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## **ON THE RELATIONSHIP BETWEEN EXPORT MARKET ORIENTATION AND FIRM EXPORT PERFORMANCE IN NIGERIA: A Conceptual Perspective**

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### **Abstract**

*The globalization of goods and services, as well as the internationalization of firms has increasingly emphasized the importance of export performance over a period of time. However, the imperative importance of export performance to firm's internationalization has led to a considerable body of research that has focused more directly upon export performance and this laid to the evolvement of the export market orientation as substitute construct of studying export performance in recent decades. Although there is evidence of the relationship between export market orientation and export performance in the developed world, yet such relationship is not known in the African context especially Nigeria and thus Nigerian firms are yet to explore the importance of exporting their products to the global markets, which is not favoring the country balance of trade. Consequently, this paper aims to examine this relationship conceptually by setting some prepositions to hypothesize the relationship between the export market orientations dimensions and firm export performance in Nigerian context. The study, however, concludes that there is positive relationship between export market orientation and export performance of Nigerian firms as evidence by some studies conducted in other countries. The study finally opened up an avenue for future research effort to validate the proposed relationships using empirical data.*

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**Keywords:** Export performance, export market orientation, manufacturing firms, Nigeria

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## **Introduction**

The marketing concept and the related construct of market orientation have been important components of marketing study and practice for several decades, marketing scholars and practitioners have been observing that the firm Performance is affected by market orientation, nevertheless, upon all the realization of the impact of market orientation concept on firm performance, yet there was no valid and reliable measure of the construct (Narver & Slater, 1990). Therefore, prior to the development of measure of market orientation and analyzed its effect on business profitability by these authors, there was 10 empirical evidence of its effects on firm performance (Narver & Slater, 1990). Since then, Studies conducted to test the relationship between such market orientation and business profitability and/or performance at both local and international market level (e.g.; Farrell, 2002; He & Wei, 2011; Leticia, Vijande, Jose, Perez, & Alvarez, 2005: Rose & Shoham, 2002: Slater & Narver, 1995). However, the development and validation of the measure of export & market orientation as a diverse construct comes into being by the work of Cadogan, Diamantopoulos & Mortanges (1999), and this laid to the shifting of some international marketing researchers from using market orientation (MO) to export market orientation (EMO) in studying export performance. Despite these developments, such relationship can still be considered unknown in the Nigerian context as the there is no evidence of any empirical relationship in that regards from the existing literature to the best of the researcher's knowledge. Such lack of scholarly evidence on the relationship between EMO and firm performance in Nigeria, may be attributed to the fact that most of the Nigerian manufacturing firms have not yet explored the importance of exporting their products to the international markets, for their own profit maximization and also to add up to the economic button line generally. Consequently, the Nigerian manufacturing sector is performing so poor generally as it contributes only 5 percent to the country's GDP since 2014, which is so contrary to some other counties in which the same sector contributes as much as between 35 and 40 percent to the GDP. For instance, in Malaysia, the manufacturing sector contributes about 45 percent to the GDP (Sectoral Analysis of Nigeria Economy, 2015). However, this historical underperformance of Nigerian manufacturing is reaffirmed by the current Nigerian situation of unprecedented falling of its currency value, which is as a result of the balance of trade shortfall

in disfavor to Nigeria. Thus, the current study has conceptually modelled the relationship between export market orientation and firm export performance in Nigerian context.

### **Export Performance**

The globalization of goods and services, as well as the internationalization of individual firms has increasingly emphasized the importance of export performance over time. However, the imperative importance of export performance to firm's internationalization has led to a considerable body of research that have focused more directly on export performance (Rose & Shoham, 2002). Thus, previous studies have focused on developing and examining the components of an export market on export performance (e.g. Cadogan et al., 1999; Sundqvist, Puumalainen, Salminen, & Cadogan, n.d.). However, empirical assessments of the determinants of export performance have always utilized a limited number of performance outcome, a previous study, Rose and Shoham, (2002) conceptually identifies export firm performance determinants as; export sales, export profits, growth in export sales and growth in export profits.

