysis was used to determine fit indexes of the models and the validity of the constructs. Fit indexes for each model are shown in table 2.

Table 2: Fit indexes of the different performance models

Model	CFI	TLI	RMSEA	SRMR	AIC	BIC	χ^2/df
Basic model	.914	.901	.067	.081	10622.25	10604.89	1.648
Variation 1	.953	.942	.053	.071	8407.86	8649.53	1.409
Variation 2	.942	.928	.062	.076	8683.16	8924.83	1.556

(CFI = Comparative Fit Index; TLI = Tucker Lewis Index; RMSEA = Root Mean Square Error of Approximation; SRMR = Standardized Root Mean Square Residual; AIC = Akaike Information Criterion; BIC = Bayesian Information Criterion).

Table 3: Correlation Matrix and Fornell/Larcker test.

Correlation Matrix								
	Factor 1	Factor 2	Factor 3	Factor 4	Factor 5	Factor 6	Factor 7	Factor 8
1. Overall performance	1.00							
2. Organ. flexibility	.29	1.00						
3. Managem. experience	.21	.19	1.00					
4. Financial resources	.14	.16	.63	1.00				
5. Managem. information	.11	.16	.23	.37	1.00			
6. Innovation capability	.08	.13	.28	.34	.73	1.00		
7. Market orientation	.34	.12	.50	.34	.34	.30	1.00	
8. Intangible resources	.15	.11	.61	.27	.17	.19	.32	1.00
	Factor 1	Factor 2	Factor 3	Factor 4	Factor 5	Factor 6	Factor 7	Factor 8
1. Overall performance	1.00							
2. Organ. flexibility	.09	1.00						
3. Managem. experience	.04	.03	1.00					
4. Financial resources	.02	.02	.40	1.00				
5. Managem. information	.01	.02	.05	.14	1.00			
6. Innovation capability	.01	.02	.08	.11	.53	1.00		
7. Market orientation	.12	.01	.25	.12	.12	.09	1.00	
8. Intangible resources	.02	.01	.38	.07	.03	.09	.10	1.00
MAX	.11	.09	.40	.40	.53	.53	.25	.38
R^2	.55	.59	.98	.70	.80	.65	.97	.66
Fornell-Larcker (R^2 > Max)	.55 > .12 (fulfilled)	.59 > .09 (fulfilled)	.98 > .40 (fulfilled)	.70 > .40 (fulfilled)	.80 > .53 (fulfilled)	.65 > .53 (fulfilled)	.97 > .25 (fulfilled)	.68 > .38 (fulfilled)

We used AIC and BIC as additional criteria to determine the complexity of the model (Akaike, 1987, Raftery, 1999). It is assumed the higher the value the more complex is the model. Higher values of the basic model compared to the variations may result from the higher amount of items due to the comprehensive performance measure. Testing discriminant validity the Fornell/Larcker criteria was used. The measures (for the basic model) are shown in the correlation matrix in table 3. In order to achieve appropriate unidimensional levels, sev-

eral items were eliminated from the scales. Overall, the results indicate that the scales perform well. So, structural model estimation can be conducted.

Hypotheses were tested simultaneously using MPlus 3.11 (Muthen, 1998-2004) which provides effective MLR-estimator (Bentler & Yuan, 1999). The basic model for overall performance is presented in Fig. 2. Modelling was undertaken using the covariance matrix and the maximum likelihood methods (with robust standard errors and a mean adjusted chi-square test statistic, MLR) estimation procedure.

