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How many eggs in how many baskets? National versus regional diversification strategies and export success

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ABSTRACT

Research on the export performance consequences of the degree of export diversification pursued by firms is scant. To address this research gap, this study examines whether firms' export success levels are tied to the extent to which they adopt national diversification strategies (the number of countries they choose to export to) and/or regional diversification strategies (the number of regions they choose to export to) and unpicks the critical contingencies of these linkages. Based on a sample of 225 UK exporters the authors find that firms gain the highest export performance benefits when they simultaneously increase national *and* regional export diversification. Interestingly, results also show that the links between the extent to which exporters engage in a national diversification strategy and/or a regional diversification strategy are weaker when firms operate in markets that are very high in market dynamism, and that the relationships are stronger when both resource sharing *and* interfunctional coordination are high.

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Internationalization; export; export diversification; export performance; business environment; firm resources; Geographical scope

Introduction

Export marketing is the most common mechanism by which companies engage with international markets, a fact which emphasizes exporting's importance as a vehicle for business growth (Crick & Crick, 2021a, 2022; El Makrini, 2017; Foedermayr et al., 2009; El Makrini, 2017; Sraha et al., 2020). Not surprisingly, therefore, marketing scholars have devoted considerable research efforts to examine the predictors of firms' export performance (Chetty & Hamilton, 1993; Crick & Crick, 2016a; 2021b; Sraha et al., 2020; Zhang & Zhu, 2016). A key decision faced by marketers operating on the international stage is the extent to which the firm should seek sales opportunities across multiple countries and regions (Crick & Crick, 2021b). Rugman and Verbeke (2007), for instance, argue that multinational enterprises (MNEs) generally should be better off by focusing their activities within one or two regions of the world only. However, the latter authors' logics and criticisms of geographic diversification strategies seem to be directed at firms engaging in inter-regional foreign direct investment activities, and may not be so pertinent for exporters, who may manufacture their goods in only a single location (e.g. the domestic

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market), and sell their products to markets outside the domestic market. For exporters, foreign direct investment decisions are not particularly or necessarily relevant, and so these firms are still faced with key decisions regarding the extent to which they should seek sales opportunities across multiple countries and regions (i.e. how much export diversification the firm should pursue).

However, while it makes sense to assert that decisions regarding exporters' levels of geographic diversification (national and regional) should be informed by best practice, with few exceptions, (e.g. Dikova et al., 2016) there is surprisingly little research on the topic. Most scholarly attention on geographical diversification is targeted at MNEs, leaving the relationship between geographic export diversification strategy and export performance under-explored (Boehe & Jiménez, 2016). This situation is unfortunate, because what is right or best for MNEs is not necessarily right or best for exporters, as exporters are often much smaller, have access to very different resource pools, operate in different competitive environments, and may otherwise be structurally quite different from MNEs (Cateora et al., 2020). Providing guidance to export managers regarding geographical diversification decisions would, thus, be of great value, as such choices can have a significant impact on the export performance of their businesses, for instance, by affecting operational costs and the types of competitive advantages attained in the international arena (Cateora et al., 2020).

Furthermore, research efforts within the export marketing literature that do focus on the relationship between export diversification and performance diverge in their findings (Boehe & Jiménez, 2016), with little agreement about the form and level that export diversification should take. Importantly, when making export diversification decisions, marketers face two inter-related sets of decisions: on the one hand, there are national diversification strategic choices to be made, since the firm can choose to operate in few or many export markets, and on the other hand, there are regional decisions to be made, since the firm can pursue national expansion strategies in one or in several regions (Boehe & Jiménez, 2016). Notably, research that examines export diversification tends to focus mainly on regional diversification (Aulakh et al., 2000), and national diversification strategy issues are overlooked. Critically, researchers have yet to simultaneously examine national and regional export diversification strategies, their interactions, and the potential implications there may be for the firm's level of export performance.

To address the above-mentioned shortfalls in knowledge, the current study focuses on both national *and* regional export diversifications, and examines the impact of these different forms of export diversification on export performance. Specifically, we assess the impact of (a) a national export diversification, (b) a regional export diversification, and (c) the interaction between national *and* regional diversifications, on performance. Drawing on the fit-as-moderation approach that relates to business strategy (Venkatraman, 1989) and on resource dependence theory that relates to stakeholders' interdependencies that revolve around control of vital resources (Pfeffer & Salancik, 1978), we develop and test a model that examines the link between export diversification and export performance, as well as the role of moderators that affect this link. We examine the role of export market dynamism, export unit resource dependence, and interfunctional coordination as moderators of the export diversification – export performance relationship.

