

The influence of relational capability and marketing capabilities on the export performance of emerging market firms

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The Influence of Relational Capability and Marketing Capabilities on the Export Performance of Emerging Market Firms

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Review

The Influence of Relational Capability and Marketing Capabilities on the Export Performance of Emerging Market Firms

Abstract

Purpose - Drawing on the resource based view this study focuses on the influence of relational capability and marketing capabilities on export performance. The study also examines the interaction effects of relational capability on the marketing capabilities - export performance relationships.

Design/ methodology/ approach - A stratified random sample of 1,047 exporting firms were approached. Survey data was collected from 333 Vietnamese exporting firms and analysed using hierarchical moderated regression.

Findings - The results reveal that a firm's relational capability not only strengthens the efficiency of the export pricing capability – performance, marketing intelligence capability – performance, and marketing communication capability - performance relationships, but is also the strongest predictor of export performance amongst those capabilities identified. Whilst engagement in market intelligence, product development, price setting and promotional activities have a positive payoff, our findings confirm there is less need for exporters to engage in after-sales service and distribution capabilities.

Originality/value - The study introduces the notion of relational capability alongside export marketing capabilities as predictors of export performance. We also examine the moderating influence of relational capability on the link between export marketing capabilities and export performance. By focusing on Vietnam, the study provides fresh insights surrounding the development pathway for firms in emerging markets.

Keywords: Relational capability, marketing capabilities, moderating impact, export performance, the resource-based view, emerging markets, Vietnam.

Paper type: Research paper

Introduction

In recent years a growing body of literature has examined the contribution of marketing capabilities to export performance (Murray *et al.*, 2011; Morgan *et al.*, 2012). However, despite increased research attention among academics, relatively little has been concluded within an emerging economy. When studies have been conducted in such markets, namely China, hardly any attention has focused on the context of firms originating from these markets. Firms from such markets tend to operate in less affluent environments and often have more limited resources compared with those from advanced economies (Singh, 2009). They are also often late to enter the international arena and frequently have less marketing competence, skills and the knowledge needed to exploit export markets (Zhou *et al.*, 2010).

Entering new markets and engaging in marketing activities in new territories that they are less familiar with may raise issues of concern and make it difficult for emerging firms to succeed on an international platform. Due to such resource constraints, the dilemma for these firms is whether or not they should allocate resources to develop their export marketing capabilities bearing in mind they frequently do not have core competencies in marketing. Some empirical case based research suggests that the international success of small manufacturing exporters from emerging economies may stem from their ability to facilitate and nurture cooperative market relationships with strategic partners, rather than through developing their own marketing expertise (Ceglie and Dini, 1999; Ghauri *et al.*, 2003; Humphrey and Schmitz, 1995).

This raises an interesting question regarding the role and significance of relational capability as an additional contributor to marketing capabilities for enhancing export performance. However, relational capability, a firm's capability to create, develop and manage business relationships has rarely been examined in conjunction with export performance. Relational capability has been increasingly considered to play a crucial role in

determining performance in the industrial marketing literature (Gualati, 1998; Muller and Halinen, 1999; Ritter *et al.*, 2004). This enables a firm to connect its resources with those of other firms, which is particularly salient in the case of firms from emerging economies. Due to being latecomers in terms of their entry into international markets, such firms may be wise to tap into external resources for developing other capabilities. Building on this argument and to bridge this void, the study will introduce the notion of relational capability alongside export marketing capabilities as predictors of export performance among manufacturing exporters in the emerging market of Vietnam. We also examine the potential moderating influence of relational capability in strengthening the link between export marketing capabilities and export performance, which has not previously been considered in the literature.

The empirical setting of Vietnam for this study is timely bearing in mind the level of economic development and optimism surrounding this market as we seek to draw fresh insights from emerging economy exporters beyond China. Since the country joined the WTO in 2007, Vietnam has established itself as a global production base with an increasing number of international players sourcing goods from the country. An increasing number of MNEs and mainland Chinese firms have shifted their production base from China to Vietnam (Zhao, 2011). The low cost base enables Vietnamese firms to effectively compete on price and consequently export goods with increasing success. As a result, this study aims to provide fresh insights relating to how such emerging exporters can build on both their relational and marketing capabilities for generating success upon entering international markets.

Theoretical Background

The resource based view (RBV) (Barney, 1991) can be seen as a normative guide for a firm's export activities as it addresses the origins of competitive advantage by arguing that the

1
2
3 performance differences among firms result from resources which may be firms' assets or
4 capabilities that can be used to create inimitable internal capabilities (Murray *et al.*, 2011).
5
6 Building on the resource based view of the firm, a number of studies have examined the link
7
8 between marketing capabilities and performance over the last two decades (Hooley *et al.*,
9
10 1999; Morgan *et al.*, 2003; Murray *et al.*, 2011).
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15 Despite an increasing number of studies that have examined the marketing
16 capabilities - performance relationship in recent times, relatively little has been concluded
17 within an emerging economy context. It was not until 2003 did we see research in print that
18 involved an emerging economy (Fang & Zou, 2009; Morgan *et al.*, 2003; Zou *et al.*, 2003).
19
20 The work of Morgan *et al.* (2003) was particularly insightful as it provided a cross-national
21 comparison of exporters in both the U.K. and China. It successfully demonstrated the link
22 between marketing implementation capabilities and export performance across the two data
23 sets. Another paper by Zou *et al.* (2003) was equally instrumental in contributing to the field.
24
25 Instead of claiming a direct link between marketing capabilities and performance, their study
26 operationalized marketing capabilities through four unique dimensions resembling the
27 marketing mix and demonstrated their effect on low-cost advantage and branding advantage
28 for leveraging performance.
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41 Another study drawing on data from close to 500 export ventures in China by Murray
42 *et al.* (2011) demonstrated how marketing capabilities mediate the market orientation -
43 performance relationship. The discovery of a mediating role for marketing capabilities is
44 interesting in respect of market orientation, as Morgan *et al.* (2009) found there to be an
45 interaction or moderating effect between the two. Also, we see evidence again that there
46 appears to be no universally accepted measure to capture marketing capabilities and these
47 authors opted to incorporate three of the four measures developed by Zou *et al.* (2003) i.e.
48 pricing capability, product development capability and marketing communication capability.
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3 This leaves the reader wondering why distribution capability was omitted. Research by Zhou
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5 *et al.* (2012) found support that marketing capabilities appear more salient for firms operating
6
7 in developed rather than emerging countries. It should be noted however that studies
8
9 involving emerging markets have typically been undertaken in China. Although our review of
10
11 the pertinent literature clearly demonstrates that marketing capabilities play an important role
12
13 in enabling effective marketing strategy implementation in export venture operations, there is
14
15 no conclusive evidence if the same still holds true in emerging market contexts beyond
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19 China.

20
21 Whilst the resource-based view maintains that a company's unique resources and
22
23 capabilities can generate competitive advantage, the network approach assumes that
24
25 competence development can accumulate through interaction with other parties (Hakansson
26
27 1982, 1989; Hakansson and Snehota, 1995). Building effective relationships therefore serve a
28
29 crucial role for enhancing performance (Axelsson, 1992; Hakansson 1982, 1989; Hakansson
30
31 and Snehota, 1995). A firm's ability to tap into appropriate external resources can be more
32
33 crucial than its other functional capabilities for leveraging performance (Muller and Halinen
34
35 1999; Ritter 1999; Ritter *et al.*, 2004). In considering business relationships as key assets for
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37 firms, several studies have focused on the issues surrounding the management of such
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39 relations, among which, the firm's capability to manage relationships has emerged as a hot
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44 topic of debate.