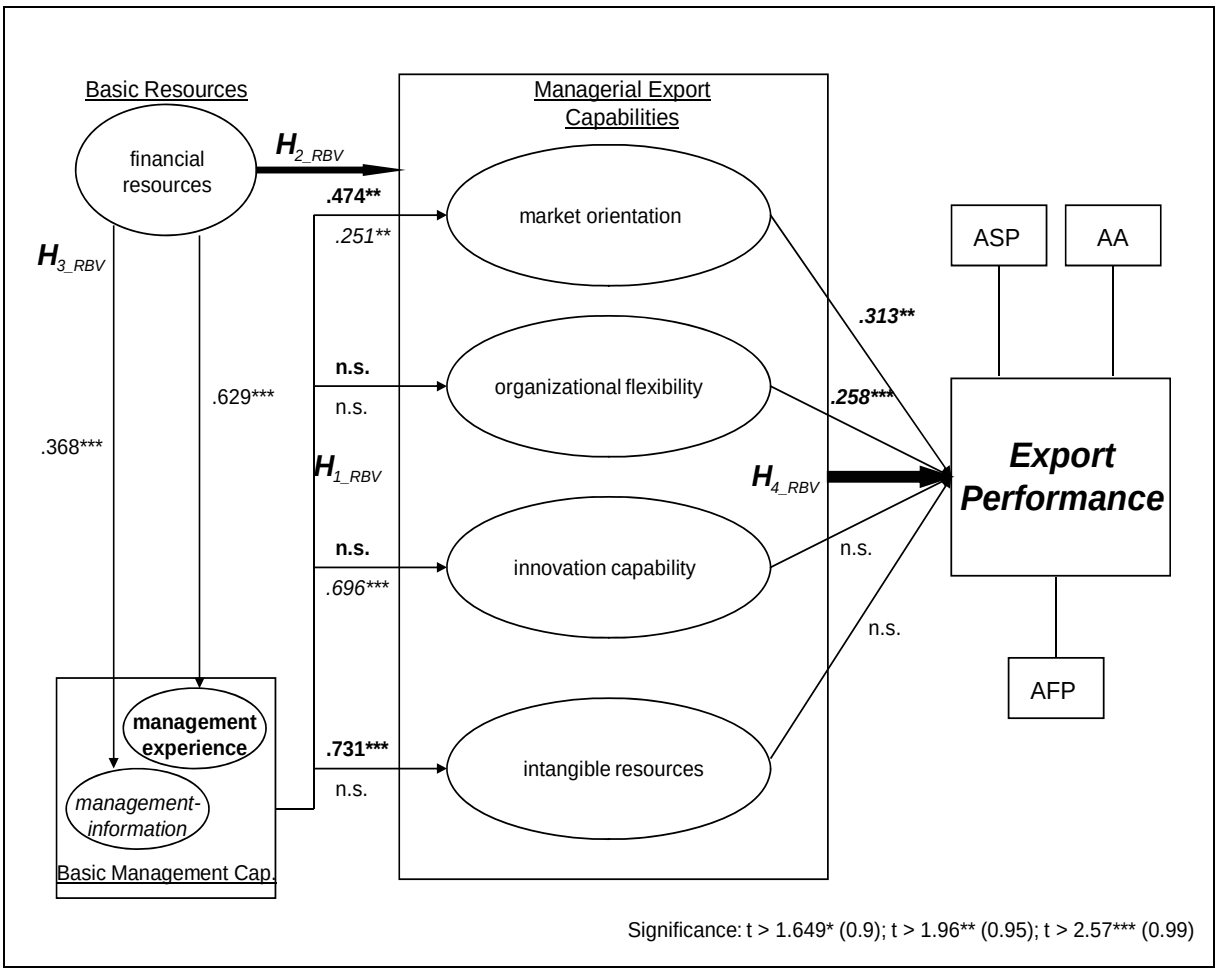

Figure 2: Standardized path estimates ("overall performance").

Table 4 illustrates the estimated effects in our model. As proposed by HRBV_1 the strength of management experience was a significant and positive predictor of two chosen managerial export capabilities (market orientation, organizational flexibility). For the management information capabilities can be stated that the market orientation and the innovation capability are influenced significantly. HRBV_1 is partially supported. The management capabilities explain 30.5% of the variance of the market orientation competence but only 4.9% of the ability to act flexible in export ventures. Management experience explains 40.2% of the reputation capabilities and due to significant influence of management information capabilities on innovation capability this factor is explained by the basic managerial capabilities by 54.2% of the variance in the model. Hence, it can be stated that the basic managerial capabilities (typified by the experience of managers and the competencies to acquire important information about export markets) represent high relevant factors for the internationalization of SMEs by influencing other certain capabilities which, in turn, have a significant influence on their performance (proved within HRBV_4). To get more insights to the interrelations of the

stated aspects in this context the results from testing of HRBV_2 and HRBV_3 will be presented in the following to get deeper basis for interpretation.

Table 4: Paths in theoretical model.