Our study contributes to management practice via shedding light on what works best for exporting firms in terms of export diversification. We identify environmental

conditions under which lower or higher levels of diversification are most beneficial for export success. We also provide insights for export marketers in terms of potential internal resource mechanisms that might be leveraged to enhance the usefulness of diversification for performance. Beyond this, we advance export marketing theory by presenting a framework that better captures the complex realities associated with export diversification decisions, and that allows for richer, more fine-grained theory development. The framework explains inconsistent findings regarding the performance consequences of export diversification reported in prior research, by (a) recognizing two kinds of export diversification activity (national and regional), and modeling their interaction, and (b) recognizing the role of various external and internal factors that affect the export diversification – export performance relationship.

Theory and hypotheses

Geographic diversification of international firms

The impact of geographic diversification on MNC performance is widely studied (Crick & Crick, 2014; Powell, 2014). Scholars typically argue that diversification into foreign markets enables MNCs to build and maintain competitive advantage via, among other factors, achieving economies of scale and scope, gaining arbitrage opportunities across country markets, and obtaining ownership and location advantages (Powell, 2014). Exporting companies can also pursue export diversification strategies, and some of the benefits of diversification that accrue to MNCs may also be available to exporters, despite the obvious differences in scale and scope between many exporters and large MNCs. However, two exporters may pursue seemingly similar geographic diversification strategies (e.g. by exporting to the same number of countries), but may have very different profiles of diversification in terms of regional diversification, and hence may benefit to differing degrees from the potential advantages of (or suffer disadvantages from) national diversification. For example, one firm may diversify geographically by operating in twenty countries, but focusing those countries in one or only a few geographic regions. An alternative firm might diversify into 20 countries scattered across multiple distinct geographic regions.

Hence, national and regional diversifications are two distinct strategies of export diversification. Essentially, companies can diversify their export activities by country *and* region, namely expanding operations to many countries that spread across many distinct regions. Nonetheless, past research largely examines regional rather than national diversification (e.g. Aulakh et al., 2000), treats export market expansions as discrete and somehow independent, and ignores the simultaneous effects of the two strategies. This is regrettable because firms that focus on one strategy only (e.g. regional expansion), may not benefit from possible advantages of the other strategy (i.e. national expansion), or vice versa, or from the potential benefits of their concurrent interaction. Firms that export to many distinct regions are likely to face greater diversity levels in terms of cultures, customer demands, and competitive environments. Those firms are, therefore, more likely to accumulate a more diversified stock of international market knowledge. On the other hand, companies that focus their export expansion on a greater number of countries within fewer regions are likely to encounter fewer differences across markets, and so a less

diversified export market knowledge base is required. Such firms are likely to gain by focusing their operations in fewer regions. Benefits include lower transportation costs due to greater levels of geographic proximity of their export markets or lesser need for customization of export products due to greater similarity levels across export countries. However, firms that consider national *and* regional diversifications and export to many countries across many regions may simultaneously exploit the advantages of operating in multiple regions and the benefits of exporting to many countries. While operation in a more diverse range of countries and regions can increase the complexity levels of firms' export activities, it can also act as a protection mechanism against shocks or changes that occur in existing markets (Boehe & Jiménez, 2016).

Conceptual framework and construct definitions

Our study is underpinned by the contingency paradigm and the resource dependence theory. These perspectives complement each other and are frequently used in combination in business research (Fredericks, 2005). The contingency paradigm posits that the success of a particular strategy is contingent upon firms' external environmental characteristics and internal attributes. Superior performance results from the degree of 'fit' between a given strategy and the environmental and organizational contexts in which such a strategy is carried out (Venkatraman, 1989). We specifically adopt the fit-as-moderation approach, which contends that the effect of a given predictor on a dependent variable is contingent upon the level of other variables (i.e. moderators). Recent studies on international diversification suggest that superior performance is not the result of an optimal level of international diversification, but rather of the 'fit' or alignment between the degree of international diversification and contingency factors (Powell, 2014).

