

Chapter 6

Conclusions, Discussions, and Marketing Implications

This study has demonstrated that the marketing innovation is comprised of three main factors which are new product, new working process and new market. Each factor consists of the variables that can best explain the phenomenon of exporting firms in Thailand, especially an innovation working process and the new market innovation. The cause effect of each domain is examined.

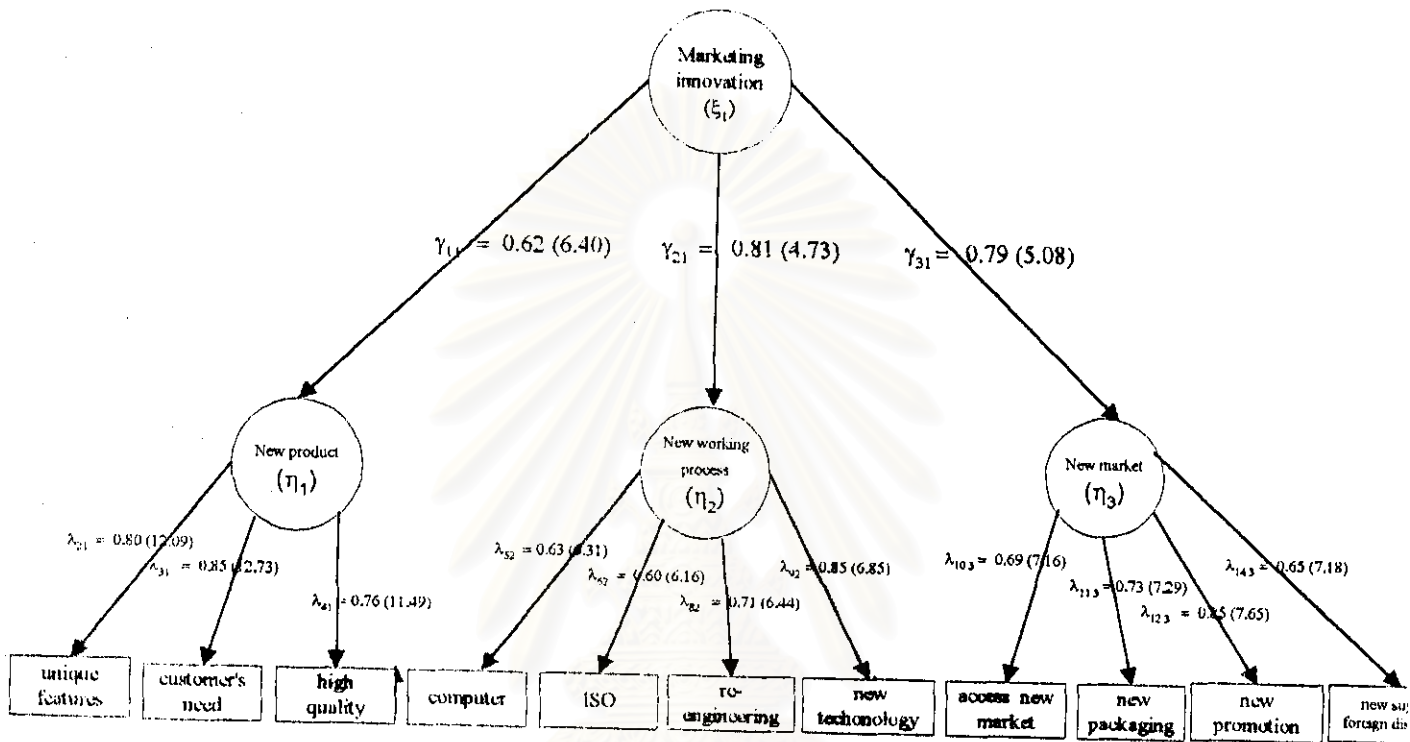
The another purpose of the study is to develop the full export performance model which is modified from the empirical model of Aaby and Slater (1989) by including the marketing innovation component. An analytical procedure which facilitates the simultaneous examination of the interrelationship among four theoretical components: export performance, marketing innovation, firm resources, and firm characteristics is performed using LISREL. The marketing implications which can be acquired from the best fitted model are discussed in details.

Conclusions

The Marketing Innovation Model

The marketing innovation model of exporting firms is composed of three subconstructs as shown in Figure 6.1. They are new product (unique features, satisfy customers' needs, higher quality than competitors), new working process (computers, international standards, re-engineering, new technology), and new market (access to new markets, new packaging, new promotional approaches, new support provided for foreign distributors). New working process and new market can best explain marketing innovation with factor loading 0.81 and 0.79, respectively. The new product moderately explains variance of marketing innovation with factor loading 0.62.

Figure 6.1 Marketing Innovation Model



LISREL goodness-of-fit measures

Overall fit: $\chi^2 = 36.25$, $df = 34$, $p = 0.36$ GFI = 0.98 RMSEA = 0.0093

- Note:**
1. Coefficients γ_{11} γ_{21} γ_{31} represent causal linkages.
 2. *t*-value is in parenthesis.
 3. λ = relationship between an unobservable variable and its measure.

