INVESTIGATION OF FACTORS CONTRIBUTING TO IMPROVEMENT OF EXPORT PERFORMANCE OF EXPORTING COMPANIES OF KERMANSHAH PROVINCE

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ABSTRACT

The development of non-oil exports and persuading companies to export are of the topics which have come to the focus of state men. The aims of the exporting companies are making profit, finding markets and gaining continuous and more income. Analyses of the factors that are effective in export performance are very important and different. The goal of this research is to analyze the factors such as competitive advantage, marketing tactics, commitment to export and their impact on the improvement of export performance of the exporting companies in the province of Kermanshah. This study contains six primary and secondary hypotheses and for gathering of the data in the theoretical topics the library method was used while field research method (questionnaire) was used for gathering the theories/opinions of the exporting companies. The data were analyzed by the help of SPSS and LISREL and the results showed that competitive advantage, marketing tactics and commitment to export can improve the export performance of the exporting companies in Kermanshah province. Moreover, commitment to export in companies is effective in marketing tactics and competitive advantage. Moreover, its must be noted that marketing tactics themselves are of significant factors for competitive advantage in companies.

Keywords: Perceived Competitive Advantages, Market Tactics Adaptation, Export Commitment, Export Performance

INTRODUCTION

The relationship between business and economic growth has always been considered by development theorists so that economists believed that business is the driver of the growth and development and imply to various benefits of foreign business and its effect on economic growth and development. They divide effects of foreign business into two parts; such as the direct effects such as global working, extension of market, increase in lateral effects of investment, allocation of resources and indirect effects including supply of materials, transfer of new science and technology and foreign capital and making competition and encouraging for competition (Gharabaghian, 1994).

The issue of the role of exports in economic growth of developing countries has gone through a considerable way and moved away from replacement of imports toward development of exports and increase in the degree of openness of the economy. Iran is a country with an economy relying on oil and its exports is from the revenue of oil and using it for supplying most of the consumption, intermediate and capital products as well as workforce services. A great deal of experimental studies is available which confirm the significant and positive relationship between exports and economic growth (Karimi and Haji, 2012).

Iran is a developing country and it needs extensive economic and production works for supplying appropriate food and health, providing social welfare and achieving suitable life quality. Iran is rich from oil and gas resources but at present, oil and gas revenues don't meet all demands of the country and oil market is not a stable market and its prices are not reliable. Moreover, oil and gas are not permanent resources and will be finished.

In addition, they belong to future generations as well. Therefore, it must be attempted to develop non-oil exports so that they can complement and finally replace oil revenues. However, development of non-oil export is not achievable easily and in short-term (Doaei, 2012).

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Effect of exports on economy of Iran and its relative growth cannot be ignored. However, since it has not been treated in an appropriate and suitable manner and has not been under a good planning, it didn't have suitable consequences.

When we take the growth of exports and economic development in various parts of the industry, agriculture and services into account, this problem becomes more highlighted. Exports of Iran didn't go through a stable trend and dependence upon oil exports, reliance of economic policies upon oil revenues, fluctuations in prices, supply and demand of oil, are the most important reasons of this problem. Hence, paying attention to non-oil exports is of great significance and needs thorough investigations (Karimi and Akbari, 2007).

Paying attention to the issue of non-oil exports is an issue which has attracted considerable attention in recent years and membership of Iran in WTO as a supervisor member which reveals the membership of Iran in the near future and issues such as establishment of commercial centers in other countries, facilitation of regulations of exports, participating in international exhibitions, establishment of free commercial zones and so on causes carrying out a lot of researches in the field that contribution of a variable such as export performance is of great significance in the amount of exports. For this reason, it is possible to perform researches on this variable to obtain applied results. With respect to topic, investigation of factors such as competitive advantage of companies, tactics of marketing and commitment to exports is not performed for improvement of export performance of exporting companies of Kermanshah province. Thus, this research can provide organizations and administrations which are active in the field of exporting as well as managers of companies and exporters with useful information in this field.

