THE IMPACT OF COMMUNICATIVE COMPETENCE ON EXPORT PERFORMANCE: A RELATIONSHIP MANAGEMENT APPROACH

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Abstract: This study explores the effects of relation-oriented competencies (communicative competence and cultural sensitivity), entrepreneurial competencies (entrepreneurial posture) and relationship quality characteristics (commitment and trust) on export performance. Using survey data from 134 firms located in the south of the Netherlands, a conceptual model was tested focusing on the relative impact of communicative competence vis à vis the other independent variables. The results clearly reveal that all independent variables have a positive impact on export performance. Although communicative competence seems to be the least important, communicative competence nevertheless is an important indicator for export performance. Export success is, among others, indeed dependent upon communicative competence.

1. Introduction
This study investigates how export performance is affected by relation-oriented competencies (cultural sensitivity and communicative competence), entrepreneurial competencies (entrepreneurial posture) and relationship quality characteristics (trust and commitment). Although previous studies have shown positive effects of each of these characteristics on export performance, one important question has not yet been answered: What is the relative impact of communicative competence, vis à vis other independent variables, on export performance in a relationship management context?

Representatives of the “relational paradigm” (Chrissochoidis & Theoharakis, 2004; Pressey & Tzokas, 2004; Styles & Ambler, 1994, 2000; Zhang, Cavusgil, & Roath, 2003) have mainly focused on the nature and impact of exporter-customer relationships. For example, Styles & Ambler (1994) developed a conceptual "hybrid" model, which combined selected variables from both the service profit chain and relational paradigms, while Styles & Ambler (2000) modeled the effects of a limited number of relational characteristics on performance indicators. Although prior research has provided evidence of the importance of exporter-customer relationships (Leonidou, Katsikeas, & Hadjimarcou, 2002; Rosson & Ford, 1982; Styles & Ambler, 1994, 2000), no comprehensive study has been conducted on the effects of different relationship management characteristics on export performance, despite its potential usefulness in providing "a more insightful and complete understanding of exporting" (Leonidou et al., 2002).

In the current study, relationship management characteristics are divided into two groups: relation-oriented competences such as communicative competence and cultural sensitivity, and entrepreneurial competences such as innovativeness, risk-taking and proactiveness. Although previous studies have shown positive effects of each of these characteristics on export performance, a comprehensive study on the impact of these variables together with relationship quality characteristics such as trust
and commitment is, to the best of our knowledge, lacking. Neither is there any research focusing on the relative importance of communicative competence.

The findings of this study will have important implications for both academics and practitioners. First, considering that there is very little and fragmented research in this area, this study will help academics to better understand the impact of variables like communicative competence on export performance. In addition, the results will provide guidance to managers because they will indicate which characteristics and competencies are the best predictors for export success.

The paper is structured as follows: First, we will discuss the conceptualization of the variables included in this study and the evidence for their impact on export performance. At the end of this section we formulate the hypotheses for our research. In the section on materials and methods, information is provided about the research sample, the different measurement instruments, and the statistical analysis. Finally, we present our results, their implications for theory and practice and the limitations and directions for further research.

2. Conceptualization and hypotheses

In their comprehensive literature review, Sousa et al. (2008) discuss some firm competencies that have been shown to have a positive impact on export performance. Broadly speaking, these competencies can be divided into two types: (1) Skills that are needed to gain or maintain a competitive advantage in foreign markets and (2) Skills that are needed to build relationships with foreign customers. We refer to the first type as ‘entrepreneurial competencies’ and to the second type as ‘relation-oriented competencies’. In an international setting, two relation-oriented competencies are particularly important: communicative competence and cultural sensitivity. These two competencies allow exporters to communicate effectively with their foreign customers, which is an important prerequisite for the development of a successful business relationship (Duncan & Moriarty, 1998; Mohr & Spekman, 1994).

2.1 Relation-oriented competencies

2.1.1 Communicative competence

We define communicative competence as the capacity of an organization and its personnel to communicate effectively in foreign languages, and to convey information in a manner that is easily understood by foreign customers. Many studies have explored the relationship between communicative competence and export performance (Bilkey & Tesar, 1977; Cunningham & Spigel, 1971; Enderwick & Akonorie, 1994; Lautanen, 2000; Schlegelmilch & Crook, 1988; Schlegelmilch & Ross, 1987; Swift, 1990; Turnbull & Welham, 1985; Ursic & Czinkota, 1989; Walters, 1990; Williams & Chaston, 2004). These authors argue that, in addition to enhancing the effectiveness of verbal and written communication per se, language skills can directly improve export performance. Furthermore, a lack of foreign language knowledge may cause managers to perceive more ‘psychological distance’ between their home and foreign markets, and can therefore hinder export success (Swift, 1991; Turnbull & Welham, 1985).