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46 Several scholars have attempted to measure and address a firm's capability to manage
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48 relationships. For example, Anand and Khanna (2000) consider "network capability" as the
49
50 number of alliances that firms have been involved in. Lorenzo and Lipparini (1999) regard
51
52 "relational capability" as the ability to interact with other companies, based on absorption,
53
54 combination and coordination. Ritter (1999) and Ritter and Gemunden (2003) meanwhile
55
56 used the term "network competence" to describe a firm's ability to develop and utilise inter-
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1
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3 firm relationships. Despite a growth of literature surrounding the subject, it was not until the
4
5 work of Walter *et al.* (2005) that the development of a networking capability measure came
6
7 to full fruition.
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10 Despite acknowledging that networking or relational capability has played an
11
12 increasingly significant role in determining performance in the industrial marketing literature,
13
14 it has been somewhat underutilised in the export marketing literature (see reviews of export
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16 performance by Balabanis *et al.*, 2004; Cavusgil and Zou, 1994; Chetty and Hamilton, 1993;
17
18 Katsikeas *et al.*, 2000; Leonidou *et al.*, 2002; Zou and Stan, 1998). This study therefore aims
19
20 to bridge this gap by introducing relational capability in an export marketing context.
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23 Building on the resource based view of the firm and the notion that the more
24
25 capabilities a firm has the better its performance is likely to be, this study will investigate the
26
27 relationship between marketing capabilities and export performance. In addition and arguably
28
29 more fundamental, based on the network-led approach, the article considers relational
30
31 capability as a predictor of firm performance. Research by Zhou *et al.* (2010) suggests that a
32
33 firm's ability to develop relationship networks can be particularly salient for enhancing
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35 performance when entering new markets. Relational capability is therefore considered useful
36
37 as such skills may prove beneficial for helping to strengthen the relationship between certain
38
39 marketing capabilities and performance. In this study we examine the potential impact of
40
41 marketing and relational capabilities. In order for a more precise prediction on how each
42
43 marketing capability influences export performance, in our concept (see Figure 1 below), we
44
45 decompose the marketing function into activities that feed into an export marketing process.
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Development of Hypotheses

Relational Capability and Performance

Developing and maintaining mutually beneficial relationships with business partners have been recognized as important determinants of a firm's performance (Axelsson, 1992; Hakansson, 1982; Hakansson and Snehota, 1995). Within the international context of this study, *relational capability* reflects an exporter's ability to share information and build long-term relationships with their partners (Lages *et al.*, 2009). This is particularly relevant in the case of firms from emerging economies as they are latecomers on the global platform and the possession of firm-specific advantage at home may not be sufficient to help them penetrate international markets (Yiu, Lau and Bruton, 2007).

In international markets, exporting firms are commonly dependent on a small number of stakeholders, thus the ability to develop and nurture relationships is crucial for enhancing competitiveness and for generating business success (Barnes, Yen and Zhou, 2011; Zolkiewski and Turnbull, 2002). Research by Piercy *et al.* (1997) suggests that compared with conventional marketing there is a need to focus more attention on relationship building when exporting. The capability to develop relationships with customers may therefore be crucial for enhancing an exporter's international performance. Moreover, relational capability can also help export manufacturers to enhance their efficiency in the procurement process, leading to a source of competitive advantage.

Research by Smirnova *et al.* (2011) in a Russian context suggests that enhancing a firm's relational capabilities can serve as a proxy for leveraging performance. The ability to develop and manage relationships plays a critically important role in an exporter's success (Ling-yee and Ogunmokun, 2001). Thus the stronger and better an exporting firm's relationships are, the better it is likely to perform financially (Lages *et al.*, 2009). Based on this discussion relating to the benefits that relationship building can bring, we posit that:

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3 **H₁:** High levels of relational capability among emerging economy exporting firms will
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5 positively influence export performance.
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8 ***Export Marketing Intelligence, Relational Capability and Performance***

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10 The acquisition of foreign market knowledge can benefit emerging economy exporting firms
11 as it prepares them to tackle export market demands and consider the type of offerings that
12 reflect local market conditions (Day, 1994; Morgan *et al.*, 2003). To a large degree, the
13 marketing capability of firms is based on market knowledge which provides a resource that
14 can be held and is difficult for rivals to imitate (Krasnikov and Jayachandran, 2008). In
15 congruence with earlier studies (c.f. Aaby and Slater, 1989; Madsen, 1987; Zhou *et al.*,
16 2010) we posit *export market intelligence* as a critical factor that can discriminate successful
17 from unsuccessful exporters and through this lens argue that a firm's effective capture and
18 use of such international intelligence can positively affect their export performance.
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30 Export market intelligence frequently plays a crucial role when undertaking business
31 overseas, as the risks and costs associated with venturing into new international territories are
32 often more significant than those experienced with expanding sales in domestic markets
33 (McAuley, 1993). Because the acquisition of market knowledge and access to information
34 frequently serve as a pre-requisite for growth, those businesses that have a wide breadth of
35 contacts can utilise their networks to leverage export sales opportunities (Zhou *et al.*, 2010).
36 Obtaining access to information and acquiring appropriate market knowledge can often prove
37 fruitful in helping marketers to evaluate their options and make effective marketing decisions
38 (Leonidou and Theodosiou, 2004). Specifically, emerging economy exporters that have high
39 capability for developing international relations can exploit opportunities that leverage export
40 sales. In other words, emerging economy exporting firms' relational capability facilitates
41 their ability to acquire market intelligence which can improve export turnover. Based on the
42 above discussion, we hypothesize (H₂) that:
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3 **H_{2a}:** High levels of export market intelligence among emerging economy exporting firms
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5 will positively influence export performance.
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9 **H_{2b}:** High levels of relational capability will strengthen the relationship between export
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11 market intelligence capability and export performance.
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14 ***Product Development, Relational Capability and Performance***

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16 *Product development capability* is defined in terms of the degree to which the firm can
17
18 develop and launch new products to satisfy export markets (Zou *et al.*, 2003). In the context
19
20 of international markets, we are particularly concerned here with the firm's ability to develop
21
22 new products and augmented services in order to cater for differences in environmental
23
24 forces, consumer behaviour, usage patterns and competitive situations (Murray *et al.*, 2011).
25
26 It involves the development of a firm's product and service offerings so they are more
27
28 suitable to satisfy the requirements of different consumers in export markets (Morgan *et al.*,
29
30 2012; Vorhies and Morgan, 2005).
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35 Research by Leonidou *et al.* (2002) confirmed that product development is positively
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37 linked to performance. These scholars posit that such emphasis can provide three key benefits
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39 for exporting firms relating to better customer orientation, pricing flexibility and the ability to
40
41 stimulate more innovative thinking surrounding the development of new products for
42
43 domestic and international markets. By and large the development of products is considered
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45 to have a significant positive effect on export sales, profits and growth (Zou and Stan, 1998).
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49 In brief, we posit that through having product and service development capabilities to
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51 cater for local markets, emerging economy exporters have a greater propensity for aligning
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53 their offerings with the preferences of foreign customers, thus allowing their goods to be
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55 more widely accepted in international markets. As the development of product-related
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57 advantages cannot often be imitated by competitors, emerging economy exporters that
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3 provide offerings which are better articulated to meeting customer requirements will have
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5 positional advantages leading to greater market acceptance.
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8 The ability to anticipate changing customer preferences is often useful when adapting
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10 or developing new products. One way to obtain information regarding market preference
11
12 trends is through working closely with exchange partners (Barnes, 2005). This is particularly
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14 useful given that the capability to develop close and frequent interaction with buyers often
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16 plays a crucial role in the product development process (Athaide and Stump, 2003).
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18 Relationship development therefore serves as a useful proxy to effective supplier
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20 involvement in the product development process and close relationships enable exchange
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22 parties to learn further about rapid technological changes which ultimately accelerate
23
24 innovation (Walter *et al.*, 2003).
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28 Through nurturing close relationships with key exchange parties in advanced
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30 economies, the focal firm is not only able to acquire greater information regarding market
31
32 preferences, but can also enhance the technology and innovation levels important for the
33
34 appropriate adaptation surrounding its export offerings. This is particularly important when
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36 an emerging economy exporter supplies goods to advanced economies. The ability to
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38 facilitate relationships and exchange information provides a firm with the opportunity to learn
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40 about changing market preferences and trends, thus providing the vital ingredients to enable
41
42 them to effectively modify and adapt their offerings to best serve export markets. Relational
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44 capability can therefore facilitate the firm in implementing export product development
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46 responsibility more efficiently. In recognition of these arguments we hypothesize (H_3) that:
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50 **H_{3a}:** High levels of product development capability among emerging economy exporting
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52 firms will positively influence export performance.
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56 **H_{3b}:** High levels of relational capability will strengthen the relationship between export
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58 product development capability and export performance.
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Export Marketing Communication, Relational Capability and Performance