Various actors – either internal or external – contribute to exports and causes success or failure of exporters are of extensive diversity whose simultaneous study is neither possible nor useful, but, they can be classified and selected factors can be studied and their role in improvement of the export performance can be explored.

Theoretical Background and Model Presentation

Export performance: Madsen (1998) notes export performance as one of the important aspects of decision making in international trade. Success of each company in exportation can be evaluated by its export performance. To measure the export performance, there are three criteria; financial, non-financial and combined. Criteria such as sales, profit and growth are financial criteria and criteria such as success, satisfaction and achieving goals are non-financial ones and combined criteria are based on diverse types of performance criteria (Anvari *et al.,* 2005).

The aim of export companies from supplying products to international markets is to gain profit, continuous revenue and competitiveness in long-term. Recognition of factors contributing to improve the export performance of the country is the most important factor of making balance between national economy and global one (Haghighi *et al.,* 2008).

In today complex world, performance is a necessary strategy for analysis of each company particularly in its success level either in national or international level. Evaluation of the export performance is a very complex work since export performance can become conceptual and practical by various methods (Diamantopoulos and Schlegelilch, 1994).

Competitive advantage: a company has competitive advantage which has specific resources and capabilities that are unique and cannot be copied and replicated. It can provide offers for the market which are more valuable compared to that of competitors (Barney, 1991). Competitive advantage refers to capability of a company for excellent performance in an industry in which it works (Anvari *et al.,* 2005).

Marketing Tactics

Levitt (1983) states that providing standard or global tactics of exportation is possible and useful. Since when a company can have low-cost production, it can sell its products in other countries by means of marketing, management, R&D as well as a brand or logo (Schuh, 2000).

Jean & Hennessy (1998) state that export marketing includes those marketing activities taken by company for introducing products in international markets.

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Export Commitment
Beamish *et al.,* (1993) believe that commitment of management to exporting activities has stronger effect on success of exporters. To ensure maintenance and continuing of the regular exporting activities, understanding the viewpoints of customers and essential and advanced marketing activities, commitment of management is of great importance for making such a capacity. Commitment of management is reflected in the activity of separate exporting unit, export control and planning, exporting marketing researches and regularly visiting export market (Haghighi *et al.,* 2008).

In present work, various theoretical models and patterns of independent and dependent variables are available which are studied in detail in this section. In investigation and selection of a model for research, it was attempted to select a model which has more agreement and compatibility with current conditions of the society, cultural values and indigenous behaviors, characteristics of the statistical population as well as required innovation. For this end, first, patterns used in national researches were studied and then, standard questionnaires were investigated.

In these stages, it was attempted to select the model and questionnaire in such a way that the model can represent the theoretical concept of research and questionnaire can operationalize the dimensions of the model in best way and finally, according to what explained and with the opinion of advisor, model and questionnaire of Ruzo *et al.,* (2010) was used for improvement of the export performance of the exporting companies of Kermanshah province.