The resource dependence theory (Pfeffer & Salancik, 1978) posits that the firm depends on 'environmental actors' (i.e. stakeholders) that control resources that are critical for the firm's continued survival. For example, the organization depends on customers for sales revenues and on suppliers for inputs. Firms' various business units (e.g. exports, sales, R&D) can be seen as interdependent actors since they control access to resources that are essential for each other's activities (Ruekert & Walker, 1987). Effectively managing situations of resource interdependence among organizational units (e.g. subsidiaries) requires high levels of coordination to enable an efficient flow of resources among them (Zhao & Anand, 2013). Our conceptual model is depicted in Figure 1. We expect that export diversification has a positive impact on export performance. There is a consensus among researchers on the criticality of contextual factors in diversification research (Shin et al., 2017). Hence, we include in our model and analyze external environmental and internal firm factors as moderators of the export diversification-export performance link. We anticipate this link to vary depending on the level of different moderators.

Our core predictor of export performance is export diversification, conceptualized as the extent to which the firm seizes export sales opportunities across different countries and/or regions. We focus on the sales dimension of export performance, as sales-related aspects of performance such as market share and growth constitute major factors against which to judge the success of a firm's international expansion activities. As for the external environmental factors, we focus on the degree of market dynamism that firms face in their

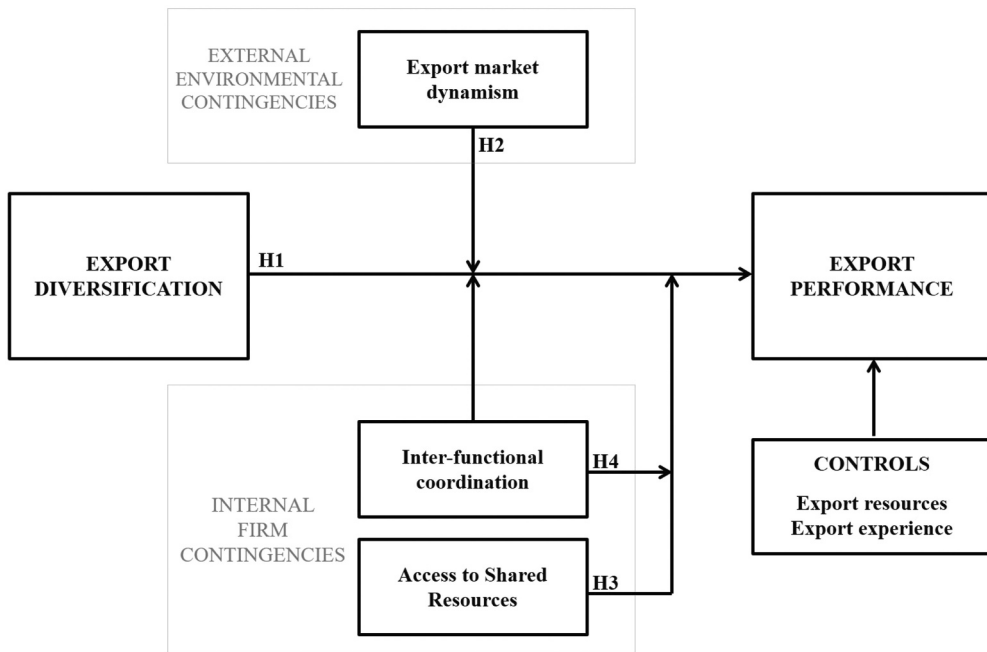


Figure 1. Conceptual model.

export markets. Market dynamism is used as a moderator of the relationship between strategic predictors and performance outcomes because it constitutes a major source of uncertainty for firms (Cadogan et al., 2002). In particular, customers are the source of sales revenue for firms and ultimately the success of a given strategy is dictated by the extent to which it fits the export customer environment in which it is implemented (Jaworski & Kohli, 1993). Consequently, we focus on the customer dimension of the environment and conceptualize market dynamism as the pace of change in export customers' preferences over time. Underpinned by the perspective of fit-as-moderation (Venkatraman, 1989), a growing body of research indicates that characteristics pertaining to firms' export environments have a key moderating role on the relationship between export strategy-related variables and export performance (Boso et al., 2013). Hence, the export environment should moderate the export diversification-export performance link. We contend that the export diversification-export performance link becomes stronger under higher levels of export market dynamism.