Export marketing communication capability consists of activities including personal communication (email, telephone), advertising, making personal visits to see channel partners or customers and participating in international trade fairs etc. At a practical level, firms that make personal visits to proactively promote and sell their goods in international markets often generate export success (Terpstra and Sarathy, 1997). Trade fairs frequently provide an avenue for exporters to personally communicate the benefits associated with their goods to customers or potential channel partners who may be unfamiliar with both the supplier and their product range (Styles and Ambler, 1994). Effectively developing export promotions programmes can therefore prove valuable for a) seeking opportunities and overcoming problems in new international markets, b) meeting new customers and obtaining representation from new channel partners, as well as c) providing valuable support to help facilitate greater international exposure (Kaynak and Kothari, 1984).

Given the globalization of markets, firms that emphasize differentiation through advertising and promotion are more likely to succeed in a multitude of diverse markets than those that do not (Helsen, Jedidi and DeSarbo, 1993). Effective export promotion can therefore positively affect performance when undertaking export activities (Zou and Stan, 1998). We thus argue that the greater the extent an emerging economy exporter can engage in export promotional activities and effectively develop an appropriate marketing communications agenda, the better they are likely to perform in international markets.

Because industrial markets are often more complex, involve relatively more individuals that can influence the purchase, and transactions are frequently much larger than in consumer markets (Bonoma and Johnston, 1978), the ability for firms to develop an effective and professional promotional mix strategy is often crucial to their market success. Firms with personnel that have effective communication skills and can nurture relations

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2
3 through instigating export visits and engaging in appropriate export promotion activities, such
4 as advertising or trade fair participation have a strong likelihood of achieving international
5 success. Through having strong relational orientation skills, a firm has the ability to work
6 with their export partners to develop and implement a promotional policy that is suitable for
7 the export market. Based on this discussion, we posit the following (H₄):
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14 **H_{4a}:** High levels of export marketing communication capability among emerging
15 economy exporting firms will positively influence export performance.
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20 **H_{4b}:** High levels of relational capability will strengthen the relationship between export
21 marketing communication capability and export performance.
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24 25 ***Export Pricing, Relational Capability and Performance***

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27 *Export pricing capability* is referred to here as the extent to which an exporting firm can
28 effectively use and manage pricing tactics to extract the optimal revenue from the export
29 market (Dutta *et al.*, 2003; Vorhies and Morgan, 2005; Zou *et al.*, 2003). Price is the only
30 marketing mix variable that generates revenue and it is particularly important for firms
31 operating on an international scale to have control over, as it enables them to respond quickly
32 to market changes, so they can potentially enjoy higher revenues (Murray *et al.*, 2011).
33 Research by Leonidou *et al.*, (2002) reveals that pricing-related activities provide a means to
34 appropriate value and can significantly affect export performance.
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46 Whilst Louter *et al.* (1991) suggest that such diversity relating to foreign markets
47 makes price adaptation necessary - we argue here that in order for emerging economy firms
48 to be sustainable on an international scale they need to have some autonomy in terms of the
49 prices they establish when entering foreign markets. Passively accepting low margins from
50 channel intermediaries or global procurement agents may therefore represent a recipe for
51 disaster. On reflection and in response, we posit that the extent to which emerging economy
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3 exporters are involved in establishing price levels and can flexibly manoeuvre based on
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5 changing customer requirements and the competitive environment is of paramount
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7 importance to the exporting performance of such firms (Cavusgil, 1996; Obadia, 2013;
8
9 Zeithaml, Varadarajan, and Zeithaml, 1988).
10

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12 A key goal in marketing is for the supplier to understand customer needs and respond
13
14 by positioning its product offering appropriately in terms of a price value proposition that will
15
16 maximise returns. Exporting firms with a broad number of customers can utilise their
17
18 network to identify the optimum price that will provide maximum value creation and
19
20 appropriation (Palmatier, 2008). Moreover, exporters with strong relationship capability,
21
22 who, for example have effective communication and negotiation skills are able to command a
23
24 good price on their export orders. In other words, the better an export firm's relational
25
26 capability, the more effective it is likely to be in establishing an appropriate export price for
27
28 its offerings which ultimately leads to greater performance (Fink, James, and Hatten, 2011).
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30 Based on this discussion, we hypothesize (H₅) that:
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34 **H_{5a}:** High levels of export pricing capability among emerging economy exporting firms
35
36 will positively influence their export performance.
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40 **H_{5b}:** High levels of relational capability will strengthen the relationship between export
41
42 pricing capability and export performance.
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45 ***Export Distribution, Relational Capability and Performance***

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47 *Export distribution capability* in international markets revolves around providing support for
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49 channel partners and maintaining appropriate channels for delivering value (Vorhies and
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51 Morgan, 2005; Weitz and Jap, 1995; Zou *et al.*, 2003). Such activities can involve operating
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53 sales subsidiaries, channelling goods through host country agents or distributors, as well as
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55 managing the physical movement of goods in export markets. The effort of exporting firms to
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3 develop distribution channels can often be vital to success. As such, emerging economy
4 exporters frequently do not have sufficient market knowledge or resources to open overseas
5 sales subsidiaries and often must rely on agents or distributors to leverage their goods in
6 foreign markets. Providing distribution support for such channel intermediaries may therefore
7 prove useful for fostering relational exchange and enhancing export performance (Cavusgil
8 and Zou, 1994; Leonidou *et al.*, 2002). We therefore argue that emerging economy exporters
9 that can manage efficient delivery and support their channel partners will be ideally
10 positioned to succeed in international markets. Based on this argument, we posit that the
11 greater the extent emerging economy exporters engage with efficient distribution activities
12 and work effectively with their channel partners, the better their export outcome.
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26 In addition, once a firm develops its export business, it often has a need to further
27 consider its international distribution responsibility and effectively manage multiple
28 relationships with other export channel intermediaries. Relationships are particularly seen as
29 important in an export channel environment as they often require participation from multiple
30 trading partners to perform activities jointly. Specifically, how exporters and importers
31 handle inter-firm relationship maintenance problems can contribute directly to the success of
32 the channel relationship (Ling-yee and Ogunmokun, 2001). Developing a mutually beneficial
33 relationship and avoiding conflict with a distribution channel member in the export market
34 cannot be practiced without good relational capability. In other words, the higher the
35 relational capability, the more effective a firm can positively influence and manage members
36 of its distribution channel (Yu, Cadeaux and Song, 2013). Following the above discussion,
37 we hypothesize (H_6) that:
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52 **H_{6a}:** High levels of distribution capability among emerging economy exporting firms will
53 positively influence export performance.
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H_{6b}: High levels of relational capability will positively strengthen the relationship between export distribution capability and export performance.

After-sales Service, Relational Capability and Performance

After-sales service capability including customer servicing, warranty provision and spare parts delivery can often bring about customer satisfaction and value provision. Providing post-sales support in an export marketing context has been identified as an important attribute that contributes to an exporting firm's marketing capabilities (Morgan *et al.*, 2012). The provision of a warranty for example can augment the value of a product exported, as it can offset foreign customers' reservations concerning product performance and reduce perceptions of risk relating to their purchase. This is particularly true when a firm enters new overseas or geographically distant markets, as international customers often have concerns about an exporter's ability to provide adequate support services (Terpstra and Sarathy, 1997). Furthermore it has been noted in the literature that customer service i.e. the provision of pre-sales and after-sales service represents a critical success factor in international markets that is correlated with export performance (Leonidou *et al.*, 2002).