2.1.2 Cultural sensitivity

Cultural sensitivity is defined by Harich & LaBahn (1998) as "a general open-mindedness with respect to different cultures and the willingness to understand the ways in which cultures differ". Cultural sensitivity can help develop intimate relations with customers to the level that rivals cannot replicate (Srivastava, Fahey, & Christensen, 2001). Moreover, cultural sensitivity has been shown by Harich & LaBahn (1998) and Skarmeas, Katsikeas, & Schlegelmilch (2002) to have a positive impact on export performance.
2.2 Entrepreneurial competencies
Entrepreneurial skills cannot only be linked to individuals, but also to entire organizations. According to Covin & Slevin (1991), firms differ in the extent to which they adopt an entrepreneurial posture. This posture is reflected in their propensity to take risks, their propensity to make product innovations and their propensity to compete proactively with industry rivals. Whether it is possible to adopt an entrepreneurial posture depends on the hostility and dynamism of the environment (Balabanis & Katsikea, 2003; Covin & Slevin, 1989), as well as the size of the firm and its organicity (Balabanis & Katsikea, 2003). Still, firms who are able to adopt an entrepreneurial posture in their export ventures tend to perform better (Balabanis & Katsikea, 2003), presumably because it increases the motivation and self-efficacy of management (Keats & Bracker, 1988).

2.3 Relationship quality characteristics
2.3.1 Commitment
In Sousa et al.’s (2008) review of the export performance literature, managerial commitment to exporting emerges as the most frequently cited relationship quality characteristic to influence export performance. Committed managers are believed to be more careful in planning the allocation of relevant resources, which reduces uncertainty and increases the effectiveness of the marketing strategy. Furthermore, commitment is essential in fostering a long-term orientation (Larson, 1992; Styles, Patterson, & Ahmed, 2008) and mutual cooperative behavior (Leonidou, Paliyawadana, & Theodosiou, 2006; Morgan & Hunt, 1994).

In general, commitment can be defined as the binding of an individual to a course of action specified within the terms of that commitment (Meyer, Becker, & Vandenberghe, 2004). It is often also referred to as an attitude of attachment and an intention to continue a relationship (E. Anderson & Weitz, 1992; Dwyer, Schurr, & Oh, 1987; Gundlach, Achrol, & Mentzer, 1995; Morgan & Hunt, 1994). Allen & Meyer (1990) distinguish three different components of commitment in an organizational context: affective, calculative, and normative commitment.

Affective commitment is the exporting organization’s desire to build and maintain a relationship with foreign customers because of the enjoyment of the relationship for its own sake, separate from its instrumental worth (Allen & Meyer, 1990; Geyskens, Steenkamp, Scheer, & Kumar, 1996; Kumar, Hibbard, & Stern, 1994). Calculative (or continuance) commitment is the degree to which an exporting organization experiences a need to build and maintain a relationship with foreign customers because of the significant perceived switching costs associated with leaving the relationship (Allen & Meyer, 1990; Geyskens et al., 1996). Finally, normative commitment is reflected in the perceived moral obligation of an exporting organization to stay in a relationship with foreign customers (Allen & Meyer, 1990).

Following Mathieu & Zazac (1990), Styles et al. (2008) argue that affective and calculative commitment are the most relevant types of commitment in inter-organizational settings. Firms whose commitment to exporting is mainly affective continue the relationship with a foreign customer because they enjoy being in that relationship. Firms whose commitment is mainly calculative continue the relationship with a foreign customer because it would cost too much if the relationship was discontinued. Despite the different nature of these motivations, both variables are expected to have a positive effect on export performance (Styles et al., 2008, p. 884).

2.3.2 Trust
In addition to the variables mentioned in Sousa et al. (2008) as important relationship management characteristic to influence export performance, several other authors (E. Anderson & Weitz, 1989; J. C. Anderson & Narus, 1990; Leonidou et al., 2006; Morgan & Hunt, 1994) mention trust as still another important relationship quality characteristic impacting export performance. Trust can be
defined as the belief that an organizational foreign customer will be honest, fair, and reliable. Trust is benevolence towards and confidence in a foreign customer (Dwyer et al., 1987). When the parties involved in a business-to-business relationship trust each other, they are more likely to engage in behavior that leads to positive outcomes (Driscoll, 1978; Dwyer et al., 1987; Leonidou et al., 2006; Raven, Tansuhaj, & McCullough, 1993). Hence, trust establishes value in the relationship, prevents opportunistic behavior (Moorman, Zaltman, & Deshpande, 1992) and increases relational effectiveness or performance (Katsikeas, Skarmeas, & Bello, 2009; Massey & Dawes, 2007).