As for the internal factors and as outlined previously, one can adopt the resource dependence logic regarding the relationships among different organizational units because they control access to resources that are critical for each other's activities. Specifically, the firm's export unit typically depends on (in)tangible resources such as personnel, equipment, and information that exist in other organizational units and are not specifically dedicated to exporting. It may be, therefore, that the degree to which the firm has access to shared resources that exist in other business units and locations within the organization, has a role in determining the success of the firm's export diversification efforts. Resource sharing is the degree to which the firm relies on non-export business

functions to achieve its goals and responsibilities in export markets (c.f., Fisher et al., 1997). We predict that the export diversification-export performance link becomes stronger when the firm has greater access to shared resources.

The resource dependence theory is centered on collaborations between stakeholders. Research highlights that coordination is a critical facet of collaboration, and a critical ingredient in the management of resource flows among business units. Indeed, coordination is a key enabler of efficient flows of resources among units (Zhao & Anand, 2013). Therefore, our model accounts for an additional internal contingency, namely interfunctional coordination, conceptualized as the degree to which multiple organizational functions (e.g. exports, marketing/sales, manufacturing, R&D) pursue common goals. We contend that interfunctional coordination acts as a facilitator that enhances the quality of resource sharing activities. Specifically, we anticipate that the impact of access to shared resources on the diversification-performance relationship depends on interfunctional coordination levels. Finally, to avoid potential confounds, we control for firms' export resources and experience.

Export diversification and export performance

International business theory asserts that firms' degree of international diversification is inherently valuable (Shin et al., 2017). Greater levels of export diversification provide firms with a number of benefits. Specifically, selling to increasingly larger numbers of geographically distinct regions potentially results in spreading risks (e.g. political, economic) associated with operating in particular regions due to diversified export activities in a more varied geographic portfolio. It also enables the accumulation of diversified export market knowledge and provides firms with enhanced levels of flexibility because it gives them the option to shift export sales across regions, in response to regional shocks in demand (Aulakh et al., 2000). Exporting to a greater number of countries, within a particular region or across different regions, also enables firms to access considerable sales growth opportunities, and provides greater potential for economies of scale and/or scope. Furthermore, exporting to a greater number of countries makes the firm more flexible in terms of shifting export activities across countries in response to shifts in national demand (Crick & Crick, 2021b).

Operating in a larger number of regions *and* countries overcomes the limitations of operating in several regions but with limited country level entry activity, or operating in many countries but with limited regional diversification. Firms that adopt this strategy can simultaneously exploit the advantages of operating in multiple regions, for instance, by accumulating diversified international market knowledge, with the benefits of exporting to a large number of countries. Additionally, firms that export to many countries across numerous geographic regions have richer sets of options with regard to shifting export sales among their export countries and/or regions in response to shifts at the national and/or regional levels. Therefore:

H1: *The greater the firm's degree of export diversification, the greater the firm's export performance.*

Export market dynamism

Export market dynamism is the extent to which changes occur in export customers' preferences over time. Prior research highlights market dynamism as a critical moderator of the link between business performance and its strategic predictors (Boso et al., 2013). Greater levels of export diversification provide firms with more options and flexibility to shift export sales activities across regions and/or countries. Such flexibility is especially important under greater levels of export market dynamism. When export customers' preferences change at a greater speed (i.e. when dynamism is higher), the firm is more likely to be faced with unpredicted shifts in demand. In this context, firms that export to only a limited number of regions or countries may be at risk if shifts in demand patterns in their core markets challenge the firm's overall ability to generate sales. However, greater levels of export diversification provide exporters with the option to respond to unanticipated shifts via switching their output and their focus from less productive markets to more productive ones, should the environment expose the firm to threats in parts of the firm's operations, thus:

H2: *The greater the export market dynamism, the stronger the relationship between export diversification and export performance.*

Resource sharing and interfunctional coordination

The resource dependence theory (Pfeffer & Salancik, 1978) postulates that firms are dependent on 'environmental actors', i.e. stakeholders, who control resources, which are critical for long-term survival. Typically, the firm's export unit depends on (in)tangible resources (e.g. personnel, equipment, and information) possessed by other organizational units in order to carry out its activities, including its export diversification efforts. However, those units are not necessarily dedicated to exporting (Cadogan et al., 2005). We argue that greater access to shared organization-wide resources enhances the benefits of export diversification. Resource sharing among units can steepen the economies of scale and/or scope achieved internationally, as they allow for the spreading of costs associated with particular inputs across different organizational units, both export and non-export related (cf. Fredericks, 2005). Hence, better access to shared resources can greatly influence firm success brought about by greater levels of export diversification.