Conceptual model of research is a theoretical model based on the relationship between some factors which are of higher importance in this work. This framework flows in the category of the problem to logical items. Combination of the logical beliefs of the author with published studies is of specific importance for making the scientific basis for investigation of the problem. According to above, general framework of research is represented in the main model and form of the research. As can be seen, concepts corresponding to competitive advantage of a company, marketing tactics of the company and commitment of company to export contribute to exporting performance of the company. As shown in the conceptual model of research, in right hand, independent variables including competitive advantage, tactics of marketing and commitment of company to exports and in life hand, dependent variables including exporting performance of the company are observed.
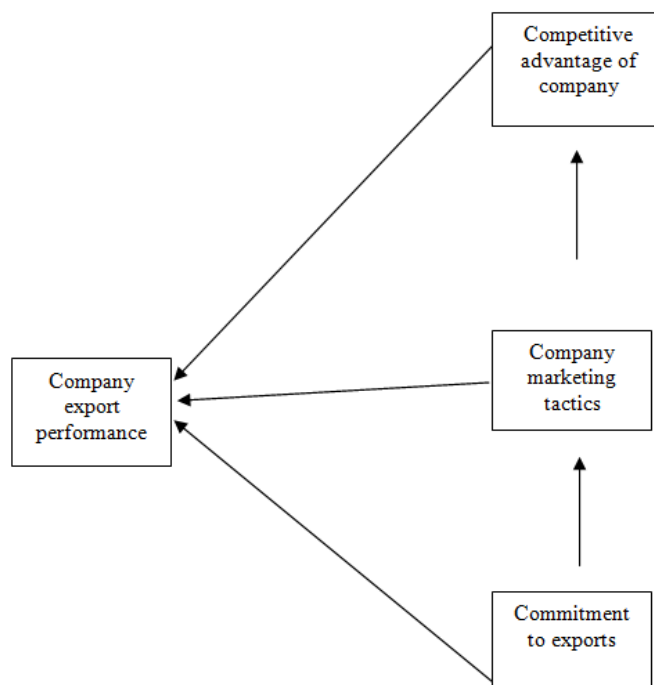

Figure 1: Conceptual model of research (taken from the model of Ruzo *et al.,* 2010)

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MATERIALS AND METHODS

Method

This research investigates the factors contributing to improvement of the exporting performance of exporting companies. Study region of this work is Kermanshah province during 2013-2014. Statistical population of the research includes the research carried out in organization of the industry, mines and commerce, house of industry and mines, commerce room and corporation organization of job and social affairs of Kermanshah province. Number of active exporting companies is 237 companies and Ruzo *et al.,* questionnaire is used for them.

In what follows, for estimation of the model of measurement as well as the structural model, the method of modeling structural equations.

This method is a combination of mathematics and a complex statistics of the analysis of the confirmatory factor analysis as well as multivariate regression and path analysis which are combined each other in a complicated system to analyze a complex phenomenon. This technique enables us to evaluate the relative importance of direct and indirect relations between variables and as such, it helps understanding the causal mechanism available between variables (Homan, 2007).

After explaining the statistical data, appropriate parametric or nonparametric statistics will be used. Moreover, descriptive statistics including mean, abundance, standard deviation, cause and effect relationship between variables contributing to exporting performance and so on is used. It must be noted that in this paper, statistical tests using SPSS and LISREL software are performed.

RESULTS AND DISCUSSION

Results

Reliability Test

To calculate the reliability coefficient of the measurement tool, various methods are used such as Cronbach Alpha. In this paper, to determine the reliability of the method, Cronbach Alpha is used.

In this questionnaire, the value of Alpha is about 0.764 and now, this coefficient is calculated for each variable separately.

Table 1: Values of Cronbach Alpha for each of the variables

Factor	Alpha
Competitive advantage	0.709
Marketing tactics	0.652
Commitment to exports	0.883
Exporting performance	0.814
Overall	0.764

Investigation of the Normality of Data

Here, the assumption of normality of data is tested in 5% significance level using Kolmogorov – Smirnov method and results are summarized in table 2.

As shown in table, in all of the cases, significance level is evaluated higher than 5% and hence, there is no reason for rejecting the null hypothesis based on normality of data. In other words, research data is normal and SEM and CFA tests can be executed.