Parameter estimates („overall performance“)			
Hypothesis:	Path:	Estimate:	t value:*
HRBV_1	Management experience → Market orientation	.474	1.984
	Management experience → Organizational flexibility	.144	.755 (n.s.)
	Management experience → Innovation capability	.111	.609 (n.s.)
	Management experience → Intangible resources	.730	3.441
	Management information → Market orientation	.251	1.912
	Management information → Organizational flexibility	.114	1.245 (n.s.)
	Management information → Innovation capability	.696	6.953
	Management information → Intangible resources	.076	.903 (n.s.)
HRBV_2	Financial resources → Market orientation	-.049	-.212 (n.s.)
	Financial resources → Organizational flexibility	.026	.139 (n.s.)
	Financial resources → Innovation capability	.067	.130 (n.s.)
	Financial resources → Intangible resources	-.214	-1.157 (n.s.)
HRBV_3	Financial resources → Management experience	.629	6.072
	Financial resources → Management Information	.368	4.153
HRBV_4	Market orientation → “Overall Performance”	.317	2.493
	Organizational flexibility → “Overall Performance”	.258	2.719
	Innovation capability → “Overall Performance”	-.054	-.478 (n.s.)
	Intangible resources → “Overall Performance”	.029	.331 (n.s.)
*t value: t > 1.649: (0,9); t > 1.96: (0.95); t > 2.57: (0.99)			(Level of significance)

Results of testing the influence of financial resources spend for improvement of managerial export capabilities state that HRBV_2 can not be supported. So we conclude that financial resources influence directly the development of competencies, which do not directly support the performance of SMEs export ventures. The financial resources cause a strong significant influence on both of the management capabilities in our model for which reason HRBV_3 must be supported. This basic construct explains nearly 40% of the variance of management experience and, anyhow, 13.6% of management information. Therefore it must be suggested that the selective commitment of financial capital improves the quality of management capabilities which are a core factor in SMEs internationalization. The test of hypotheses reveals that it is less beneficial to spend money to improve managerial competencies like the handling of flexibility or the building of reputation abilities directly. Instead, SMEs should implement a certain amount of their financial power to get a “high class” management.

With regard to the influenced managerial export capabilities we assumed in HRBV_4 that these capabilities are positively related to SMEs’ export performance outcomes. As shown in figures 2, 3 and 4 HRBV_4 is partially supported. By conducting exploratory factor analysis we found three different variations (basic model, variation 1, variation 2) of international performance for our sample of SMEs. Because the results (and so the interpretation) of the hypotheses testing of HRBV_1 to HRBV_3 are very similar for all models we focus on