Managing resource flows among organizational units requires a great deal of coordination. The firm can only fully realize the benefits of shared resources when those resources can be transferred, communicated, and/or used in an efficient way. Therefore, in order to leverage the benefits of shared resources, the firm requires teamwork, coordination of inputs, and collaborative working practices among the firm's various business units (e.g. exports, marketing, R&D). The latter are more likely to occur when those units pursue common goals (Kahn, 1996), that is, when they operate under greater levels of interfunctional coordination. Therefore, while a norm of resource sharing within the export function creates the platform for resource flows among export and non-export business units, interfunctional coordination will constitute the 'lubricant' which enhances the chances of success of such resource flows

(cf. Boso et al., 2013). Conversely, when firms do not develop superior coordination capabilities over their international operations, relying on shared resources may be a liability, since the ability to leverage those resources may become limited (Shin et al., 2017). Therefore, we propose the following hypotheses:

H3a: *The greater the access to shared resources, the stronger the relationship between export diversification and export performance*

H3b: *The moderating role of access to shared resources on the relationship between export diversification and export performance is stronger under greater levels of interfunctional coordination.*

Research methodology

We tested our hypotheses on a sample of UK industrial exporting firms drawn from a random sample of the *Kompass UK* database. UK exporting firms constitute ideal key informants for the purpose of testing our conceptual model because the economic growth of the UK relies substantially on the export success of its businesses. For instance, in 2021, total UK exports exceeded US\$750 billion (UK Parliament, 2022). We pre-notified the selected firms by telephone to identify a suitable key respondent, and to elicit participation. Respondents who met the criteria were sent a survey packet, and a reminder postcard was sent seven days after the initial mailing. This method yielded 225 usable responses for a response rate of 25.1%. The sample comprised firms from various industries, and respondents occupied top management positions.

We assessed the firm's level of export diversification by asking respondents to specify (1) the number of countries to which their firm exported (national diversification), and (2) the number of geographically distinct regions to which the firm exported (regional diversification). While the measurements for geographic export diversification have evolved over the last decades toward more precise measures (Boehe & Jiménez, 2016), no prior study has accounted for the interaction between national and regional diversifications. Hence, we also computed the interaction between regional diversification and national/country diversification via standardizing the number of regions and countries the firm exported to (respectively), and then multiplying the resulting scores. The export performance items were taken from Cadogan et al. (2005) export sales performance scale. Export market dynamism was measured using two items adapted from Jaworski and Kohli's (1993) market turbulence scale. Resource sharing utilized two items from Fisher et al.'s (1997) interdependence scale, and interfunctional coordination items were taken from Cadogan et al.'s (2002) export coordination measure. For the controls, we used the number of firm employees directly involved with export matters (for export resources) and the number of years the firm had been exporting (for export experience).

Table 1. Measurement model fit indicators, correlation matrix, and scale properties.

	χ^2 (d.f.)	p-value	RMSEA	CFI	NFI	NNFI	IFI	GFI	SRMR
Measurement model	63.18(48)	.07	.04	.98	.93	.96	.98	.96	.05
Measures	1	2	3	4	5	6	7	8	9
1. No of export regions	-	-	-	-	-	-	-	-	-
2. No of export countries	.70**	-	-	-	-	-	-	-	-
3. No of export regions x No of countries	.12	.58**	-	-	-	-	-	-	-
4. Export performance	.15*	.09	.05	-	-	-	-	-	-
5. Export market dynamism	-.04	.08	.05	.07	-	-	-	-	-
6. Interfunctional coordination	-.10	-.09	.08	.31**	.03	-	-	-	-
7. Access to shared resources .02	.00	-.02	.01	.03	.06	-	-	-	-
8. Export resources	.22*	.33**	.17	.23*	.22*	.05	.13	-	-
9. Export experience	.78**	.74**	.03	-.01	-.17	-.24	.01	.27	-
Mean	3.95	28.45	177.31	5.00	3.70	4.91	5.00	19.00	36.32
Standard deviation	2.17	24.55	198.75	2.05	1.29	1.05	1.23	32.63	31.09
Composite reliability	N.A.	N.A.	N.A.	.82	.76	.83	.78	N.A.	N.A.
Average variance extracted	N.A.	N.A.	N.A.	.70	.63	.62	.65	N.A.	N.A.