Table 2: Results of Kolmogorov – Smirnov test

	Competitive advantage	Marketing tactics	Commitment to export	Exporting performance
Mean	3.67	3.61	3.6	3.64
Standard deviation	0.55	0.57	0.56	0.53
Kolmogorov statistic	1.15	1.08	1.33	0.73
Significance level	0.141	0.056	0.056	0.664

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Modeling of Structural Equations and Test of Hypotheses
In general, with the technique of modeling structural equations and using LISREL software, research hypotheses are tested. For doing so, first, test of normality of data is performed. Then, confirmatory factor analysis is carried out for each of the variables and finally, general model of research is executed.
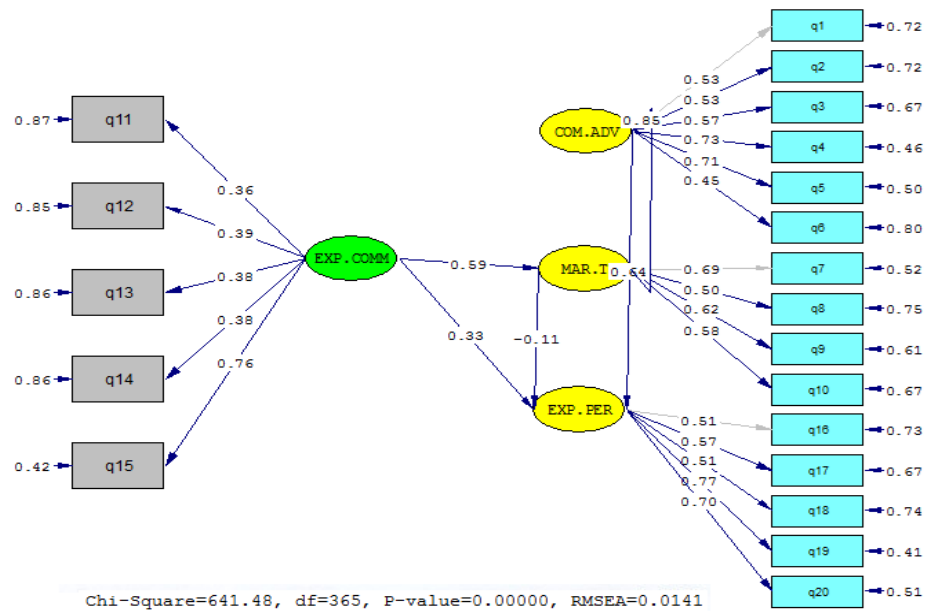

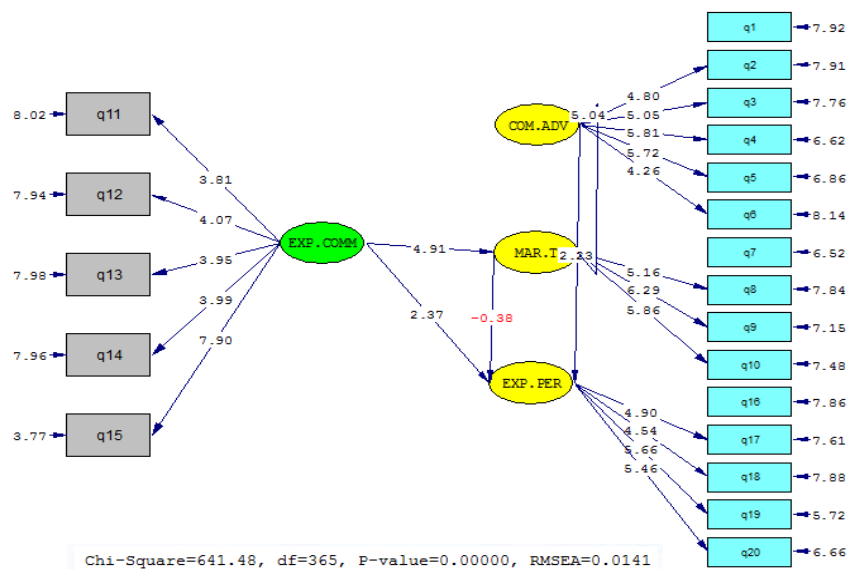**Figure 2: Structural model of research with standard coefficients**

Figure 3: Structural model for the case of significance levels

Factor load of all questions of the structural model is represented in Fig. 1 which is higher than 0.3 in all of the cases. After calculation of the standard factor load, significance test must be performed. According to results presented in Fig. 4-19, factor load of the t-value of the measurement index of each of the studied dimensions in 5% significance level is more than 1.96. Therefore, observed relationships are significant. The most important indicators of worseness of model fitness are RMSEA and CMIN/DF which values as much as 0.014 and 1.75, respectively in this model.