From the literature review discussed above, we derive the following hypotheses:

H1: Communicative competence has a positive effect on export performance
H2: Cultural sensitivity has a positive effect on export performance
H3: Entrepreneurial posture has a positive effect on export performance
H4: Commitment has a positive effect on export performance
H5: Trust has a positive effect on export performance

Fig. (1): Conceptual model

3. Materials and methods
3.1 Sample characteristics
By e-mail we asked 3875 exporting companies in the southern part of the Netherlands to fill out our online questionnaire in May - June 2009. 254 exporters reacted positively to our request. Respondents who did not completely fill out the questionnaire were removed from the sample. 134 participants filled out the entire questionnaire, yielding a response rate of 3.5%.
Although the participating companies exported all over the world, the most frequently mentioned export countries were Germany and Belgium. The average number of employees of the companies was 17, but almost one third of the sample consisted of single owner companies. Overall, the wholesale and industry sectors were overrepresented in our sample. For 20% of the companies the sales generated by export amounted to 10% or less of their total sales, while 23% of the companies indicated that they generated all their sales from export.

Despite the fact that the questionnaire was distributed during an economic downturn, 31% of the participants reported that sales from export, when compared to last year, stayed the same. 38% of the companies thought that their export goals had been reached and 43% was satisfied with their export performance.

3.2 Questionnaire development

Unless indicated otherwise, all statements in the questionnaire were rated on a 7-point Likert scale ("completely disagree" – “completely agree”). It is important to note that participants were instructed to answer the questions from the perspective of the firm, not their own individual perspective.

3.2.1 Export performance

Export performance can be divided into financial and non-financial performance. Financial export performance refers to export sales intensity, export profit intensity and export sales growth. Other financial indicators are market share, return on assets, return on investment, export profit growth and ratios of export sales to the number of export managers and employees (Lages, 2000). Non-financial indicators of export performance include goal achievement, satisfaction, perceived success, and perceived importance of a certain item to export performance (Lages, 2000). Other non-financial indicators are customer, employee and shareholder satisfaction and loyalty (Hooley, Greenly, Fahy, & Cadogan, 2001). Financial and non-financial measures can be operationalized in objective and subjective terms. However, most financial measures are objective and most non-financial measures are subjective. Lages (2000) advises to use multiple measures, since in order to capture the complexity of the concept, it is better to construct a scale based on a set of different variables (Bijmolt & Zwart, 1994; Shoham, 1996). For our research we will use both financial and non-financial measurements of export performance, using objective as well as subjective terms. We measured export performance using the following financial measures (Kaynak & Kuan, 1993; Shoham, 1996):

- percentage of sales generated by export
- percentage of profit generated by export
- increase or decrease in export sales (in terms of percentage)
- increase or decrease in export profit (in terms of percentage)
- export sales growth in the previous year as compared to competitors (rated on a 7-point Likert scale, where 1 represents “much worse than competitors” and 7 represents “much better than competitors”)
- export profit growth in the previous year as compared to competitors (rated on a 7-point Likert scale, where 1 represents “much worse than competitors” and 7 represents “much better than competitors”)

As non-financial measures of export performance we included one item for perceived success (e.g. Cavusgil & Zou, 1994; Singer & Czinkota, 1994), two items for overall satisfaction with export performance (e.g. Evangelista, 1994; Seifert & Ford, 1989), and one item each for the satisfaction and loyalty of employees, customers and shareholders (Hooley et al., 2001).

3.2.2 Cultural sensitivity

We operationalized cultural sensitivity in accordance with Johnson et al. (1996) and Styles et al. (2008) on a seven-item scale.
3.2.3 Communicative competence
Communicative competence was measured with the following three items:

- In our contacts with foreign customers we use the language of that customer
- Our company uses promotion materials (brochures, flyers, web site) in the language of foreign customers
- When gathering information that is relevant for our export ventures, we use sources in the language of foreign customers

3.2.4 Entrepreneurial posture
To measure the exporting firm’s entrepreneurial posture, we used Covin & Slevin’s (1989) strategic posture scale, which consists of semantic differentials with contrasting theorems. It should be noted that this scale is concerned with entrepreneurial posture in general, rather than entrepreneurial posture in an exporting context. The scale was chosen because it was also used by Balabanis & Katsikeas (2003), who observed a positive effect of entrepreneurial posture on export performance. We restricted ourselves to the six items included in their study.