* Correlation is significant at the 5% level; ** Correlation is significant at the 1% level.

^aN.A. = not applicable. Because these three measures are single-item, CR and AVE are not meaningful.

Analysis

We assessed measurement scale reliability and validity using confirmatory factor analysis (CFA). We entered all items simultaneously into a CFA and evaluated model fit using the chi-square statistic together with other key fit heuristics. As shown in Table 1, the chi-square statistic of the measurement model is non-significant and all other key fit indicators are within recommended thresholds, indicating an excellent model fit. Furthermore, the average variance extracted (AVE) and composite reliability (CR) for each construct surpassed the .50 and .60 recommended thresholds, respectively, which suggests that our measures exhibit adequate convergent and discriminant validity.

We adopted a number of approaches to minimize the potential for common method variance. These included the use of objective measurement instruments whenever possible, and varying the length of Likert-type scales. Secondly, we ran Lindell and Whitney’s (2001) method marker test on one item which is theoretically not related to any construct of our model. Results do not reveal any significant correlations. Finally, our model contains numerous complex relationships and therefore it would be difficult for respondents to form mental models and anticipate the relationships under analysis. Therefore, we conclude that common method variance is unlikely to be a problem in this study.

We adopted mean-centering to reduce potential problems of multicollinearity and carried out product-term analysis to test for moderation effects. We computed all lower-order product terms and entered those, together with direct effects, as control variables. Using OLS regression, we ran six models in total, and then compared how well those models performed relative to our main model in terms of predictive power (i.e. R-square). See Table 2.

Results

Inspection of Table 2 reveals that Model 6 exhibits the greatest R-square of all six models and that the associated change in R-square (relative to Model 5) is statistically significant. Given that Models 1 through to 5 are nested within Model 6 and that Model 6 is superior

Table 2. Path estimates, t-statistics, and R-square of six models.

Variable	Model 1		Model 2		Model 3		Model 4		Model 5		Model 6 (main)	
	B	t	B	t	B	t	B	t	B	t	B	t
<i>Main effect controls</i>												
Export market dynamism (Dynamism)	.11	1.65	.12	1.78	.13	1.89	.13	1.89	.12	1.75	.12	1.80
Access to shared resources (Resource Sharing)	-.00	-.01	-.02	-.26	-.01	-.15	.00	.05	-.01	-.09	-.08	-1.07
Interfunctional coordination (Coordination)	.24	3.65	.23	3.56	.22	3.29	.21	3.09	.22	3.03	.22	3.13
Export resources	.13	2.01	.12	1.68	.12	1.80	.13	1.84	.14	1.91	.14	2.01
Export experience	.01	.13	-.04	-.53	-.04	-.49	-.05	-.60	-.05	-.67	-.06	-.74
<i>Information on H1 plus controls non-linear effects</i>												
Number of export regions (Regions)			.19	1.83	.19	1.84	.20	1.85	.23	2.06	.27	2.49
Number of export countries (Countries)			-.13	-.81	-.11	-.73	-.11	-.68	-.13	-.81	-.15	-.97
Regions x Countries			-.06	-.39	-.02	-.11	-.01	-.07	.02	.10	-.08	-.45
Regions squared			.02	.14	-.02	-.15	-.02	-.18	-.03	-.26	.05	.45
Countries squared			-.00	-.02	-.10	-.47	-.12	-.53	-.09	-.40	-.11	-.48
(Regions x countries) squared			.14	.97	.18	1.18	1.89	1.21	.13	.77	.19	1.11
<i>Information on H1 and H2</i>												
Regions x Dynamism					.01	.07	.00	.01	-.08	-.61	-.13	-1.04
Countries x Dynamism					.14	.92	.15	.93	.25	1.46	.35	2.07
Regions x Countries x Dynamism					-.08	-.75	-.07	-.71	-.16	-1.40	-.22	-1.96
<i>Information on H1 and H3a</i>												
Regions x Resource Sharing							.06	.49	.02	.13	.08	.61
Countries x Resource Sharing							-.02	-1.71	.04	.24	.11	.74
Regions x Countries x Resource Sharing							-.02	-.23	-.04	-.41	-.17	-1.67
<i>Interaction controls plus information on H1</i>												
Regions x Coordination									.18	1.75	.14	1.40
Countries x Coordination									-.17	-1.33	-.25	-1.85
Coordination x Resource Sharing									.03	.38	.15	1.88
Regions x Countries x Coordination									.16	1.44	-.26	2.24
<i>Information on H1, H2, H3a, and H3b</i>												
Regions x Resource Sharing x Coordination											-.20	-1.95
Countries x Resource Sharing x Coordination											-.08	-.71
Regions x Countries x Resource Sharing x Coordination											.24	2.27
R square	.10		.13		.14		.14		.16		.22	
Change in R square			.03		.01		.00		.02		.06*	