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Indicators of the Model Fitness

Table 3: Indicators of the overall model fitness

Fitness index	IFI	NNFI	NFI	AGFI	GFI	RMSEA	SRMR	CMIN/DF
Acceptable value	>0.9	>0.9	>0.9	>0.9	>0.9	<0.08	<0.05	**<3**
Calculated value	**0.99**	**0.98**	**0.99**	**0.97**	**0.99**	**0.014**	**0.01**	**1.75**

Since most of the fitness indicators are in acceptable range, according to indicators of table 3, it can be inferred that the main model of research is of appropriate fitness.

Table 4: Results of testing main and secondary hypotheses of research

Factor	Direct effect	Indirect effect	Overall	State
Commitment to exports - Competitive advantage	-	0.49 (4.14)	0.49 (4.14)	Acc.
Competitive advantage - Exporting performance	0.64 (2.23)	-	0.64 (2.23)	Acc.
Marketing tactics - Exporting performance	-0.11 (-0.38)	0.55 (2.25)	0.44 (2.78)	Acc.
Commitment to exports - Exporting performance	0.33 (2.37)	0.26 (2.77)	0.60 (4.28)	Acc.
Commitment to exports - Marketing tactics	0.59 (4.91)	-	0.59 (4.91)	Acc.
Marketing tactics - Competitive advantage	0.84 (5.04)	-	0.84 (5.04)	Acc.

Test of Research Hypotheses
1st: Competitive Advantages Contributed to Improvement of Exporting Performance of Company.
H_0: competitive advantages of company don't contribute to exporting performance of company.
H_1: competitive advantages of company contribute to exporting performance of company.
According to results of the modeling of structural equations in table 4-23, overall contribution of the competitive advantage of company to improvement of the exporting performance is calculated as much as 0.64 which shows a strong correlation. Significance level of this relationship is 2.23 higher than 1.96 which shows that observed correlation is significant. Therefore, it can be said that null hypothesis is rejected and alternate or research hypothesis based on the relationship between competitive advantages of a company and improvement of its exporting performance is approved.
2nd: Marketing Tactics Contributed to Improvement of Exporting Performance of Company.
H_0: marketing tactics of company don't contribute to exporting performance of company.
H_1: marketing tactics of company contribute to exporting performance of company.
According to results of the modeling of structural equations in table 4-23, overall contribution of the marketing tactics of company to improvement of the exporting performance is calculated as much as 0.44 which shows a moderate correlation. Significance level of this relationship is 2.78 higher than 1.96 which shows that observed correlation is significant. Therefore, it can be said that null hypothesis is rejected and alternate or research hypothesis based on the relationship between marketing tactics of a company and improvement of its exporting performance is approved.
3rd: Commitment to Exports Contributed to Improvement of Exporting Performance of Company.
H_0: commitments of a company to exports don't contribute to exporting performance of company.
H_1: commitment of a company contributes to exporting performance of company.
Based on the results of the modeling of structural equations in table 4-23, overall contribution of the commitment of a company to improvement of the exporting performance is calculated as much as 0.60 which shows a strong correlation. Significance level of this relationship is 4.28 higher than 1.96 which shows that observed correlation is significant. Therefore, it can be said that null hypothesis is rejected and alternate or research hypothesis based on the relationship between commitment of a company and improvement of its exporting performance is approved.