Paying attention to customers after the sale with responsive proactive service and support can often set a company apart from its competitors (Galbreath and Rogers, 1999). Without effective relationship orientation, a firm may become complacent with its customer base and not meet their requirements. In contrast, exporters with a strong ability to manage customer relationships often look to provide a desired level of service that will satisfy their customers so they remain loyal. In other words, high levels of relational capability will enhance the relationship between after sales service and export sales. Taking the above discussion into account, we posit that the provision of in market support services among emerging economy exporters will enhance their performance. Based on our discussion we hypothesize (H₇) that:

H_{7a}: High levels of after-sales service capability provided by emerging economy exporting firms will positively influence export performance.

H_{7b}: High levels of relational capability will strengthen the relationship between after sales service and export performance.

Research methods

Emerging market context

The research context for this study is Vietnam, which over recent years has been undertaking a transition from a state-controlled to a market driven economy, with the aim of becoming more integrated with world markets (Jenkin, 2004). Up until the end of the 1980s with the advent of the ‘*doi moi*’ (renovation) policy in 1986, Vietnam’s international trade was restricted within the socialist bloc, therefore isolating it from the rest of the world. Over the past two decades, a combination of trade deregulation and macroeconomic stabilization has helped bring about healthy economic growth (Kokko *et al.*, 2006; The World Fact Book, 2012). Similar to China and compared with the rest of the region Vietnam stands out for achieving high economic growth (World Bank, 2010). Due to the national government’s strong measures to promote export, especially after becoming a member of ASEAN and the WTO, Vietnam has become a major exporter of garments, crude oil, seafood, rice and a range of manufactured goods, which total over 57 billion US dollars (General Department of Vietnam Customs, 2012).

Vietnam is an ideal market for this study, as firstly it represents a country that has been under-researched among business and management scholars. Second, as an emerging economy market, it is home to a significant number of manufacturing firms that have not yet fully embraced the marketing concept. Thus, our study on marketing capabilities is timely bearing in mind the level of economic development, optimism surrounding the country and a

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3 need to draw more evidence from emerging economy exporters from other countries outside
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5 China. By focusing on Vietnam, the study also has the potential to shed light on the
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7 development pathway for firms in other emerging economies of the world that share similar
8
9 institutional settings. In the context of emerging markets, where international players
10
11 frequently visit to locate suppliers, this empirical study aims to provide fresh insights relating
12
13 to how such emerging exporters can develop their marketing capabilities and utilise external
14
15 relationships for generating success on entering international markets.
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18 19 *Data collection*

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21 Prior to developing a research instrument for this study, preliminary discussions were
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23 undertaken with managers in ten exporting firms. This procedure was undertaken to verify
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25 the structure of the proposed research instrument in the context. It was specifically helpful in
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27 clarifying the measurement items proposed. Following on from this, a pre-test was
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29 undertaken with a further thirty managers from several manufacturing industries. The
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31 instrument was initially developed in English and translated into Vietnamese. In order to
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33 achieve linguistic equivalence, the questionnaire was later back translated into English.
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38 Three independent Vietnamese official business directories were used as a sampling
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40 frame for the main study. Based on the assumption that foreign firms inherit high levels of
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42 marketing capabilities and export networks from their parent companies, they were excluded
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44 from the survey. A stratified random sample of 1,047 export manufacturing firms were
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46 initially approached and asked to participate in the survey. Data were collected through a
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48 structured questionnaire, which was mailed to senior managers who held responsibilities for
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50 exporting or international activities in each firm, and who were knowledgeable about the
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52 subject and capable of answering the questions at large.
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Measures

Relational capability (RC) was measured as a first order construct consisting of 9 items adapted from studies by Walter *et al.* (2005), Theoharakis *et al.* (2009) and Fitja *et al.* (2013).

Export market intelligence capability (MI) was captured by 5 items taken from the work of Zou *et al.* (2003), Murray *et al.* (2011) and Morgan *et al.* (2012). *Product development capability (Pro)* was operationalized through the use of 4 items developed by Zou *et al.*

(2003), Vorhies & Morgan (2005), Murray *et al.* (2011) and Morgan *et al.* (2012). *Export marketing communication (MC)* was measured via 4 items adapted from Zou *et al.* (2003),

Murray *et al.* (2011) and Morgan *et al.* (2012). Our *export pricing capability (Pri)* scale was developed based on 4 items from Zou *et al.* (2003), Dutta *et al.* (2003), Vorhies and Morgan

(2005), Murray *et al.* (2011) and Morgan *et al.* (2012). *Export distribution capability (Dis)* was reflected by 4 items from Zou *et al.* (2003), Vorhies and Morgan (2005), Murray *et al.*

(2011) and Morgan *et al.* (2012). The construct *after sales service capability (AS)* was measured as a first order construct reflected by 4 items adopted from Zou *et al.* (2003),

Murray *et al.* (2011) and Morgan *et al.* (2012). Finally, our dependent variable, *export performance (EP)* was captured using 9 items adapted from Murray *et al.* (2011), Morgan *et al.* (2004), Katsikeas *et al.* (2000), Zou *et al.* (1998) and Large *et al.* (2009). All the items

were measured using 11 point Likert scales (anchored by 0 “Not at all” to 10 “Very High”).

Two control variables were used in the study: a) *firm size (lg.size)* measured in terms of the number of employees - then normalised by a logarithm, and b) *international experience (lg.ex)*, measured by the number of years a firm had been involved in export

business - then normalised by a logarithm. Variables relating to organisational factors such as firm size and international experience potentially can influence a firm’s export performance

and should be controlled for when conducting empirical research on other intervening variables.

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Firm size is widely accepted in the export literature as a determinant of international expansion (Cavusgil, 1984; Johanson and Vahlne, 1977). Small firms, with resource constraints, generally produce small volumes with few products, and hence are at a disadvantage with respect to unit costs, limiting their export profit potential. Large firms are believed to have a greater ability to expand resources and absorb risks than smaller ones (White *et al.*, 1998). They are thought to possess an above-average ability to seize profit, to leverage in a lower cost of capital and to diversify their operation portfolios and internationalise more easily (Cavusgil, 1984). Firm size was therefore used as a control variable in the research model.

Export experience is popularly cited in the export performance literature as a determinant of export performance (Madsen, 1989). According to the stage theory of internationalisation (Johanson and Vahlne 1977), the more international experience a firm has, the better the firm grows in international markets. Therefore, a firm's export experience can be a predictor of export performance and should be used as a control variable. A complete list of the entire measurement items used in the study can be seen in Appendix 1.

Survey

A mail survey was administered in this study and we initially made contact with each of the firms prior to sending out the questionnaire. This was primarily undertaken in order to identify the firm's suitability for participation in the study and identify a willing and able key respondent to develop a rapport with. Follow-up phone calls were also made and two further waves of mailing. In total 339 firms returned the questionnaire, however six forms were incomplete, so a grand total of 333 were used for the analysis - yielding a 31.8% response rate. In order to check for non-response bias, we followed the procedure described by Armstrong and Overton (1977) whereby early and late respondents were compared. The