to all the nested models, we use Model 6 to draw conclusions on the hypotheses. Model 6 must be viewed in its entirety in order to draw conclusions on the study's hypotheses. For example, one cannot look at the coefficient for the number of export countries in Model 6 ($B = -.15$; ns), and draw the conclusion that the number of export countries is not related to export performance. Rather, since information on the relationship between the number of export countries and export performance is embedded in many of the other variables entered into the Model, evidence from all the variables that contain the number of export

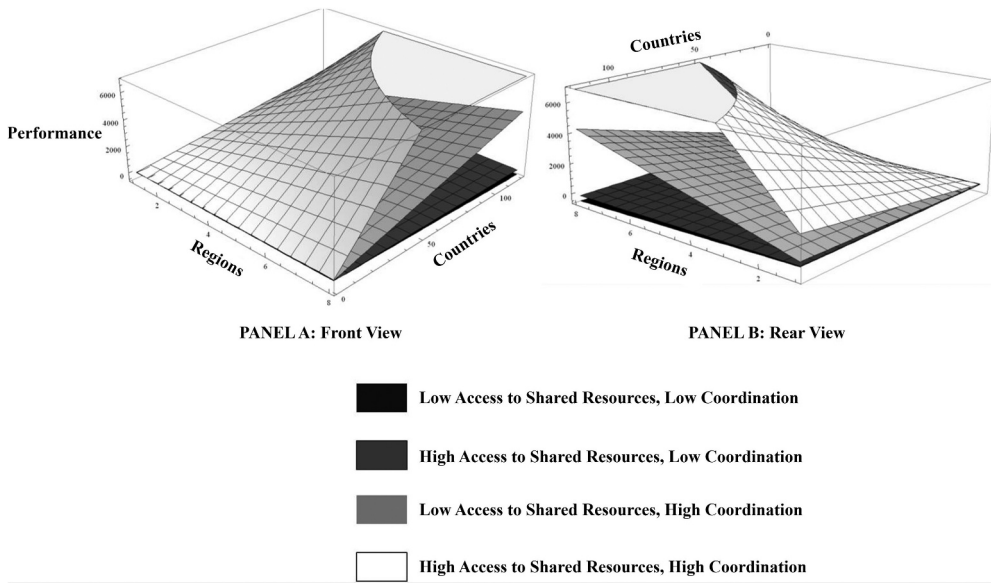


Figure 2. Surface plots for moderators: Resource sharing and interfunctional coordination.

countries as an element needs to be amalgamated to determine the status of our test of the effect of the number of countries on export performance. Accordingly, to provide insights into the hypothesis testing, we draw on a graphical method to integrate the many path coefficients estimated in Table 2. Specifically, using one-tailed tests to determine whether to reject coefficients from the model, and using the unstandardized coefficients from Model 6, we plot graphical representations (see Figures 2 and 3) of the relationships between the facets of export diversification (numbers of export regions and countries) and export success.

