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Articulating the role of marketing and product innovation capability in export venture performance using ambidexterity and complementarity theory

by

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Table of Contents

<i>Statement of Originality</i>	ii
<i>Authority of Access Statement</i>	iii
<i>Statement of Ethical Conduct</i>	iv
<i>Acknowledgements</i>	v
<i>Table of Contents</i>	vi
<i>Table of Tables</i>	x
<i>Table of Figures</i>	xii
<i>Abstract</i>	xiii

Chapter One: Introduction

1.1	Background to the literature	1
1.2	Research objectives of the study	3
1.3	Definitions of constructs and terms	6
1.4	Justification and significance of the study	8
1.5	Research methodology and research methods	10
1.6	Limitations of the study	11
1.7	Outline of the study	11
1.8	Conclusion	12

Chapter Two: Literature Review

2.1	Introduction	14
2.2	Dynamic capability: The theoretical foundation	14
2.3	Exploring the concept of ambidexterity	18
2.4	Exploring the concept of complementarity	21
2.4.1	Marketing capability and exporting	23
2.4.2	Product innovation capability and exporting	25
2.5	Exploring the concept of process innovation capability	27
2.5.1	Technological innovation capability	28

2.5.2	Management innovation capability	29
2.6	Analysis and review of exporting research	29
2.7	Conclusion	33

Chapter Three: Theoretical Framework

3.1	Introduction	36
3.2	Model development stage	36
3.3	Model development stage 1: Primary model	39
3.3.1	Role of ambidextrous capability in firm performance	40
3.3.2	Marketing capability in the context of ambidexterity	40
3.3.2.1	Exploitative marketing capability and export venture performance	41
3.3.2.2	Exploratory marketing capability and export venture performance	42
3.3.3	Product innovation capability in the context of ambidexterity	43
3.3.3.1	Exploitative product innovation capability and export venture performance	44
3.3.3.2	Exploratory product innovation capability and export venture performance	45
3.3.4	Role of complementary capability in firm performance	46
3.3.4.1	Complementary capability of within-functional ambidexterity and export venture performance	47
3.3.4.2	Complementary capability of cross-functional ambidexterity and export venture performance	49
3.4	Model development stage 2: Contingency model	50
3.4.1	Moderating effect of technological innovation capability	51
3.4.2	Moderating effect of management innovation capability	53
3.5	Conclusion	55

Chapter Four: Methodology

4.1	Introduction	56
4.2	Research Model	56
4.3	Research Process	57
4.3.1	Stage one: Determining the research design	59

4.3.2	Stage two: Selecting the data collection method	60
4.3.3	Stage three: Developing the measure of constructs	63
4.3.3.1	Defining constructs: Step 1	64
4.3.3.2	Generating items: Step 2	65
4.3.3.3	Format and scale poles: Step 3	71
4.3.3.4	Expert-judged assessment of face validity: Step 4	72
4.3.3.5	Pre-testing: Step 5	74
4.3.4	Stage four: Developing final questionnaire	75
4.3.5	Stage five: Designing the sampling plan	77
4.3.5.1	Determining the population	77
4.3.5.2	Determining the sampling frame	78
4.3.5.3	Determining the sampling method	79
4.3.5.4	Determining the sample size	80
4.3.6	Stage six: Adopting the method of analysis	82
4.3.7	Stage seven: Administering data collection process	83
4.4	Conclusion	85

Chapter Five: Data Analysis and Findings

5.1	Introduction	86
5.2	Preliminary data analysis	86
5.2.1	Profiles of the sample	87
5.2.2	Descriptive statistics results	91
5.3	Analysis of outer and inner models using partial least squares	95
5.4	Outer-measurement model results	96
5.4.1	Exploitative marketing capability	97
5.4.2	Exploratory marketing capability	98
5.4.3	Exploitative product innovation capability	99
5.4.4	Exploratory product innovation capability	100
5.4.5	Technological innovation capability	101
5.4.6	Management innovation capability	101
5.4.7	Export venture performance	102

5.4.8	Convergent and discriminant validity	103
5.5	Inner-structural model results	104
5.5.1	Hypothesis testing: Hypothesis 1 to 8	105
5.5.2	Hypothesis testing: Hypothesis 9 to 12	108
5.6	Summary of hypotheses results	113
5.7	Conclusion	114

Chapter Six: Discussions and Conclusions

6.1	Introduction	116
6.2	Discussions on research questions and hypotheses	116
6.2.1	Discussion of the results related to research question one	120
6.2.2	Discussion of the results for research question two	121
6.2.3	Discussion of the results related to research question three	122
6.2.4	Discussion of the results related to research question four	123
6.2.5	Discussion of the results related to research question five	126
6.3	Theoretical contributions	128
6.4	Managerial implications	132
6.5	Limitations and directions for future research	134
6.6	Conclusions	136

Appendices

Information Sheet	140
Questionnaire A	142
Questionnaire B	145

References	150
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Table of Tables