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3 results suggest that no significant differences were found among the groups, leading us to
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5 conclude that non-response bias does not appear a problem in this study.
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8 Of the sample, on average, firms employed 647 staff and had been exporting for 10.4
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10 years. Twenty-four percent were small firms (employing from 10 to 49 employees), 38%
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12 were medium sized (50-300 employees) and 38% were large (above 300 employees). The
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14 largest firm had over 4500 employees and the smallest had 15 employees. The longest time
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16 period that a firm had been exporting for was 35 years and the shortest was 3 years. Twenty
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18 five percent of the firms in the sample had less than 5 years trade experience, 41% had been
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20 in business between 5 and 10 years and 34% had more than 10 years experience. Regarding
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22 the industrial sectors; 41% produced textile garments, 17% supplied furniture, 14% footwear,
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24 10% agricultural food, 8% tea beverage, 6% electronics and 4% produced bicycles. In terms
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26 of export markets; 9% of the firms exported to one market, 55% of the sample exported to
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28 between 2 and 5 countries and 36% marketed their goods to more than 5 countries. In light of
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30 their customer base; no firm had only one foreign customer, 64% had 2 to 5 regular foreign
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32 customers and 36% supplied more than 5 export customers.
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36 To assess multicollinearity, collinearity statistics were conducted among each pair of
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38 independent variables. The VIF values ranged from 1.65 to 2.21 and the tolerance values
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40 ranged from 0.45 to 0.61. This would suggest that multicollinearity does not appear to be an
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42 issue associated with the independent variables used in this study (Hair *et al.*, 2005). We also
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44 examined the possibility of common methods bias by following Podsakoff *et al.* (2003) and
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46 employed two tests i.e. Harman's one-factor test and confirmatory factor analysis. Firstly, all
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48 the variables were entered into an exploratory factor analysis and no single factor emerged,
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50 nor did it account for the majority of the variance. As a result, we conclude that no general
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52 factor is apparent. Secondly, a confirmatory factor analysis model was run whereby all the
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54 variables were allocated to one factor. In examining the model fit, the analysis revealed that
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the single-factor model did not fit the data well (χ^2 44, $N=2232=3304.609$, $p=.000$, $GFI=.744$, $CFI=.597$, $TLI=.496$, $SRMR=.1395$ and $RMSEA=.182$). The results suggest that common method bias is not of concern and is unlikely to confound the interpretations of our results.

To assess the validity and reliability of our measurement model, we performed a confirmatory factor analyses (CFA) in which each item was restricted to load only on its *a priori* specified factor and were allowed to correlate with one another. We refined the measurement model by taking out the indicators with factor loadings lower than 0.7 and then re-ran the CFA. A summary of the results i.e. the average variance extracted and the construct reliabilities of the final measurement model are shown in Table 1. The overall fitness indices suggest a good fit for the measurement model (χ^2 (499) = 1305.48, $p<.01$; $CFI= 0.96$, $NFI=0.94$, $TLI=0.95$, $RFI= 0.93$ and $RMSEA= 0.70$). Each item significantly loaded on its respective construct ($p<.001$) with ranges from 0.87 to 0.98. Each construct had high composite reliability (ranging from .90 to .97), exceeding the usual .70 benchmark (Hair *et al.*, 2005). Convergent validity was considered satisfactory as the standardized loading for each of the items and the average variance extracted (AVE) both exceeded the 0.5 threshold recommended by Hair *et al.* (2005). The internal consistency of the multi-item scales was also judged to be satisfactory as the Cronbach's alpha coefficients each exceeded the 0.7 cut-off recommended by Santos (1999). Discriminant validity was also evident as the squared correlation among the constructs was less than their individual AVE (Fornell and Larcker, 1981).

[Insert Table 1 about here please]

Findings

To test our hypotheses, we used hierarchical moderated regression (Aiken and West, 1991; Jaccard, Turrisi and Wan, 1990). The control variables of firm size and international experience were first entered into the regression equation in Step 1. The independent variables, i.e. the marketing capabilities as well as relational capability were then entered in Step 2. Finally, a third regression equation was calculated (Step 3) using the interaction term composed of relational capability and the independent variables. Mean centred scores for the main effect variables and the moderating variable i.e. relational capability were used to eliminate the possibility of multicollinearity (Aiken and West, 1991). We tested for the moderating effects by examining the beta-coefficients of the interaction terms, their significance, as well as the change in the adjusted R^2 attributed to the interactions (Jaccard *et al.*, 1990).

As shown in Table 2, the control variables are significant in Model 1. However, when the main effect variables are entered into the model, the adjusted R^2 increased to 0.65, suggesting that the items included in Model 2 are useful predictors of export performance. Finally, when the interaction effects are also added (Model 3), the results suggest that this provides the best overall model fit (adjusted $R^2 = 0.66$) for predicting export performance.

[Insert Table 2 about here please]

The impact of relational capability has a significant positive impact on export performance ($\beta = 0.22$, $t = 9.10$, $p < 0.01$) and hypothesis H_1 is accepted. The findings also signal that high levels of market intelligence serve as a useful catalyst for leveraging export performance among emerging economy exporters from Vietnam ($\beta = 0.16$, $t = 5.71$, $p < 0.01$). We therefore find support for hypothesis H_{2a} . The results provide evidence to suggest there is a

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3 significant association between Vietnamese exporters with high levels of product
4 development capability and export performance ($\beta = 0.09$, $t = 4.76$, $p < 0.05$), thus we find
5 support for hypothesis H_{3a}. Export marketing communication capability was also found to be a
6 significant predictor of export performance among Vietnamese exporters ($\beta = 0.08$, $t = 3.78$,
7 $p < 0.01$) and we therefore accept hypothesis H_{4a}. Our findings also suggest that export
8 pricing serves as a significant predictor of export performance ($\beta = 0.15$, $t = 4.78$, $p < 0.01$)
9 and we therefore accept hypothesis H_{5a}.

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12 In contrast to hypotheses H_{2a}, H_{3a}, H_{4a}, and H_{5a} our data provides no empirical support
13 for hypotheses H_{6a} and H_{7a}. We reject these two, as the findings demonstrate that
14 strengthening export distribution capabilities and providing after-sales support do not appear
15 to be significant predictors of performance in the context of our Vietnamese exporting sample
16 ($\beta = -0.00$, $t = -0.26$, $p = 0.80$, and $\beta = 0.03$, $t = 1.35$, $p = 0.18$; respectively).

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19 In terms of the moderation effects, our findings reveal that relational capability
20 strengthens the relationship between market intelligence gathering and firm performance ($\beta =$
21 0.03 , $t = 2.66$, $p < 0.01$). Thus, we find support for hypothesis H_{2b}. Our findings also reveal
22 that among emerging economy exporters from Vietnam that relational capability serves to
23 strengthen the export marketing communication capability - export performance ($\beta = 0.08$, t
24 $= 3.66$, $p < 0.01$) and export pricing capability - export performance ($\beta = 0.10$, $t = 5.35$, $p <$
25 0.01) relationships. Thus, we find support for hypothesis H_{4b} and H_{5b} respectively. However,
26 our data provides no empirical support for hypotheses H_{3b}, H_{6b} and H_{7b}. We reject these three
27 in the context of our Vietnamese exporting sample as we found that relational capability does
28 not serve to strengthen the relationships between these three marketing related capabilities
29 and performance ($\beta = 0.00$, $t = 0.30$, $p = 0.76$; $\beta = -0.00$, $t = -0.26$, $p = 0.80$ and $\beta = 0.03$, $t =$
30 1.35 , $p = 0.18$) respectively.

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Discussion

In terms of the independent predictor variables highlighted in Table 2, our findings confirm the direct impact of relational capability, marketing intelligence, export pricing, product development, and marketing communication on export performance. The findings also suggest that the ability to develop relationships is the most significant predictor of export market performance in the context of this study surrounding Vietnamese exporters. In addition to the direct influence on export performance, relational capability strengthens the contribution of marketing intelligence, export pricing and marketing communication capability on export performance. Due to the critical role of relational capability, it is important that firms appoint key marketing personnel that have the ability to develop and manage relationships (Lorenzo and Lipparini, 1999). Our findings provide further evidence to support the view that the relational aspect role of business is particularly salient in an international context (Piercy *et al.*, 1997), especially for emerging economy exporters from Vietnam as they grapple to enter new foreign markets.