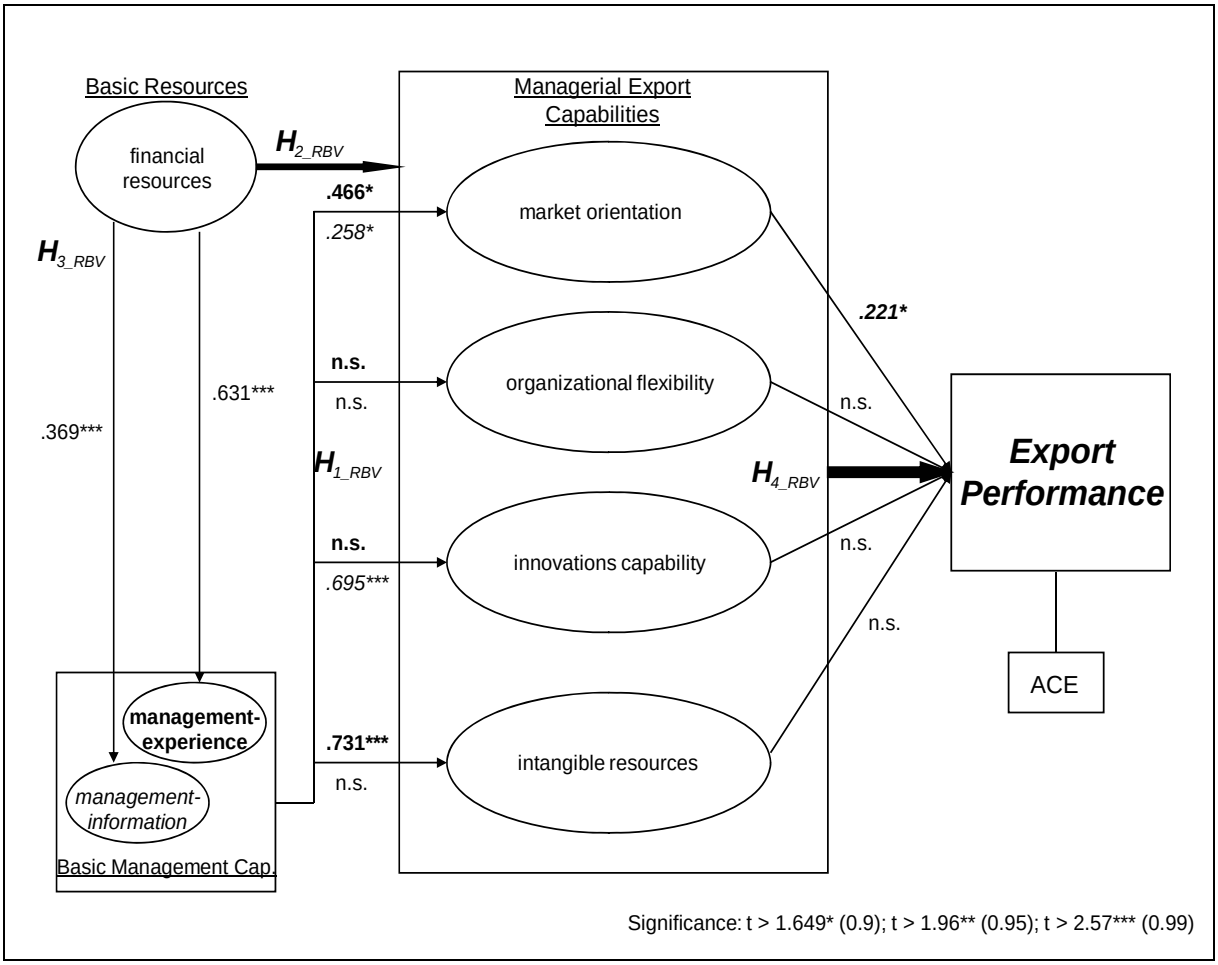

Figure 3: Standardized path estimates ("export contribution").

HRBV_4 for the comparison of the identified models. First of all we state that the market orientation has a highly significant influence on all performance variations. It seems that capability to market orientation is "universal" for SMEs to every successful occurrence in their international markets. Considering organizational flexibility we identified significant influence only for the basic model ("overall performance").

With regard to variation 2 ("strategic export contribution", Fig. 4) we can reveal the remarkable fact that innovation capability has significant influence on international performance. Because we measured innovation capability as the competence to implement new products/services respectively processes into new foreign markets it can be stated that this capability has high strategic relevance for SMEs. Another finding of our research is the fact, that for none of the performance models a significant influence of intangible resources could be found. It may be suggested that brand and reputation aspects are not an important factor for international performance of SMEs.

Finally, some interpretation of the stated performance variations has to be conducted. For the basic model ("overall performance") we acquired a value for the explained variance of 18.1%. The variations exhibited analogical values of 7.2% ("export contribution") and 29% ("strategic export contribution"). Due to the relatively low values of explained variances it must be suggested that there are other factors influencing export performance of SMEs which are not explained in the model. The main goal of this study was to identify relationships between different basic resources/capabilities and managerial export capabilities influencing performance outcomes. It should be stated what kinds of performance impacts can be provided by SMEs management to reach different goals in their international business. In sum-

mary, we found generally satisfying support for our hypotheses to find answers to our main research questions. Many relationships were positive and significant at the .05 or .01 level. Some relationships (especially HRBV_2) were identified, however, contrary to expectations.