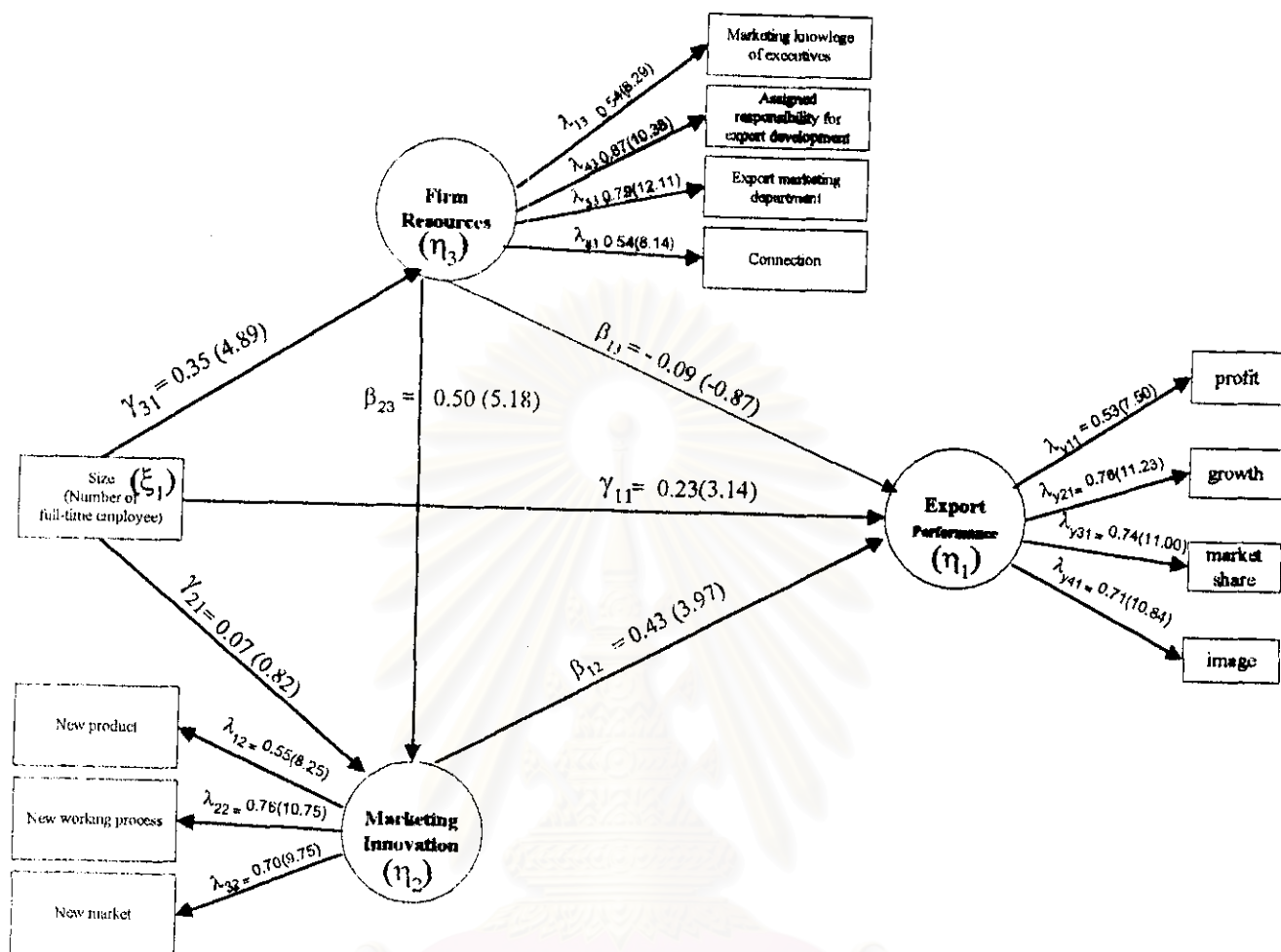
The Model of Export Performance

The model of export performance of exporting firms in four high potential growth rate industry in Thailand is composed of four latent constructs. They are export performance (profit, market share, growth, company image), marketing innovation (new product, new working process, new market), firm resources (marketing knowledge, assigned responsibility for export development, export marketing department, connections) and firm characteristics (number of full-time employees). The model of export performance is shown in Figure 6.2.



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Figure 6.2 The Best Fitted Model of Export Performance



LISREL goodness-of-fit measures

Overall fit: $\chi^2 = 31.35$, $df = 37$, $p = 0.73$ GFI = 0.98 RMSEA = 0.00

- Note:**
1. Coefficients γ_{11} , γ_{21} , γ_{31} represent causal linkages.
 2. t-value is in parenthesis.
 3. λ = relationship between unobservable variable and its measure.
- GFI = Goodness-of-fit index.
 RMSEA = Root mean square error of approximation.