1.1	Construct definition and terms	7
2.1	Key definitions of dynamic capability	16
2.2	Review of empirical research on dynamic capability	17
2.3	Review of empirical research on ambidextrous capability	20
2.4	Review of empirical research on complementary capability	22
2.5	Review of marketing capability in export area	24
2.6	Review of product innovation capability in export area	27
2.7	Key definitions of export performance	31
4.1	Characteristics of different types of research approach	59
4.2	Types of survey method	62
4.3	Definition of constructs	65
4.4	Scale poles of constructs	72
4.5	Refined items in the item refinement phase and additional constructs	74
4.6	Example of questions organised in survey for the study	76
4.7	Sampling frame of the study	79
4.8	Review of data collection by drop-and-collect method from journals containing marketing capability articles in export from 1993 to 2012	82
5.1	Profiles of the sample	93
5.2	Descriptive statistics results	94
5.3	Result of outer-measurement model exploitative marketing capability	98
5.4	Result of outer-measurement model exploratory marketing capability	99
5.5	Result of outer-measurement model exploitative product innovation capability	100
5.6	Result of outer-measurement model exploratory product innovation capability	100
5.7	Result of outer-measurement model technological innovation capability	101

5.8	Result of outer-measurement model management innovation capability	102
5.9	Result of outer-measurement model export venture performance	102
5.10	Evidence of convergent and discriminant validity for constructs	104
5.11	The inner-structural model of primary model	106
5.12	Results of hierarchical regression test for moderating effect of technological innovation capability	111
5.13	Results of hierarchical regression test for moderating effect of management innovation capability	112
5.14	Summary of hypotheses results	11

Table of Figures

3.1	The theoretical framework of the study	38
3.2	Primary model: Stage one (Hypothesis 1 to 8)	39
3.3	Contingency model: Stage two (Hypothesis 9 to 12)	51
4.1	Stages in the research process	58
4.2	Measurement development procedure	64
4.3	Example of instructions for the study	75
4.4	The process of sampling method of the study	80
4.5	Example of invitation telephone script	84
4.6	Example of information sheet for nominated informants of the study	85
6.1	Theoretical model of the study	123

Abstract

Exporting is one of the oldest forms of economic activity. It is the most common way for many for firms, especially those in developing economies to enter international markets. Exporting is an important element of international trade and is an attractive foreign market entry strategy and expansion approach for firms (Hultman, Robson & Katsikeas, 2009). At the firm level, exporting is argued to make better utilisation of production capacity, facilitate company growth and improve the firm's financial position (De Loecker, 2007). With increasing the internationalisation of business, exporting firms have been forced to reconsider how to compete as rivalries increasingly extend across multiple markets. When compared to other foreign market entry modes, exporting involves fewer resources, lower risks, and less cost. Export involvement can assist firms in improving their competitive edge and realising financial objectives.

Dynamic capabilities appear to be the key to achieving success in export markets (Morgan, Kaleka & Katsikeas, 2004). To achieve superior performance, a single dynamic capability may not be sufficient for exporting firms (Berthon, Hulbert & Pitt, 1999). The role of complementary capabilities is considered critical for exporting firms. In this sense it is now generally accepted by many scholars, that marketing capability and product innovation capability are two critical capabilities that act as key drivers of export performance (e.g. Berthon et al., 1999; Gatignon & Xuereb, 1997; Noble, Sinha and Kumar, 2002; Song, Droge, Hanvanich & Calantone, 2005). While marketing capability enable exporting firms to link with customers by predicting changes in customer preferences and creating and managing durable relationships with customers and channel members (Day, 1994), product innovation capability enable exporting firms to promote innovative thinking and facilitate successful development, evolution, and execution of product innovations (Siguaw, Simpson & Enz, 2006). As such, both capabilities cannot be considered separately as each offers the other a high degree of complementarity.

This study investigates drivers of export venture performance focusing on two drivers that have direct effects; marketing and product innovation capability and two drivers that have contingency effects; technological innovation and management innovation capability. The investigation couches these capabilities within the domain of complementarity and ambidexterity theory. Specifically, this study attempts to address the significance of complementarity and ambidexterity of these two capabilities in the export domain of a developing economy, Thailand. In picking up on the role of marketing and product innovation capabilities within the context of complementarity and ambidexterity, this study also investigates the role of technological innovation capability and management innovation capability as moderators of the relationship between the firm's capacity to deploy ambidextrous capabilities and also achieve complementarity between capabilities and export venture performance.

The findings provide several important theoretical and practical implications to exporting firms and scholars. The findings show that marketing capability and product innovation capability are drivers of export success when they achieve complementarity and the firm can engage in these activities in an ambidextrous manner. The findings show that complementarity within the firm's functional areas (i.e., exploitative marketing capability and exploratory marketing capability) and complementarity between the firm's cross functional areas (i.e., exploitative marketing capability and exploitative product innovation capability) can drive firms to achieve stronger or enhanced export performance. In addition, technological innovation capability and management innovation capability plays a crucial role to facilitate complementarity of these activities in an ambidextrous manner in driving export performance.

In conclusion, this study responds to the call for greater attention on the role of marketing capability and product innovation capability using ambidexterity and complementarity theory to explain the firm's export performance. Overall, this study articulates the role of these capabilities as the drivers of Thai export ventures performance outcomes.