Regarding the market intelligence capability, it appears that Vietnamese exporters can benefit from the acquisition of such data as they grapple with their 'liability of newness' in entering new international markets and seek to supply offerings that reflect well on local market conditions (Morgan *et al.*, 2003). Firms from emerging market economies are therefore encouraged to do their groundwork and gather export market intelligence in advance of tackling international markets. This is likely to benefit export managers at large by reducing their export market risk and providing them with enhanced data on markets where opportunities lie (Vorhies *et al.*, 2011; Zhou *et al.*, 2010). Our findings therefore provide corroboratory support to earlier work (Aaby and Slater, 1989), albeit in an emerging

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3 context, that export market intelligence plays a pertinent role in assisting firms to successfully
4 venture into new markets.
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8 The finding relating to product development capability re-iterates the importance
9 attached with taking a flexible approach in order to best serve export markets, which by
10 nature may be quite distinct from the domestic situation in terms of market conditions and
11 customer requirements. The ability of emerging economy exporters to develop and configure
12 their goods and processes is therefore crucial to help such firms better cater for the needs of
13 the local market, satisfy consumers and leverage performance advantages (Murray *et al.*,
14 2011).
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23 Relating to the marketing communication capability, emerging economy exporters
24 would be wise to invest in such overseas promotional activities in order to enhance their
25 performance. This finding is particularly apt as it provides a clear signal for firms that they
26 should aim to proactively participate and undertake such activities. We warn that simply
27 appointing overseas distributors or agents and expecting them to self-promote goods on
28 behalf of the principal supplier may not necessarily breed success for emerging economy
29 exporters. In response, such firms should consider making regular market visits which
30 coincide with activities undertaken by their channel partners. Participating in appropriate
31 trade fairs for example, may prove useful in order for Vietnamese firms to foster better links
32 with distributors, agents and customers. Internationally renowned exhibitions often provide
33 an ideal ambience for generating greater market exposure and company recognition. They
34 also provide an opportunity for export managers to meet end users and customers in order to
35 effectively promote their offerings (Terpstra and Sarathy, 1997). Our findings provide further
36 evidence to support the earlier work by Zou and Stan (1998) surrounding the positive impact
37 of effective engagement in export promotional activities on export performance, as the
38 relationship also holds here in the context of emerging economy exporters from Vietnam.
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The findings relating to the export pricing capability signals an important message to emerging exporters from Vietnam, as it suggests that having high levels of flexibility with regards to setting export prices appears to be a significantly high predictor of export performance. Emerging economy firms should therefore try to develop pricing strategies that are aligned with their cost structures, competitor's offerings and customer requirements. This is particularly important for young international ventures to consider, especially those from emerging economies who lack foreign market experience, as escalating costs associated with export including carriage, insurance, duties, export credit and obtaining payment are not always clearly visible. By and large our findings suggest that in the emerging economy context of Vietnam, exporters can benefit from having some degree of flexibility over their pricing, as this serves to influence performance. In this respect, having the capability to respond quickly to changing market conditions can prove fruitful for generating optimal revenue (Murray *et al.*, 2011; Zou *et al.*, 2003). Our findings confirm that effective pricing is crucial in order for emerging market firms from Vietnam to leverage performance advantages.

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Our study did not find evidence for the role of distribution and after-sale service capabilities. The research suggests that once Vietnamese exporters have established themselves in terms of delivering appropriate product offerings at optimum prices and are willing to engage in international promotional activities, they would be wise to allow for their international distributors or agents to take responsibilities for in-market logistics and the provision of after-sales support. Perhaps this is sensible bearing in mind they are closer to end-users and have superior market knowledge regarding the extent to which service and logistical planning is needed and should be managed.

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The interaction between Vietnamese exporters' relational capability and export marketing intelligence capability was found to positively correlate with export performance.

We remind Vietnamese exporters of the benefits associated with investing appropriately in export marketing staff that can facilitate relationships and broker market knowledge for leveraging performance advantages in export markets (Zhou *et al.*, 2010). Our findings thus advocate that emerging economy exporters that have high capabilities for developing international relationships are ideally positioned to exploit foreign market intelligence sources and leverage export success.

Our findings confirm that the significant interaction between Vietnamese exporters' relational capability on the export marketing communication capability - export performance relationship signals to Vietnamese exporters the importance of developing suitable promotional materials for export markets to maximise their potential. Similarly, relational capability also had a positive moderating effect on the export pricing capability - export performance relationship. This would suggest that having the ability to develop fruitful relationships is crucial in helping Vietnamese firms obtain optimal prices for enhancing their export performance.

Conclusion, Implications and Future Research

In an attempt to figure out which capabilities can contribute to leverage export performance among emerging market firms, this study has examined the role of relational capability alongside export marketing capabilities as predictors of export performance. It has also investigated the potential moderating impact of relational capability in strengthening the link between export marketing capabilities and export performance.

Through drawing on a large scale sample of manufacturing exporters from an emerging economy market, the research makes a useful empirical contribution to the literature in supporting the argument that firms from developing countries should invest in marketing activities to generate export success, which, to-date has not been fully explored

(Kaplinsky, 2000; Humphrey and Schmitz, 2004). The previous literature in this area has tended to be somewhat more conceptual in nature, or based on a limited number of observations. Moreover, whilst some of these studies have recommended the role of marketing functions, they have often not tended to clearly indicate how each specific marketing capability can contribute to firm development in emerging international markets.

In addition to highlighting four pertinent marketing capabilities that serve as significant predictors of export performance, our study demonstrates the pertinent role that relational capability can play among Vietnamese exporting firms in leveraging performance advantages. Specifically, relational capability surfaces as the most significant predictor of export performance outright, it also emerged as having a significant moderation effect on Vietnamese exporters' marketing intelligence capability and export performance, as well as their pricing capability on export performance. Thus theoretically, the study offers fresh insights surrounding the significance of relational capability on export success in the context of emerging economy exporters, as it not only serves as a major predictor of performance but can also serve to strengthen the acquisition of export market intelligence - performance and pricing autonomy - performance relationships.

At the practitioner level, the findings advocate that managers from emerging economy exporting firms should seek to take on further marketing responsibilities, rather than allowing such aspects to be governed by their channel partners - as this will provide beneficial gains for their long-term development. Interestingly, the findings of the study reveal that not all marketing activities will lead to export success. While engagement in export market intelligence gathering, product development capability, and taking responsibility for export promotional campaigns and pricing can significantly contribute, we discover that enhancing distribution capabilities and after sales service do not influence performance. Firms therefore need to focus on these significant predictors in order to obtain better economic returns.

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Although the research findings generally support the view that taking on additional marketing responsibility will allow firms in emerging economies to be better off, some caution of care should be taken by practitioners, as doing more does not necessarily lead to greater returns as shown in the case of distribution and after sales service. Export pricing, export marketing communication, export market intelligence and export product development should be prioritised for emerging economy exporters. Meanwhile, it appears pragmatic that distribution management and after sales service should be delegated to channel intermediaries, as these activities tend not to have a significant impact on performance if they come under the emerging exporter's remit.

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The findings also re-iterate the significance of having key personnel in place that are relationship orientated and who have the ability, communication skills and cultural nuance to nurture and develop such relations on an international scale. Specifically, the study confirmed that relational capability serves to strengthen the impact of a firm's engagement in market intelligence gathering, promotion (marketing communication) and price setting on export performance. Having effective relational capability therefore facilitates a firm's ability to conduct market intelligence and promotion activities more efficiently, thus enabling it to perform well on the export stage. It also enables a firm to become more responsive in terms of making market price adjustments to capture greater economic returns. This shows that it is vital for emerging economy exporters to enhance their relational capability skills in order to develop international networks and foster export success. All this is notwithstanding the fact that relational capability emerged as the largest predictor of performance from all the independent variables tested.