From Figure 6.2, a firm's characteristics which is best measured by the size of a company (number of full-time employees) and marketing innovation have significant positive relationship to export performance ($\gamma_{11} = 0.23$ and $\beta_{12} = 0.43$ respectively). Firm resources have a positive direct effect on marketing innovation ($\beta_{23} = 0.50$), but do not have a significant direct effect on export performance ($\beta_{13} = -0.09$). The relationship between firm resources and export performance can explain as a spurious relationship. In practice, marketing innovation strategies that be able to enhance export performance depend on the level of firm resources. The size of export companies in this study is best measured by number of full-time employees. Thus, the way to improve export performance partly relies on the number of full-time employees. The relationship of all paths from a size of company to firm resources, to export performance, and to marketing innovation are positive. The combined effect might influence the positive relationship from firm resources to export performance. However, the dash line between the latent variable of firm resources and export performance represents a non-significant relationship. The model is fitted to the data considered from $\chi^2 = 31.35$, $df = 37$, $p = 0.73$, $GFI = 0.98$ and $RMSEA = 0.00$.

Discussion

The respondents in this study exhibit a high level of interest in the subject of marketing innovation and performance. From 249 sampled firms, approximately 32 percent of the respondents make a number of suggestions about export performance.

This study has found many interesting findings about marketing innovations of exporting companies in high-potential growth industries (food processing, gems and jewelry, garments, and electronics and electrical products). The strength of the research findings can be considered not only from the statistical part, but also from the in-depth executive interviews. Results from the hypotheses testing also reveal many interesting points which are discussed in details as follows.

1. Effects of Marketing Innovation Strategy

H₁: The greater the degree of marketing innovation, the higher the level of export performance.

The results of the LISREL analysis in Chapter 5 show that the marketing innovation by exporting companies in the selected industries is composed of three subconstructs. These subconstructs are new product, new working process and new market. From Figure 6.1, comparing the factor loadings (coefficients γ_{11} , γ_{21} , γ_{31}), this model can explain differences among the companies in developing new working processes and new markets, with factor loadings of 0.81 and 0.79, respectively. For a new product subconstruct, this factor has factor loading of 0.62. The results are consistent with previous studies (Aiken and Hage, 1971; Kimberly and Evanisko, 1981; Carroad and Carroad, 1982; and Porter, 1990). The results confirm that the innovation at the company level is characterised by the adoption of new products, new working processes, and new markets.

Examining a path analysis of the model of marketing innovation on export performance, the results confirm the hypothesis (H₁) that the marketing innovation has positive influence on export performance. When evaluated in the context of previous studies of "excellent" companies, the results suggest that new products and profits are positively related in the long run (Peters and Waterman, 1982; Maidique and Hayes, 1984). According to this research, the sales growth rate of the sampled firms between 1993 and 1996 tended to decline slightly. However, the percentage of profit from exporting based on marketing innovation tended to increase since 1993. In 1993, 36.5 percent of respondents agree that marketing innovation can help the firms to make more profit. Furthermore, an interesting issue is raised since some of the respondents state that they have no idea about the extent of profit resulting from marketing innovation and are reluctant to answer. For example, in 1995, 8.4 percent of respondents state that they had no idea, 13.7 percent are not sure, and 7.2 percent are reluctant to give any answer. This can be explained as follows. First, marketing innovation has an effect on export performance in the long term, though there is an ambiguity in the correlation between marketing innovation and export performance. Second, executives or

exporters may lack knowledge and understanding about the correlation between marketing innovation and profit, or there may be some other factors that make it impossible to distinguish the correlation. However, the respondents on average believe that marketing innovation have some influence on export performance.

2. Effects of Firm Resources on Export Performance

H₂: Firm resources have positive relationship with firm characteristics.

H₃: Firm resources have positive relationship with marketing innovation.

H₄: The greater the degree of firm resources, the higher the level of export performance.

The parameter estimates from the full model indicate that firm resources exert a positive influence on firm characteristics and marketing innovation, which is consistent with the hypotheses H₂ and H₃. This means that firm resources have been affected directly by firm size, and this latent construct can be used as a proxy of firm size.

The relationship between firm resources and export performance based on H₄ is partially true. Since there are positive total effect and indirect effects from firm resources on export performance (0.13 and 0.22 respectively, see Table 5.25 p.116). However, the negative relationship between firm resources and export performance is opposite to what is hypothesized (H₄), but this relationship is not statistically significant. The minus sign must be interpreted with caution. There might be some other hidden constructs exerted between firm resources and export performance. There could be some specific intangible assets which link the firm with external constituencies (Nanda, 1996). Some examples are consumer loyalty, worker human capital, public trust. The company's performance can vary significantly based on the organization's environment (Utterback and Abernathy, 1975) and competitive strategy (Zahra and Covin, 1993). Thus, resources of the company may have positive or negative influences on export performance due to many factors.