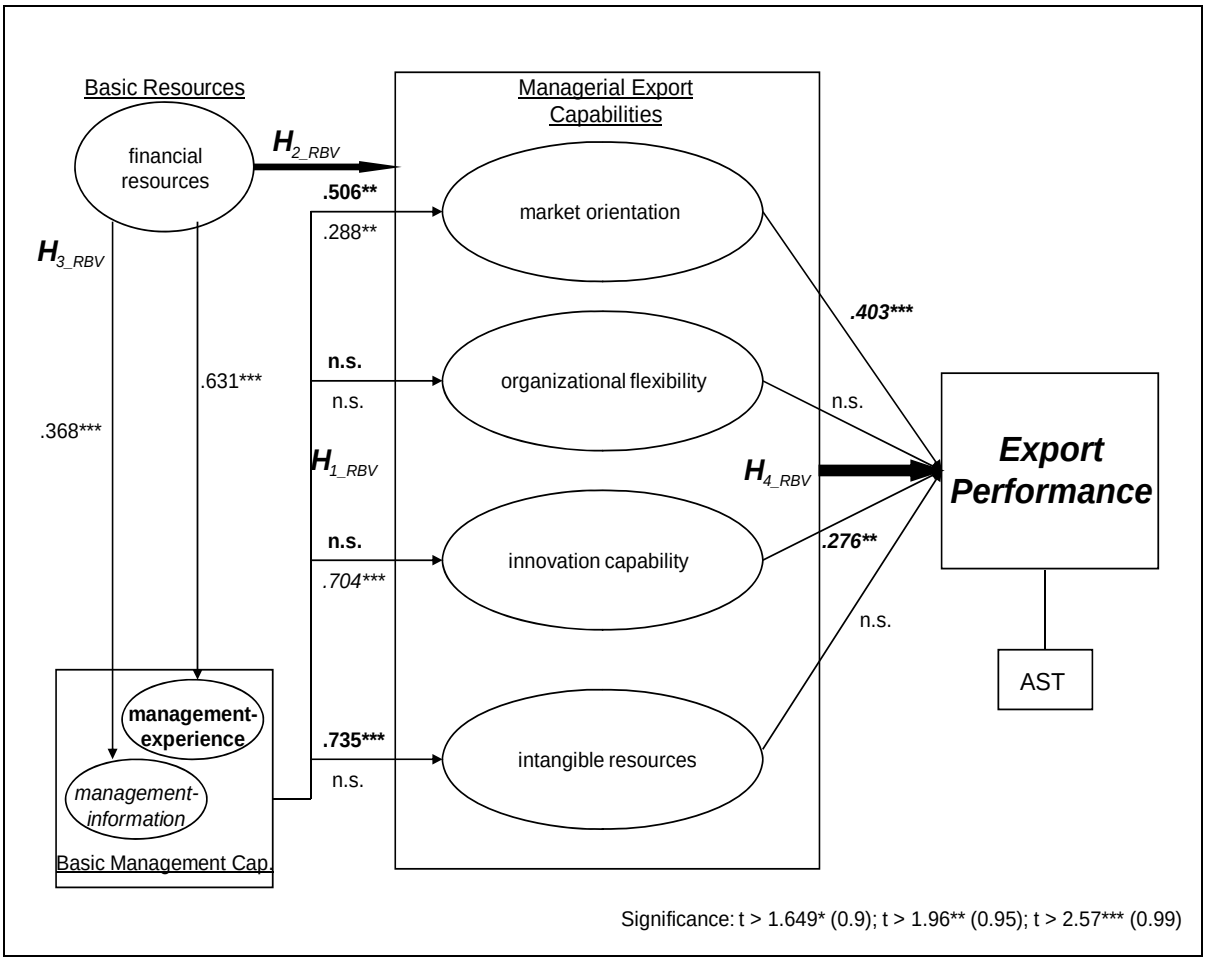

Figure 4: Standardized path estimates ("strategic export contribution").

Conclusion

Our study has contributed to international management by demonstrating the routes through which resources illustrated by managerial competencies respectively capabilities impact on export performance outcomes. In particular, it has shown that management experience and management information are deeply embedded managerial basic resources of SMEs that underpin different managerial export capabilities. Results of testing hypothesis has shown that a smaller company which aim improving the performance of export ventures must concentrate their financial resources to acquire and train managerial capabilities. Even concerning the proposition that SMEs are relatively short of financial resources (e.g., Fahy, 2002, Mahoney & Pandian, 1992) compared to bigger companies, we strongly recommend not to save money within the selection of their management. In order to provide the basics to higher performance in international markets, the management competencies will be the deciding factor for SMEs.

The study has also shown the ways in which managerial export capabilities, such as market orientation capabilities, organizational flexibility and innovation capability affect different performance outcomes. First we identified capability to market orientation as a "universal" factor for SMEs because it has a significant meaning for all performance measures. So, SME managers should focus their capabilities to fulfil customer needs in an adequate way and

also improve their understanding of customer value. The capability to react flexible according to changing patterns within export ventures could be stated as relevant factor when general objectives, including financial performance are concerned. Due to the fact that this factor is not directly influenced by the management capabilities in our model, managers should be looking for relevant aspects within their firm to see how this flexibility can be influenced. The employees might be a relevant factor, because due to their direct contact to customers they might be able to support the management when unexpected situation arises. Other aspects could be the management personality as well as networking factors.