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Despite several contributions, the study also has its limitations. First, it focuses on the issue from the perspective of Vietnam as an emerging economy exporter and in this respect data was solely collected from the supplier's angle in just one country. We therefore warn

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3 that some caution is necessary when interpreting the data, as other emerging markets may not
4 share the same traits as experienced here. Future research should aim to examine this
5 phenomenon in other emerging economy markets and even extend the study in order to
6 incorporate a dyadic perspective that takes account of buyers too. In addition, as export
7 development represents a dynamic process which is affected by a huge number of
8 determinants, this study was constrained to a limited number of variables. Further work may
9 also wish to expand these variables and consider additional factors, such as export credit
10 terms, payment and other service attributes. It may also prove useful to investigate pricing
11 autonomy and specifically introduce to the concept other aspects such as brand recognition
12 and innovation.
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26 Future research of a longitudinal nature may also bolster the findings, as undertaking
27 export marketing responsibility in a particular year, may contribute to export performance in
28 future years. Finally, although the research followed current practice in the export
29 performance literature by adopting a composite construct to assess export performance i.e.
30 combining economic performance indicators with managerial perceptions, perhaps more
31 objective measures could be included in future studies. In an ideal world, this would prove
32 really fruitful, however obtaining such data is often impossible in emerging economies and
33 even if such data would be available, its validity could be questioned.
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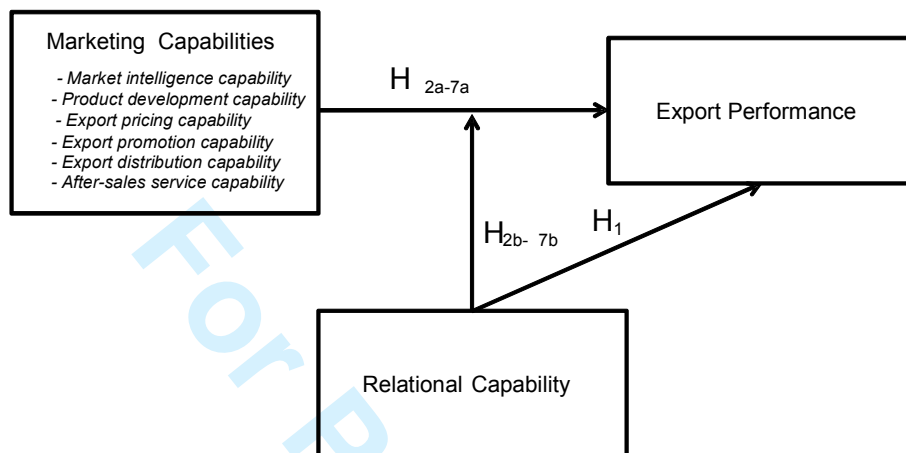
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FIGURE 1: Conceptual Framework



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TABLE 1: Correlation Matrix, Measures and Confirmatory Factor Analysis

Variables	AVE	Cronbach's Alpha	Lg.size	Lg.ex	Prod	Mi	MC	AS	Pri	Dis	RC	EP
Lg.Size (Lg.size)			1									
Lg.Experience (Lg.ex)			.03	1								
Product Development (Prod)	0.86	0.95	.04	-.01	1							
Market Intelligence (Mi)	0.91	0.97	.03	.05	.06	1						
Marketing Communication (MC)	0.82	0.92	-.05	-.04	.05	.05	1					
After Sale (AS)	0.88	0.96	-.09	-.00	.05	.04	.05	1				
Price (Pri)	0.93	0.91	-.09	-.03	.06	.04	.05	.06	1			
sDistribution (Dis)	0.91	0.97	-.08	-.088	.037	.028	.036	.05	.04	1		
Relational Capability (RC)	0.90	0.89	.13*	.14**	.02	.03	.02	.02	.02	.01	1	
Export Performance (EP)	0.95	0.90	.02	.02	.6**	.60**	.62**	.53**	.59**	.39**	.43**	1
Mean					6.09	6.35	6.59	6.61	5.82	6.75	7.32	6.16
SD					2.46	2.50	2.42	2.15	2.51	2.17	1.99	2.47

** Significant at 0.01 * Significant at 0.05

TABLE 2: Regression Results: Predictors of Export Performance

Independent Variable	<i>Model 1</i>			<i>Model 2</i>			<i>Model 3</i>		
	<i>B</i>	<i>T</i>	<i>sig</i>	β	<i>t</i>	<i>sig</i>	β	<i>T</i>	<i>Sig</i>
<i>Control variables:</i>									
Size (lg size)	.24	5.60	.000	.06	2.31	.022	.25	10.39	.000
I. experience (lgex)	.73	17.22	.000	.25	7.91	.000	.16	6.29	.000
<i>Main effects:</i>									
Market intelligence (Mi)				.25	6.73	.000	.16	5.71	.000
Product development (Prod)				.11	4.29	.000	.09	4.76	.000
Marketing Communication (MC)				.16	6.02	.000	.08	3.78	.000
Price (Pri)				.22	5.23	.000	.15	4.78	.000
Distribution (Dis)				.02	1.04	.30	-.00	-.26	.798
After-sales (AS)				.01	.27	.79	.03	1.35	.179
Relational capability (RC)				.12	4.05	.000	.22	9.10	.000
<i>Interaction effect:</i>									
RC*Mi							.03	2.66	.008
RC*Prod							.00	.30	.764
RC*AS							.03	1.38	.168
RC*Pri							.10	5.35	.000
RC*Dis							-.01	-.68	.498
RC*MC							.08	3.66	.000
R square		.241			.664			.674	
Adjusted R ²		.228			.650			.661	
F		18.590			47.007			44.133	

n = 333; *** p < .001; ** p < .01; * p < .05; † p < .10 (one-tailed test)

Appendix 1: Measurement Items

Firm size (number of employees):

Firm's International Experience (number of years a firm had been involved in export):

Relational Capability: Please rate your firm's ability in the following areas: Eleven-point scale running from 0 (Not at all) to 10 (Very High).

- The ability to create relationships with new partners
- The ability to maintain relationships with existing partners
- The ability to develop mutual trust with strategic partners
- The ability to develop mutual commitment and goals with strategic partners
- The ability to build on the partner's strengths
- The ability to effectively communicate with partners
- The ability to work on joint problem solving
- The ability to achieve targets when negotiating
- The ability to achieve win-win rewards.

Export Marketing Capabilities: Please rate your firm's export marketing capabilities in the following areas. Eleven-point scale running from 0 (Not at all) to 10 (Very High).

- | | |
|---------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Export market intelligence capability | <ul style="list-style-type: none"> The ability to quickly learn about changes in regulations of export markets The ability to quickly learn about changes in export customers' preferences The ability to quickly learn about changes in competitors' strategies The ability to quickly learn about changes in distribution channels The ability to quickly learn about changes in demand and tastes in export markets |
| Product development capability | <ul style="list-style-type: none"> The ability to modify products to fit export markets' demands and tastes The ability to develop new products for export markets The ability to develop new services for export markets The ability to successfully manage new product development systems for export markets. |
| Export marketing communication | <ul style="list-style-type: none"> The ability to develop effective export promotion programs The ability to launch export marketing communication programs The ability to manage export marketing communication programs The ability to skilfully use marketing communication |
| Export pricing capability | <ul style="list-style-type: none"> The ability to effectively set prices in export markets The ability to quickly respond to export competitors' pricing actions The ability to quickly respond to export customers' demands in terms of price considerations The ability to effectively communicate pricing information to customers |
| Export distribution capability | <ul style="list-style-type: none"> The ability to sell directly to end users in export markets The ability to shorten the export distribution channel The ability to work closely with distributors or retailers in the export market The ability to attract and retain the best distributors in export markets |
| After sales service capability | <ul style="list-style-type: none"> The ability to provide service as demanded by export customers The ability to provide after sales service in export markets The ability in arranging for faulty goods to be returned The ability in arranging for products to be repaired under warranty in export markets. |

Export Performances: Please evaluate the performance of your export venture over the past year. Eleven-point scale running from 0 (Not at all) to 10 (Very High).

- Growth in export profit
- Growth in export revenue
- Growth in export sale volume
- Growth in number of new export markets
- Growth in number of new export customers
- Growth in sale volume to existing customers
- Growth of export venture's global competitiveness
- Growth of export venture's strategic position
- Growth of export venture's global market share.

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IMR-07-2014-0235.R2 – Special issue

Reviewer: 1

The amends made by the authors clearly improved the paper. I still have some concerns:

1. Abstract –

Purpose – as I see it, the moderation becomes a central issue hence should be presented there. Design – please rewrite it to better represent the method section

Originality – does a poor job in highlighting the contribution of the paper. Rewrite it.