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Secondary Hypotheses of Research
1st: Commitment to Exports Contributed to Marketing Tactics of Company.
H_0: commitment to exports didn't contribute to marketing tactics of company.
H_1: commitment to exports contributed to marketing tactics of company.
According to results of the modeling of structural equations in table 4-23, overall contribution of the commitment to exports to marketing tactics is calculated as much as 0.59 which shows a strong correlation. Significance level of this relationship is 4.91 higher than 1.96 which shows that observed correlation is significant. Therefore, it can be said that null hypothesis is rejected and alternate or research hypothesis based on the relationship between commitment to exports of a company and its marketing tactics is approved.

2nd: Marketing Tactics Contributed to Competitive Advantages of Company.
H_0: marketing tactics of company don't contribute to competitive advantages of company.
H_1: marketing tactics of company contribute to competitive advantages of company.
According to results of the modeling of structural equations in table 4-23, overall contribution of the marketing tactics of company to competitive advantages is calculated as much as 0.84 which shows a very strong correlation. Significance level of this relationship is 5.04 higher than 1.96 which shows that observed correlation is significant. Therefore, it can be said that null hypothesis is rejected and alternate or research hypothesis based on the relationship between marketing tactics of a company and its competitive advantages is approved.

3rd: Commitment to Exports Contributed to Competitive Advantages of Company.
H_0: commitment of a company to exports doesn't contribute to competitive advantages of company.
H_1: commitment of a company contributes to competitive advantages of company.
Based on the results of the modeling of structural equations in table 4-23, overall contribution of the commitment of a company to competitive advantages is calculated as much as 0.49 which shows a moderate correlation. Significance level of this relationship is 4.14 higher than 1.96 which shows that observed correlation is significant. Therefore, it can be said that null hypothesis is rejected and alternate or research hypothesis based on the relationship between commitment of a company and competitive advantages of the company is approved.

Discussions and Conclusion
In each research, researcher intends to repeat the previous researches using the same models in another population and investigate the theoretical concepts in the form of a new model. In both cases, at the end of research, researcher presents a comparison between results of his/her work and that of previous works and finally, recommendations are provided.

In this section, according to results, applied recommendations are presented for managers of the company and then, some other useful recommendations are presented as well.

Research shows that competitive advantage, tactics of marketing and commitment to exports are related to exporting performance of the company. However, results must be presented with care since they may correspond to a time period and it may depend upon the level of achievement of companies to their goals and it can affect their responses to the questionnaire. Moreover, indices can be added or removed for aforesaid dimensions. According to above, following recommendation are presented to senior managers of Kermanshah province exporting companies:

- They would keep commitment to exports in mind and transfer it from theoretical to behavioral context.
- Considering different customs leads to diversity of products for adaptation with international markets and presenting excellent products.
- It is recommended to avoid reducing quality for keeping prices low since low quality products cannot remain in international markets.
- They have to try to achieve target market of various countries and visiting exporting markets for collecting more information
- Paying considerable attention to near markets including neighbor countries can be effective for reducing exporting costs

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- Companies must recognize their capabilities and establish a marketing unity to recognize the target market and perform exportation
- With personal interactions, advertisement in official and virtual media and providing after sale services, companies must maintain their interaction with customers and try to maintain their customers
- It is recommended that companies take part in international exhibitions and coordinate their capacities with new knowledge and information.
- Companies can take further steps and through establishment of a branch of authority to attract local customers, try to extend their company and make it an international one.
- Unfortunately, most of companies lack a national and international brand and it is recommended that companies take creation of an international brand into account.
- Today, with the advance of technology and possibility of using internet, it is recommended that companies introduce and advertise their products and services in webpages and make communication with customers in virtual world possible.
- Companies can allow their managers and employees to take part in courses of international marketing training to gain more information about exportation in the world.
- Moreover, exporting companies can utilize consultation units in the field of international markets to recognize markets and international developments.
- Employing committed managers which are experienced in the field of exports can lead to improvement of exporting performance of companies.

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