With innovation capability having significant influence on international performance high strategic relevance for SMEs was stated. According to this, the implication can be given that if rather strategic objectives are purposed the management should attend this innovation aspect. Due to the strong influence of the basic managerial capabilities to innovation capability within our research it must again be recommended to SMEs to spend a certain amount of available money to the quality of its management to perform well in regard to strategic international goals. Concerning the reputation aspects in our research it has to be stated that research of SMEs concerning their brand image and potential has not gone very deep so far (Krake, 2005). Due to the fact that the selected firms in our study are relatively small (less than 250 staff) it may be possible that branding and reputation aspects are not in the focus until now. Within the progression of SMEs' internationalization these aspects might get more relevant in the future. According to the fact that the competence for building brands and reputation could be identified as influenced strongly by management experience in our study underlines the certainty that "high class" management should be implemented within the (international) administration of SMEs.

Finally it can be stated, that different managerial implications could be given according to managerial capabilities having different influences on various perspectives of export performance. It also could be stated that financial resources spend to export, especially to the development of the management, should be provided despite the lack of financial resources of smaller firms. SMEs administration can use the findings to identify their own company's strength and weaknesses across these capabilities according to variations of their international goals.

There are some limitations that should be noted: Like many studies in international business strategy, the empirical study presented has been conducted in one cultural setting (Germany). Further research should extend the current geographical frame (e.g., Papyrina, 2007, Claver & Quer, 2005) and should include other market entry modes (e.g., Vrontis & Kitchen, 2005). Finally, the non significant relationships between intangible resources and the different performance outcomes ask for further research. Branding and reputation aspects have been generally assumed to have strong influence on performance outcomes and should be included in following studies in more detail.

Appendix A: Managerial resources/capabilities and performance items

Management Capabilities:

Management Experience (Morgan et al. 2004):

- *Knowledge of export venture market*
- *Length of firms export experience (years)*
- *Number of export ventures in which firm has been involved*
- *Past venture performance*

Management Information (Morgan et al. 2004):

- *Identification of prospective customers*
- *Capturing important marketing information*
- *Acquiring export market related information*
- *Making contacts in the export market*

- *Monitoring competitive products in export market*

Basic Resources:

- *Financial Resources (Morgan et al. 2004):*
- *Availability of financial resources to be devoted to export activities (in general)*
- *Availability of financial resources to be devoted to this export venture*

Managerial Export Capabilities:

Organizational Flexibility (Bello/Gilliland 1997):

- *Flexibility in response to requests for changes is a characteristic of both parties*
- *Both parties are open to each other's request to modify a prior agreement*
- *When some unexpected situation arises, both parties would rather work out a new deal than hold each other to the original terms*

Market Orientation (Hooley et al. 2005):

- *Our commitment to serving customers is closely monitored*
- *Objectives and strategies are driven by creation of customer satisfaction*
- *Competitive strategies are based on understanding customer needs*
- *Functions are integrated to serve market needs*
- *Strategies are driven by increasing value for customers*
- *Customer satisfaction is systematically and frequently assessed*
- *Managers understand how employees contribute to value for customers*

Innovation capability (Hooley et al. 2005):

- *Ability to launch successful new products and services*
- *Effective new product/service development processes*

Intangible Resources (Zhou/Fang/Zhao 2003):

- *Brand awareness (compared to major competitors in export market)*
- *Brand's "mindshare" (compared to major competitors in export market)*
- *Brand personality (compared to major competitors in export market)*

Export performance (Lages/Lages/Lages 2005; "APEV-scale"):

a) Annual export venture financial performance (AFP)

- *This export venture has been very profitable*
- *This export venture has generated a high volume of sales*
- *This export venture has achieved rapid growth*

b) Contribution of the export venture to annual exporting operations (ACE)

- *Export sales volume*
- *Export sales value*
- *Export profit*

c) Annual export venture strategic performance (AST)

- *This export venture has improved our global competitiveness*
- *This export venture has strengthened our strategic position*
- *This export venture has significantly increased our global market share*

d) Annual export venture achievement (AA)

- *The performance of this export venture has been very satisfactory*
- *This export venture has been very successful*
- *This export venture has fully met our expectations*

e) Satisfaction with annual export venture overall performance (ASP)

- *Market share in the selected importing market of the export venture*
- *Overall export performance*

All items are measured with 7-point rating advantage scales relative to major competitors

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