### **Export Market Orientation**

Export market orientation is the application of a market-oriented strategy in the export environment. As such, it is expected that firms exhibiting high levels of export market orientation will have access to greater information about their export customers needs and wants. This will enable a better understanding of export competitors' offerings and strategies and the firm will be better placed to respond to competitive actions than their counterparts (Akyol and Akehurst, 2003). As a result of focus on improving national trade insufficiencies and growing trend towards globalization, international business involvement is becoming an area of concern and importance, not only in terms of national wealth, but also for private individual business firms (Cadogan, Paul, Salminen, Puumalainen, & Sundqvist, 2001). Not surprisingly, with exporting being the most common form of internationalization, researchers have focused much of their attention on developing a greater knowledge toward understanding the actual determinants of export performance. However, the one best way to better-quality export success is through the adoption of market orientation behaviors (Farrell & Oczkowski, 2002). The point to be argued from the aforesaid studies

is that for firms to improve their export performance should conceive of and implement market-oriented behavior in their export activities (Cadogan et al., 2001). Cadogan, Diamantopoulos and Mortanges's (1999) study identifies four dimensions of export market orientation as follows:

*Export Intelligence Generation*; export intelligence generation comprises all activities which compose the creation of export market intelligence (e.g., export market research, export assistance, other export intelligence relegated to export customers, competitors, and environmental changes affecting the firm. Export intelligence can be generated by export staff as well as other functional units or departments. The domain of intelligence generation does not include aspects of cooperation and inter-functional coordination.

*Export intelligence dissemination*; includes all activities which involve the disseminating of export market intellects, and pay attention on export customers, competitors: and the environmental changes affecting the business, its customers and competitors. Export intelligence can be shared among export staff, export staff and other functional units, departments, and throughout the entire firm. Also, intelligence dissemination does not integrate broader aspects of cooperation and coordination.

*Export Intelligence Responsiveness*; export intelligence responsiveness consists of the design and implementation of all responses to the intelligence generated and disseminated. As such, responses are directed towards export customers, competitors, and the environmental changes affecting the firm, its customers and its competitors. As same, aspects of responsiveness are not perceived as part of coordination.

*Coordinating Mechanism*; the coordinating mechanism consists of several interrelated elements; communication and common understanding; organizational culture emphasizing responsibility, cooperation, and assistance; a lack of dysfunctional conflict; and common work-oriented goals Thus, as coordinating instrument, this dimension has not been loaded with any items, rather is coordinated the overall activities of all other three dimensions.

### **Export Market Antecedents**

Four key sets of antecedent variables can be identified from the work of Cadogan et al. (2001). And these are: export structures, export systems, export development indicators, and export environment factors. However, in their

arguments (Cadogan, Cui, Morgan, & Story, 2006), put forward another set of antecedent variables as follows:

*Export structures*; three aspects of organizational structure are taken into consideration for their potential impact export market orientation behavior: export formalization, export centralization, and export coordination.

*Export formalization*; export formalization concerns the extent to which rules determines Organizational members roles, authority relations, communication, norms, sanctions and procedures. Adopting a contingency theory perspective, Cadogan et al. (2001) argue that formalization facilitates basic export market orientation behaviors, but only when the export environment is stable. Thus, when its turbulent, then greater flexibility is needed, and less formalized structures are required to cope with the variability of demands posed by the export environment.

*Export Centralization*; this is concerned with where decision making authority is located. Highly centralized export decision-making takes place in a top management team, with export function members having little decision-making authority. Export decentralization only occurs when authority is delegated to export staff. However, it is argued that the benefits of centralized decision-making are subjected to situations in which the firm's export environments are moderately stable (Cadogan et al., 1999; Boso, Cadogan, & Story, 2012). Consequently, when export environments turbulence is then decentralization is appropriate, since this allows the firm to be more adaptive and responsive to its changing information generation, dissemination and responsiveness requirements.