Our Response

Many thanks. We have now amended the abstract based on your suggestions to stress the moderation issue in the Purpose section. The Design section has also been broadened to provide further details regarding the methods. The Originality section now clearly highlights the contribution of the study.

Reviewer: 1

2. Introduction – it is still too long! You should aim at max two pages, preferably introducing the aims of the study in the first page. Similar to the previous round, anything addressing the linkage between capabilities and performance should be addressed in the conceptualization section. You should introduce (briefly) the relevancy of RBV but focus on the main logic and drop out anything that distracts the reader's attention. For example – on pg. 4 you refer to a study by Hooley et al. but fail to introduce its relevancy. Also, in the second paragraph on pg. 3 you mention several types of firms- MNE's, mainland Chinese firms and so on. If the paper is focusing on Vietnamese firms it should be clear from the tart. There are still some repetitions throughout the paper. For example the references appearing on the beginning of pg. 3 are the same as the ones appearing on the third paragraph of pg. 6 and with a similar

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3 context. On pg. 5 you describe previous research dealing with the impact of capabilities
4 on export performance. If anything, this section hints to the repetition in your study.
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6 Moreover, I could not find Morgan et al. 2009 in your ref list.
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10 **Our response:**

11
12 *The introduction is now highlighted on pages 1-2, i.e. it is within two pages. We have*
13 *reorganised the paper so that the theory underpinning the study follows on from the*
14 *introduction. We then focus on the development of our hypotheses to capture the linkage*
15 *between capabilities and performance. We have also withdrawn the citation of Hooley et al*
16 *as this is not particularly relevant to the study. With regards to the context of Vietnam, this is*
17 *now clearly outlined on page 3 so that it is clear from the start of the manuscript where the*
18 *focus of the study lies. In reference to repetition relating to the literature, we have now*
19 *withdrawn the citations that previously appeared on page 6 as they had less relevance. We*
20 *have now also addressed the reference of Morgan et al. (2009) by adding it to the references*
21 *list. Thank you for bringing these issues to our attention.*
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32 **Reviewer: 1**

33 **3. Conceptual development – the first section is irrelevant and misplaced. It more or less**
34 **sums the introduction. Heading – “The influence of...” on what? Similarly in the**
35 **following headings. The issue of relational capabilities is central to this study. In light of**
36 **this I would expect a much deeper discussion prior to the first hypothesis, describing its**
37 **relevancy to your subject. A quick view in Google scholar reveals several relevant**
38 **papers. You need to strengthen this section. In the MI section you refer to tacit**
39 **knowledge – why? If you introduce such a phrase, which usually refers to**
40 **technology/innovation, you need to at list elaborate on it and not just “throw” it in.**
41 **Again, as I commented in the previous round, although H2a refers to intelligence**
42 **acquisition, the background does not support the acquisition but the impact of**
43 **intelligence on performance. Although you write in your responses that you fixed it, you**
44 **did not. As for product development – the last paragraph on pg. 9 is the central issue**
45 **grounding this hypothesis yet you provide no ref. to support it. Moreover, you mostly**
46 **focus on the moderation impact hence the arguments for H3a are weak. I also find**
47 **myself repeating previous comment when I refer to the relatively large sections**
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3 supported by very few, if any, ref. In H3 you suddenly address B2B. is this the case?
4 And if so, why don't you present it earlier and substantiate it properly? The arguments
5 presented for H6 partly contradict the items used to collect the data. Sort this out.
6
7 Overall, throughout the conceptualization you fail to ground the hypotheses in the
8 emerging economies context.
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14 **Our response:**

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16 *Firstly we have now reorganised the conceptual development section. Specifically we felt the*
17 *first part relates better to the theoretical background section, so now moved it accordingly.*
18 *We also modified the headings and added Performance to them, as we were specifically*
19 *looking at the influence of such capability variables on Performance. With reference to*
20 *deeper discussion prior to the first hypothesis, we have reorganised the sections prior, and*
21 *now it is clearly evident that the issue of relational capability is central to the study. We have*
22 *also added further commentary and references to strengthen this section. We later decided to*
23 *withdraw reference to tacit knowledge as we did not wish this to cause any ambiguity and*
24 *reworded this accordingly. In terms of your comment surrounding hypothesis H2a, sorry we*
25 *caused confusion. We have now reworded the hypothesis, as rightly so it is not about*
26 *acquisition levels, but actual levels. Relating to hypothesis H3a, we see that the discussion*
27 *did previously tend to focus on the moderation impact. In this revision we have therefore*
28 *attempted to balance the two arguments by adding in further commentary to support our*
29 *hypothesis development. In addressing your concern regarding the sudden reference of the*
30 *B2B literature, we have now worked through the document and withdrawn any specific*
31 *reference relating to this. We agree with your comment relating to Hypothesis H6, however*
32 *it is sometimes difficult to obtain precise measures relating to certain constructs. In support*
33 *of the items used, we did scan the pertinent literature and attempted to identify those*
34 *measures that were considered the best in the context of our study. Although the hypotheses*
35 *were not purely written in light of the emerging context, we feel based on the key channel*
36 *management literature, it is more appropriate to write the hypotheses as we did. The reason*
37 *being they can be taken within the context of this study or in other markets beyond emerging*
38 *economies.*
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3 **Reviewer: 1**

4 **4. Methodology – Table 1 is presented (still) in an outdated format.**
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9 **Our response:**

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11 *Thank you for this. We have now reformatted Table 1.*
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14
15 **Reviewer: 1**

16
17 **5. Findings – I must say I do not agree with your response to my comment on the use of**
18 **SEM analysis. I also ran your claims by several of my colleagues, two of them are co-**
19 **editors and their responses were the same – there is no real reason for not using SEM.**
20
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24 **Our response:**

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26 *We have used SEM in many of our published papers. However, we do not feel it is necessary*
27 *in this instance. The reason is that we only analyse a number of independent variables*
28 *against one dependent variable. We are not considering any causality, merely associations. If*
29 *we had several independent variables linking to one or more dependent variables and these*
30 *subsequently became independent predictors of a further number of dependent variables then*
31 *we would have used SEM. We therefore followed a more conventional route, which has been*
32 *used in many of the leading journals, such as the studies by Williams and Gregoire (2015,*
33 *JIBS), Wei and Lau (2008, JIBS) and Ling, Zhao and Baron (2007, JOM) to name a few. The*
34 *three stage approach whereby entering the control variables followed by the main effect*
35 *variables and then the interaction effects is a tried and tested approach commonly used in the*
36 *literature.*
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47 **Reviewer: 1**

48 **On a personal note, throughout this review I could not shake the feeling that some of my**
49 **previous comments were amended hastily, if at all. Please be more careful next time.**
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56 **We wish to thank Reviewer 1 for some excellent feedback and helping us to improve the**
57 **manuscript.**
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3 **Reviewer: 2**

4 I'm glad to see that you have addressed all the comments provided in the previous
5 review and have therefore improved the clarity and quality of the paper. Its structure
6 and, more importantly, its theoretical framing and hypotheses, as well as the
7 methodology section, are clearer.
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14 **Our response:**

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16 *We wish to thank you for your positive response relating to our revised manuscript.*
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20 **Reviewer: 2**

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22 However, I would like to call your attention to two points:

23 1. Though the introduction has been improved and the aim, scope and context of the
24 paper are more clearly defined, I believe that the key contributions of the study could be
25 stated more explicitly in the introduction.
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31 **Our response:**

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33 *We have now made the contribution of the paper more explicit in the introduction.*
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38 **Reviewer: 2**

39 2. I question the need to include a box with the control variables in Figure 1.
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42 **Best wishes!**
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46 **Our response:**

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48 *We have now withdrawn the box relating to the control variables in Figure 1.*
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54 **We wish to thank Reviewer 2 for your positive insights regarding our manuscript.**
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