This empirical study can verify that the resource-based theory can be applied in the exporting company context with some cautions. Resources that

exporting firms in this study considered valuable are executives' marketing knowledge, executives or managers who take full responsibility for exports in particular, having export marketing departments, and good relationships between the firm and customers, financial information sources, civil servants, etc. The last variable is labeled in this study as "connections". Furthermore, this study finds that most top executives and respondents claim that human resource is the main factor that affects some changes in the company. Some respondents mention that management styles in some companies, such as family and "one-man show" systems, always make some changes in management difficult or even impossible. Such systems can discourage people's brainstorming that can lead to innovation. From the questionnaire survey, the management style currently used by 49.40% of the sampled companies is a combination of Eastern (family) and Western styles. The Eastern (family) style accounts for 26.50 percent, the Western style 21.30 percent and others 2.80 percent. Thus, the management style in an exporting company should be considered as one important variable in encouraging or discouraging marketing innovation.

The other interesting variable is R&D budget. The traditional measures use technology or R&D budget as valuable resources in stimulating innovation in the company. For example, in 1990, private organizations in the United States spent almost \$70 billion on R&D -- on average about 3.4 percent of total sales and 46.8 percent of total profits (Business Week, Special Issue, October 25, 1990). In this study, 39.36 percent of the sampled companies report that their companies do not have R&D budget, only 4.42 percent of the sampled firms report the R&D budget at 10 percent or more. The contradictions between R&D budgets of exporting companies in Thailand with those in other developed countries make an interesting point for further study.

3. Effects of Firm Characteristics on Export Performance

H₅: The greater the levels of firm characteristics, the higher the level of export performance.

H₆: Firm characteristics have positive relationship with marketing innovation.

From the results of LISREL in Chapter 5, there are positive relationships between firm characteristics (number of full-time employees) and export performance, and between firm characteristics and the marketing innovation, which confirmed the two hypotheses (H_5 and H_6). For firm size, the most common hypothesis is that larger companies have size advantage that enable them to effectively engage in exporting much more than smaller companies (Aaby and Slater, 1989). Aaby and Slater's strategic model does allow for the use of firm size, but they concluded that "company size by itself is not an important factor unless it is linked to aspects such as financial strength or variables related to economies of scale.... competencies are probably more important than firm characteristics". This study finds different relationship from the previous study. Cooper and Kleinschmidt (1985) established a negative relationship between a size and the export intensity, while McGuinness and Little (1981), Czinkota and Johnston (1983) and Diamantopoulos and Inglis (1988) found no relationship. Calof (1994) noted the failure of previous researchers to identify "the amount of variance explained by size" in the relationship between a firm's size and export performance. He concluded that in considering a firm's size and export behavior relationship, "its importance is limited, as the amount of variance explained is modest".

In the context of marketing innovation, a firm's size has a positive relationship with the marketing innovation. The relationship is not extremely strong since the t-value is lower than 2.0 in magnitude. Considering from the sample in this study, 40.96 percent of the sampled firms have between 100 and 500 full-time employees, while 32.53 percent of the firms have fewer than 100 full-time employees. This data shows that most of the exporting companies in Thailand are small to medium-size businesses. The effect of size is not clearly noticed in the other aspects beyond human resources. This result suggests that the number of full-time employees can engage in the marketing innovation. In many cases, high qualifications such as educational background, experience in exporting or some technical skill are desired by organizations. In selecting marketing innovation strategy, the small to the medium size companies should emphasize on developing new products with unique feature and penetrating a niche market. A

large company should carefully perform its marketing innovation in new working process by using its resources effectively and efficiently.

4. Effects of Environments

H₇: Perception of executives toward environments have an effect on export performance.

H₈: The environments have positive relationship with marketing innovation.

The questionnaire survey provides the evidence from external environments that the impact of external factors upon the export performance are at a medium level. When analyzed individually, the foreign currency exchange and Thailand's membership in the WTO, APEC and in other international organizations have medium impacts upon the export performance (mean = 4.71, 4.52 respectively). In addition, the respondents report that society (e.g. population)(mean = 4.13), culture, religion, traditions (mean = 4.12), environmental reserves (mean = 4.12), public laws and regulation (mean = 3.71), politics (mean = 3.55), and economy (mean = 3.50) have low impacts to firms' export performance.

The environmental factors which respondents rank from number one to number three in terms of degree of impact on their companies are the economy, exchange rates and the situation of the Thai economy under IMF. Government roles such as politics, rules and regulations also have an impact on firms. Respondents mentioned that some factors such as floating exchange rates indicates both positive and negative effects. For example, a sales volume factor improves the export performance of the firm, a source of fund factor causes problems with cash-flow. All of these indicators as indicated by executives and statistics results have raised questions regarding the conclusion by Cavusgil (1984a). He concluded that "external factors, such as exchange rate, level of domestic and foreign demand, relative rates of price-level increases, and commercial policy proved to be poor predictors of a firm's export behavior". Furthermore, Cavusgil (1984a) suggested that "in order to understand variations

among firms with respect to the existence and the extent of export activity, one must explore some crucial factors within the firm and its management". Similar conclusions were reported in a 1986 commissioned report to the Congressional Joint Economic Study by a Washington-based international consulting firm, Quick, Finance and Associates (Greenberg, 1986). This report suggests a third approach to understanding export performance that one should emphasize variables that are internal rather than external to the firm. Differences in how firms react to a changing environment are thus captured, both in terms of the strategies followed over time, and in the differences in firm characteristics and firm resources over time. Thus, empirical studies such as depth interviews and questionnaire surveys need to be developed for the specific purpose of testing the relationship between particular factors in the environment on marketing innovation and export performance.