*Export coordination*; export coordination concerns the relations between the export department or unit and other business functional units. Thus, when export coordination is high, communication patterns between exporting and other units within the firm are said to be functional, cooperation is the norm, disruptive conflict fairly rare, and units share work-related goals (Cadogan et al., 1999). Hence, low levels of export coordination may be characterized by dysfunctional communication and conflict patterns, lack of cooperation between functional units, and the manifestation of contrasting work-related goals.

### **Export Market Orientation and Export Market Performance**

Studies of firms in their export operation are still in early development stage; in the first place, researchers explored the meaning of market orientation in its

export context by using literature-based approach. The concept has been succeeded with the effort of developing instruments of valid market-oriented behavior in export -market (i.e., Cadogan et al., 1999). These authors also adumbrated that there is a positive relationship between market orientation and export performance (Cadogan, Diamantopoulos, & Siguaw, 2002). For export market orientations on firm performance, some studies posit that even though these market-based resources have value for firms to attain performance, their potential benefits should not be considered in isolation. However, past empirical studies have shown that the nature of the relationships between market orientation and export performance is unclear (e.g. Cadogan et al., 1999), and this bring about the needs to introduced export market orientation construct to be use as appropriate for export performance (Boso et al., 2012). Thus, on the basis of the aforementioned assertion the following propositions are developed in relation to export market orientation and export performance of Nigerian firms at global markets:

1. Export intelligence generation positively affects export performance.
2. Export intelligence dissemination positively affects export performance.
3. Export intelligence responsiveness positively affects export performance.
4. Export market coordinating mechanism positively affects export performance

These above propositions are in line with the finding of some previous studies conducted in some developed world other than Nigerian context. The first study to systematically and empirically examine the export market orientation activities and export performance outcomes in the literature is Cadogan et al. (2002). The study contributes in understanding the phenomenon of export market-oriented activities in the study of international marketing. However, all the activities of exports marketing were reported to have significant relationship to export performance regardless of the environmental condition facing the firm. Most importantly, the result suggests that the export market orientation activities are strongly related to export success. The findings also point out that the level of firm's satisfaction with their export sales volume, export profits, new market entry and export market share are all positively related the export market orientation regardless of the environment in which study conducted. Similarly, the subsequent study conducted by these authors, reveals that same positive relationship (Cadogan et al., 2006).

He and Wei (2011) study results lend strong support to the importance of market Orientation in international market selection and international performance and the researchers recommended that the selection of appropriate international market aspects would lead to better international firm performance. The findings also suggest that the concept of market orientation should be an essential part of the firm's philosophy and activities in the process of international marketing strategy and, therefore, firms need to develop market orientation and to evaluate the level and structure of market orientation possess when making international marketing strategic decision.

According, high level of the activities of this market orientation will enable them to explore of distant markets opportunities.

Moreover, in the study conducted by Boso et al., (2012), on the relationship between, entrepreneurial orientation, market orientation and export new product success, they found that there is positive and significant relationship between dimension of export market orientation and export performance of new product. The results clearly reveal that export entrepreneurial oriented-behavior has a weak direct positive effect on export new product performance. In contrast, export market oriented-behavior has a significant direct positive effect on export new product performance. Taken the results together, have confirmed Cadogan et al. (2009) contention. Their results also provide new insights on the usefulness of seeking synergy between export entrepreneurial oriented-behavior and export market-oriented behavior capabilities in highly competitive export market environments.

## **Conclusion**

In conclusion, this study conceptually proposed the relationship between export Market orientation and export firm performance in Nigerian context, which is yet to be empirically proven in African context to the best of the researcher's knowledge. Although there are researchers that examined this relationship empirically mostly in developed world, yet there is need to conduct such empirical research in developing countries, particularly African context especially on small and medium enterprises (SMEs). Additionally, future empirical research should investigate whether the domains of export market orientation constructs change and what particular dimensions appear important to a specific type of stakeholders (i.e., academics).

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