3.2.5 Commitment
Affective commitment was measured with a three-item scale from Leonidou et al. (2006). Originally, Leonidou et al. (2006) used five items, two of which were excluded after exploratory factor analysis. To keep our questionnaire short, we only included the three items that showed sufficient unidimensionality in their study. Calculative commitment was measured using a three-item scale from Meyer, Allen & Smith (1993). The original items were concerned with employee loyalty, but they could easily be adapted to the context of an exporter’s relationship with foreign customers.

3.2.6 Trust
Trust was operationalized using a three-item scale from Leonidou et al. (2006). Again, we only included items which showed a sufficiently high item-to-total correlation in the original study.

3.3 Statistical analysis
The statistical analysis proceeded in several steps. First, exploratory factor analysis was used to assess the unidimensionality and validity of the constructs. Items which exhibited high cross-loadings were dropped. All constructs, including export performance, turned out to be unidimensional.

Next, cluster analysis was used to identify multivariate outliers. A dendrogram of the participants was created using centroid clustering based on the squared Euclidian distance. In the dendrogram, eleven participants were identified as outliers. These participants were removed from the data set.

The conceptual model was tested using a regression analysis procedure.

4. Results
Figure 2* shows the results of the regression analyses in terms of the Beta-coefficients. All coefficients were significant (p<.05). The percentage of explained variance was .41, indicating that 41% of all variance in export performance can be explained by trust, commitment, cultural sensitivity, entrepreneurial posture and communicative competence. In terms of the relative importance of the different variables, the results clearly show that communicative competence, although of least importance as compared to the other independent variables included in the model, plays a significant role when it comes to contributing to export performance. In other words, communicative competence is an important predictor for export performance.
5. Conclusion and discussion
This study explored how export performance is affected by relation-oriented competencies (cultural sensitivity and communicative competence), entrepreneurial competencies (entrepreneurial posture) and relationship quality characteristics (trust and commitment). The focus was on the relative importance of communicative competence on export performance in a relationship management context.

Our results show that communicative competence, although of least importance as compared to the other independent variables included in the model, plays a significant role when it comes to contributing to export performance. Being able to communicate effectively, as a relation-oriented competence, is of essential importance when improving export performance, next to entrepreneurial posture, cultural sensitivity, calculative commitment and trust. Therefore, our study has an important theoretical implication for further studies on the impact of communicative competence on export performance. Communicative competence is a variable that definitely needs to be included when a relationship management perspective on export success is taken.

6. Managerial implications
Awareness of the energizing effect of communicative competence can help managers to improve their firms’ export performance. To do so, they need to invest in the communicative competences of their employees. This means investing in and improving the capacity of an organization and its personnel to communicate effectively in foreign languages, and to convey information in a manner that is easily understood by foreign customers. Moreover, in addition to enhancing the effectiveness of verbal and written communication per se, language skills can directly improve export performance. A lack of foreign language knowledge may cause managers to perceive more ‘psychological
distance’ between their home and foreign markets, and can therefore hinder export success (Swift, 1991; Turnbull & Welham, 1985).

7. Limitations and directions for further research
Our study has strengths as well as weaknesses. Some of the latter could be related to the characteristics of our sample. Our respondents mainly consist of directors of small enterprises from the province of Limburg, in the south of the Netherlands. The province of Limburg is an area with a width of 16 miles, enclosed between Germany at the east and Belgium at the south and west side. Due to this geographic location, firms from this region may be more involved in export than companies from regions in the Netherlands that are not that close to the border. The generalizability of our results may therefore be limited.

Second, common method bias may be a shortcoming of our study. We used one questionnaire to measure our constructs. Therefore, some relations between constructs may be overstated to a certain extent.

A third shortcoming is that we only investigated one side of the dyad: The exporting firm. This means that at least some of the relational variables that impact export performance were not included in our study (Styles et al., 2008).

Besides including the perspective of the foreign customer, interesting directions for further research could also be the inclusion of the duration of a particular relationship as a moderating variable. It could be assumed that the longer a relationship exists, the more effective the communication will be.

References