Limitations

Though there are a number of significant findings from this study, some limitations can be found.

First, the survey has been conducted in only four industries (food processing, gems and jewelry, garments, electronics and electrical products) and data are collected from exporting companies in Thailand only. Therefore, any generalization beyond these industries and this country must be made with caution.

Second, one may wish to examine the relative explanatory power of external determinants of export performance, along with marketing innovation and the organizational variables. Ideally, this will require a longitudinal research design that incorporates changes in such "environmental" variables as exchange rates inflation, and tax incentives for exporters. Studies of firms' export performance over time should lead to a better understanding of the firms' behavior and the dynamics of how internal and external factors interact to yield influences upon the export performance.

Third, data are collected by the key informant approach (Seidler, 1974). Some have pointed out that a study needs to capture the perceptions of multiple informants, especially in a self-reported study (John and Reve 1982; Phillips

1981). Others have suggested that choosing the appropriate key informant could help alleviate some of the potential problems (Huber and Power, 1985; Kumar, Stern and Anderson, 1993). In fact, some recent research have looked at the need for employing multiple informants and objective data versus using executive managers as key informants. Those studies found that using executive managers are adequate for obtaining reliable and valid data (Menon and Howell, 1996; Tan and Litschert 1994; Zahra and Covin, 1993). Finally, Zara and Covin (1993) found that subjective assessments made by executive managers about the strategy and performance closely parallel secondary objective data. By choosing key informants from the executive management level who feel competent to respond to the issues of marketing innovation and export performance, the data collection is performed on the ground that the potential for measurement error can be minimized.

Fourth, this study has used five constructs. They are export performance, marketing innovation, firm characteristics, firm resources, and environment. There are 4 constructs that are included in the best fitted model which are export performance, marketing innovation, firm characteristics, and firm resources. Overall R^2 of export performance from the LISREL analysis is 0.24. The low R^2 can be explained that may be there are some others constructs not included in this study that might affect the firm resources and export performance. Therefore, a further study could add some other related constructs in the model such as consumer loyalty, worker human capital, etc. However, the inclusion of other constructs must be done with great care under the theoretical support. If not, the results can be distorted and false implications can create major mistakes to the practitioners.

Implications of Marketing Innovation on Export Performance

This research is conducted based on three fundamental objectives: the development of the marketing innovation model, the development of the full model of export performance, and the application of these models to international business, especially to the development and promotion of the country's exports and to strengthen its long-term competitiveness. This research reveals a number of

important and complementary points from executive interviews, questionnaire survey and the analysis of the causal effects by utilizing the LISREL statistical program.

A number of implications drawn from this study can be organized into two sections: implications for export businesses, and implications for governmental agencies and private organizations.

1. Implications for Export Businesses

The managerial implications can be presented in four parts according to the findings: size of the company, marketing innovation development, human resource development, and internal and external support development.

1.1 Size of the company

Size of the company in this study measured in terms of the number of full time employees. A large size company is considered as a company that has 500 employees or more. The small to medium size company is considered as a company that has employees below 500. There are two scenarios in improving export performance in terms of the size of the company.

1.1.1 A large size company must concern that they need to compete in the global arenas. Under the period of economics and financial crisis in Southeast Asia, a successful firm needs to concentrate its business portfolios around the company's core competencies. A company should actively seek to create new and internal sources of advantage such as reduce cost, time and risk in a working process. Developing a new product around the core product of a company. Core products are generally developed by two major innovation processes: (1) "ladder" or "technology-driven" which emphasizes on acquiring new technology or modern machines used in the working process. The modern technology is the key to the new product success; and (2) "production and design-driven" by concentrating in developing unique features or special design of a product.

1.1.2. A small to medium size company needs to be flexible enough in order to respond to rapid changes. In general, SMEs has limited resources such as physical capital and labor. The benefit comes from its small scale of organization structure which can help to quickly respond to new changes. In order to increase

its export performance, a small company should penetrate on a niche market and sell a unique product.

1.2 Marketing innovation development

Marketing innovation is composed of three components: new products, new working process, and new markets. The implications follow:

1.2.1 New products. New products and the presentation of products which match customers' demand are the priority of an export business. Better product quality and standards are essential if the company is determined to be competitive because these qualifications will enable the company to maintain and expand its markets in the long term.

For consumer goods, new product development should be focused on fulfilling customers' demands and adding value, with quality at international standards or even above. Goods that are not related to daily life, or luxury goods, should contain distinguishing characteristics with special designs, and should be responsive to market demand at the same time. Product innovations should have their own brand names. There is the need for Thai exporting companies to develop their own brand names. Having strong brand names would give the company a chance to gain access to the foreign markets through channels such as franchising and licensing. There is also an incentive for joint investment in other areas, which will not only help increase the growth rate of the company's sales, but also improve the company's reputation and profit in the long term.

1.2.2. New Working Process. New working process is the way to make existing products or the way to produce the product better, cheaper, or more efficient. In its working process, a company should try to reduce costs but still maintain the highest efficiency. According to the questionnaires filled out by the sampled group of export companies, computers and new technology play an important roles in increasing working efficiency and reducing production costs which can lead to higher productivity in the long run.

1.2.3. New Markets. Penetrating new markets is indicated by many respondents as the first major strategic objective. However, the analysis shows that new market expansion as an objective is accomplished next to responding demands to customers in foreign markets. Major key markets of exporting

companies in this study are Asia and Pacific, North America and Middle and Western Europe. Therefore, a new market expansion can include geographic expansion and penetrating a niche market. A new market expansion can be done together with the new product development to strengthen a company's presence in foreign markets. Besides, the company should create different kinds of marketing channels by using incentives. At this point, customers and partners may be able to introduce the company the techniques for creating incentives or stimulating orders. Packaging should be developed to be more attractive and durable. Though the new market expansion may involve heavy expenditures, it will enable the company to trade at a higher growth rate in the long run.

1.3. Human Resource Development

1.3.1. Information updates. The most precious resources for the export business are executives and staffs who have high knowledge, skills and experiences in the export venture. High-authority executives who have direct and indirect responsibilities in the export process, from product development to production and market expansion, should develop their marketing knowledge to have most current information. They should have information about the economy, politics, rules and regulations related to merchandise and products in the industries in which they are engaged, and the demographic changes among their regular customers. At the same time executives should look for new target groups for future alternative markets. This alternative may help executives if they lose their competitiveness in existing markets, no matter what the reasons are. In the case of firms that import raw materials or machinery, the executives should acquaint themselves with those new technologies and build up relationships with suppliers, both domestic and abroad. This knowledge will impart skills, vision and perspectives on their exporting businesses, and possibly results in the new product development.

Along with the above-mentioned suggestions, companies should create an internal climate built on a thirst for information. This can be done by providing staffs with information about their foreign competitors' new product developments, for example. Companies' performance should also be publicized occasionally to

motivate staffs and improve the chance of acceptance of some changes in the future.

1.3.2. Participating in trade delegations or exhibitions. The export company executives should participate in trade delegations or exhibitions abroad. Participating in exhibitions arranged by Thai agents may not be able to improve sales or profits in the short run but this can enable a firm to gain a reputation and become better known in foreign markets, which in turn, will help improve the image of both the firm and the country. This will also motivate the personnel to learn about the firm's product positioning in terms of consumers' demand and a market direction.

For companies with low budgets that prevent them from participating in the trade exhibitions, executives and staffs can acquire information through borrowing recorded tapes or videos from Department of Export Promotion. Information such as products, markets, or opinions of experts from the academic services can benefit the limited budget companies. Using the internet to access the web sites of competitors or trade units in foreign countries is also a practical alternative to promote the initiation of vision and develop new ideas.

1.3.3. In- house training. Although executives and staffs may have chances to attend some training courses and seminars conducted by some governmental or private units, it is still considered inadequate. A company should also emphasize the in-house training to encourage the climate of collective learning. The in-house approach will also result in training and knowledge development based on the real status of the company. Essential training topics that would be useful in the long term include the development of skills in foreign-exchange risk analysis and assessment, information technology such as the internet and data-processing software, marketing management, accounting, finance, etc.

1.4. Internal and External Supporting Factors

In terms of internal factors, executives should encourage their staffs to express opinions and ideas concerning the company business more frequently and freely. They should build direct contacts with their customers. In practice, the staffs should be encouraged to learn, especially about customers' demands and competitors' strategies. For example, the company should conduct market research

in its foreign markets to acquire clients' opinions on the company's products and their needs for products in the future. The company should install a computer system to be used for internal management and external communication. At a minimum, the company should acquire its own e-mail address, and tries to allocate a certain amount of budget to develop its home page on the Net to facilitate both local and foreign communications. In the event that the company fails to get access to the new market channels, a home page will enable it to present itself and its products to the world market.

In terms of external factors, export firms should focus on cooperating with governmental agencies, education institutions, and product research and development centres. Especially with those that provide training courses about products or working process of industries in which the company is engaged. These knowledge and experience exchanges will lead to better cooperation between a company and outside agents. For example, the educational programs on the development of new working methods in solving problems, efficiency improvement, designing and packaging, studies of alternatives for adding value and increasing production efficiency.

2. Implications for Governmental Agencies and Private Organizations

The research results suggest that marketing innovation within a company will result in better performance. However, marketing innovation and export performance are related to external factors such as the economy, foreign exchange rates, Thailand's commitments to the IMF and the government's rules, regulations and services. The government should be more responsive if it expects the export sector to be the country's major source of income for economic revival and increase the liquidity in short and long terms. This means that the government should be responding to the needs of exporting companies and associations that represent export groups. For this part, this research suggests the followings:

2.1. Revised export promotion criteria. The government or the Department of Export Promotion (DEP) should revise the export promotion criteria based on a firm's characteristics basis. This new basis should be used as a guideline not only in designating industrial sectors, but also in implementing

policies to support both the industry level and the company level. For example, DEP may consider factors concerning a firm's characteristics in terms of size (number of full-time staff), target markets, a firm's export experience, or categories firm by export to total sale volume.

Different firm characteristics may need different supports on marketing innovation. Firms that are in business between one and five years may need different governmental export promotions from those in the business for more than 10 years. For example, first-time exporters will need product and market information support. The need of extensive information on "how" and "where" to export are mostly demanded. Expanding exporters may need some specific selling techniques and presentation techniques for their products, as well as how to make a successful bids for export contracts. Firms that have a high-percentage of exported products may have specific needs such as how to price and promote their products in different markets. Different firms will need different export encouragement strategies to be developed. The Thai government should provide export-assistance programs that be able to respond to firms' needs more effectively.

2.2. Developing information support program. The government's export promotion policy and measures should be able to boost marketing innovation in terms of supporting updated information on products, working process, and markets. These policies need to support Thai export firms in short and long terms. Especially, the local area network or the internet services should be established to provide numerical data not only the graphics and texts concerning trade figures but also marketing innovation information of competitors in foreign markets.

2.3. Reforming and improving service system. The inter-related problems of customs administration, red tape in general, and corruption have been addressed in Thailand and many developing countries in the region. Measures that can help address red tape and corruption are regulatory reform to reduce discretion of officials and civil service reform. Furthermore, the government should improve the service system of the governmental agencies relating to export business in the Customs Department, the Foreign Trade Department and the Revenue Department with an emphasis on being neutral, honest, quick and accurate. The serious

improvement will be incentive for exporting product development and the market expansion.

2.4. Providing financial and funds. The government and industrial associations should implement measures to boost liquidity in the export business in the short and long terms. They should also mobilise funds from domestic and foreign sources to promote development in the product and production process. There are good reasons in principle to subsidize firm training programs. It should be relatively straight forward to provide tax incentives for a firm export training programs.

2.5. Setting a research group. The Department of Export Promotion and the industrial associations should set up specific units to conduct research on various topics such as problems, obstacles, resolutions and development concepts concerning marketing innovation and export performance, product design, adding value to products, market penetration as well as impact of some specific external environment (i.e. the foreign currency exchange rate on export performance). Furthermore, the DEP should set up their marketing information systems and open this service to exporters. Some services such as keeping statistics on the major suppliers of Thai exporter by industries or by products, providing performance of major oversea importers.

2.6. Establishing the national research institution. The government and the industrial associations should make an effort to establish the national research center to develop the product and production process. This center should be independent, but be partially financial supported by the government and the industrial association. According to the survey, 32.10% of exporting firms do not have budgets for research and development. The interviewed executives believe that a national research center will be useful for every company and also protect free-riders.

2.7. Reforming the curriculum and supporting joint-training in the educational institution. The government and the educational institutes, both private and public, from high school to higher education levels, should improve their educational programs and activities. The curriculum should focus more on developing students' creativity, and fundamental knowledge in various subjects such as languages and computers. Universities and technical colleges should

provide training courses to improve knowledge and skills for personnel at every level of export firms. These training programs will bring about exchanges between theories and practicality and eventually will lead to innovation and better performance.

2.8. The government should maintain its open-market policy because it is important to build up the business opportunity which will directly affect the country's liquidity, foreign currency exchange rate, income allocation for innovations of a company. The policy will eventually have direct and indirect impact on an export firms' performance.

In conclusion, marketing innovation needs strong cooperation from multi-parties. Human resource, budget, information and supports from both the public and private sectors are all essential for the success of a company's marketing innovation.

Suggestions for Future Research

The marketing innovation model developed in this study appears to support the need for the inclusion of the marketing innovation construct to the export performance model.

This study also demonstrates the need for a more integrative approach to the study of exporting area. This approach proves to be useful in explaining export performance.

The suggestions for future research are divided into two parts. The first part involves concepts, theories and issues that should be studied. The second part deals with the research designed suggestions.

1. Theoretical Implications

In the past, major principles of international business studies were developed from the fundamental business environments of European countries and the United States. In these countries, economic, social and cultural development and conditions have their own characteristics and are different from those found in the Asian region.

This study has shown that the resource-based theory is sufficiently supported by the data on the export companies. Conducting this kind of research by employing the same theoretical basis in different countries in each region may prove to be very challenging. However, adaptation of the relationship marketing paradigm is also interesting and may be able to explain factors affecting the marketing innovation and performance of export businesses. This would allow the firm's export involvement to be seen from a more incisive and less structured perspective. Moreover, efforts should be directed to apply to other theories such as customer satisfaction (Bolton and Drew, 1991; Cadotte, Woodrull, and Jenkins, 1987; Churchill and Surprenant, 1982), and trust (Doney and Cannon, 1997; Moorman, Deshpande and Zaltman, 1993; Dwyer, Schurr, and Oh, 1987). However, there are some research questions that should be encouraged for further inquiry such as what management factors in an organization influence the development of marketing innovation; how much influence on marketing innovation comes from external factors regarding managed float exchange-rate system, customers, partners and governmental regulations. In addition, a comparative study of this type of research across different cultural groups is highly encouraged.

So far, this empirical study on the innovation strategy will have some success in classifying firms likely to react to. In order to investigate the causality between the choice of an export market expansion strategy and export performance, the longitudinal research is recommended for future research.

In the context of this study, future research would be useful in many aspects.

1. To better understand the relationship among marketing innovation and performance by including factors related to how the innovation affects

different types of the organizations. Testing and comparing the models between export and non-export companies will prove very useful.

2. The role of business management or practice in the light of firm resources, marketing innovation and performance is a worthy research issue. Relationships between the firm and customers, or between a firm and financial information sources, which is labeled as “connections” variable, may prove to be significant issues if there are some applications involved such as customer satisfaction (Bolton and Drew, 1991; Cadotte, Churchill and Surprenant, 1982) and trust (Doney and Cannon, 1997; Moorman, Deshpande and Zaltman, 1993).

3. The best fitted model presented in this research composed of four constructs (export performance, marketing innovation, firm resources and firm characteristics). Adding more constructs to this model may increase the explanatory power and the predictive power of the export performance. Suggested variables are production factors such as raw material and labour. These two factors may be related to marketing innovation as constrained resources. The other external factor that may exert a firm’s resources and export performance is consumer loyalty. These mentioned constructs are worth to study in order to build better understanding of the export performance.

4. In reality, there are some differences among industries. Further study should investigate the fit of the marketing innovation model and the export performance model in different industries in order to better explain the factors of interest in different settings.

2. Research Design Implications

1. Statistical method. Determining a statistical method is very important factor. It should be considered, together with the concepts and theories selected as the fundamental analysis, in terms of whether they are appropriate for the objectives and data, and how flexible this statistical method can be. The Linear Structural Relationship Model (LISREL), a high-level model used in this research, is deemed highly useful. The LISREL statistical program, developed by Jöreskog and Soborn (1977), is highly efficient in terms of preparing fundamental data, analysis and presentation, both in describing (syntax command) and building diagrams (path diagrams) to analyze relationships among factors, making it very

practical for researchers. This statistical program has been widely utilized by researchers in marketing and international marketing in western countries. Once adopted to the study of the causal and effect relationships, LISREL can enable to improve social research work in Thailand. LISREL model with latent constructs is proved to be useful because it relaxes certain assumptions about error terms and give more accurate analysis results (Wiratchai, 1995). This method will help researchers to explain causes and effects of the phenomena of interest more systematically and accurately, which will be very useful to the development of specific concepts and theories. Therefore, universities and business training organizations should provide knowledge and training courses in the LISREL statistics and program.

2. The test of both the construct validity and content validity is very important. The content validity of this research was conducted by interviewing export business leaders and executives. This part can verify the construct of variables based on Thailand's context. A researcher also participated in various national exhibitions of the export industries such as Bangkok Gems and Jewelry Fair'98, Bangkok International Fashion Fair'98, Thailand International Food Exhibition'98. This process brought about better understanding of the characteristics of the business, product lines, market destination and the company's strategies under study. The construct validity is examined through the theoretical and the statistical supports. Therefore, it is suggested that future research needs to focus on verifying the construct validity of the models.

3. New measurement. The new measurements should be developed to measure the variables in the models. For instance, ratio scale measures of marketing innovation should be developed and tested against our measures to determine which is a more valid predictor of actual behavior.

Summary

This study is conducted in an effort to understand the interrelationships and to explain the effects of several independent variables on marketing innovation and export performance based on the best fitted model. A field survey is employed using effective response questionnaire from 249 top executives in exporting

companies. In the process of searching for the model fitted to the data, all 5 constructs (export performance, marketing innovation, firm resources, firm characteristics and environmental variables) have been manipulated, and their effects have been examined. Eight hypotheses have been tested. The empirical results have revealed that the marketing innovation can be explained by three sub-constructs which are new product, new working process and new market.

Based on this analysis, the marketing innovation strategy is shown to be able to improve performance of exporting firms. The implications for exporters, government agencies, export's associations and suggestions for future research are presented. However, one must consider that marketing innovation development requires the continuity and seriousness from top management which will yield benefits in the long term. It is believed that the marketing innovation can lay a foundation for long-term competitiveness which will be able to enhance the country's competitive advantage when compared to its competitors in the world market.

This study suggests that the relationship of marketing innovation and export performance needs to be better understand. Future research is strongly recommended, especially in the LDCs countries. One may find the interesting linkage between an innovativeness and the export performance with other constructs in different dimensions. The construct validity of the models need to be measured. New measurements should be developed to measure the variables in the models.

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