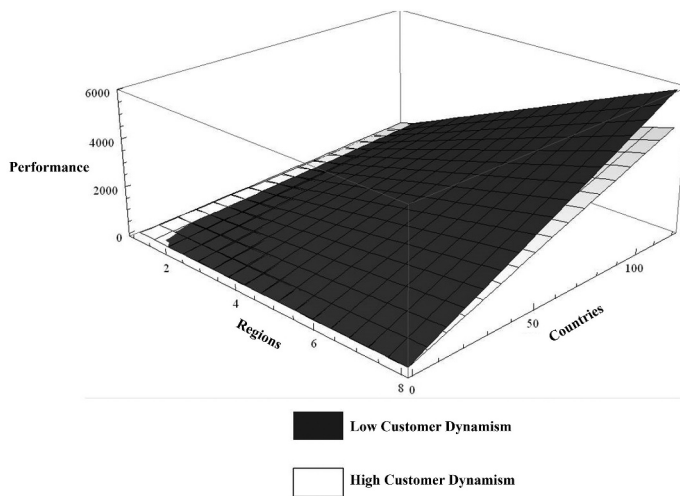


Figure 3. Surface plots for moderators: export market dynamism.

Inspection of [Figures 2 and 3](#) reveals that H1 is supported. Specifically, for most exporting firms, the number of export regions and the number of export countries are positively linked to export performance. Furthermore, firms with highest export performance are those that simultaneously export to higher numbers of regions *and* countries. We fail to find support for H2; export diversification is more beneficial for performance when export market dynamism is *lower*. This finding is opposite to that expected. The results for H3a and H3b show strong support for those hypotheses. In terms of H3a, [Figure 2](#) reveals that greater access to shared resources leads to a more positive relationship between diversification and performance, regardless of the level of interfunctional coordination. For instance, the two upper planes of [Figure 2](#) (both in the front view and in the rear view) show that in the case of high interfunctional coordination, the diversification-performance link is stronger when resource sharing is high. Similarly, when interfunctional coordination is low, the diversification-performance link is more positive under high resource sharing levels. As far H3b is concerned, results show that firms with the highest levels of performance are the ones where both resource sharing *and* interfunctional coordination are high. Thus, when interfunctional coordination is high, resource sharing plays a bigger role, such that increases in resource flows result in larger increases in the relationship between export diversification and export performance.

Discussion

Theoretical implications

Research on the export performance consequences of the degree of export diversification pursued by firms is scant. We offer a new account of the need to consider concurrently the number of countries and regions in which exporting companies are operating. Building on the fit-as-moderation and resource dependence perspectives, we add to previous work by purposively turning attention to the interaction between these numbers. We extend the empirical literature on the diversification-performance relationship and demonstrate that two key facets of diversification, namely, regional *and* national export diversifications, have a synergistic effect in boosting export performance. Firms gain the highest export performance outcomes when they simultaneously, rather than separately, increase national and regional expansion strategies. Examination of diversification patterns of this kind is absent from the literature, yet we see in the current study that studying multiple facets of export diversification simultaneously provides powerful strategic insights into the role diversification may play in facilitating export performance. Our findings also indicate that firm external (market dynamism) and internal (resource sharing, interfunctional coordination) contingencies increase or decrease the effect of export diversification on export performance. Such contextual factors provide a better understanding of the national-regional diversification-performance relationship.

Interestingly, our findings do not lend support to the notion that export market dynamism positively moderates the relationship between export diversification and export performance. On the contrary, our results suggest that greater levels of export market dynamism reduce the power of export diversification in leveraging performance. A possible explanation for such a finding may be that enhanced levels of export market dynamism make the job of managing export diversification much more complex. Thus,

export diversification may provide firms with benefits as it gives them more options to shift export sales across regions and/or countries as a response to competitive threats of highly dynamic environments. However, such benefits may be outweighed by lower levels of managerial effectiveness brought about by more complex international operations. More research is needed to build understanding on this front.

Our results corroborate the idea that resource sharing strengthens the link between export diversification and export performance. Our study, therefore, offers further evidence in support of the argument that greater levels of resource sharing among organizational units within the same firm can enable fruitful resource flows among them, thereby providing competitive advantage to firms operating in multiple foreign markets. Furthermore, we also show that the role of resource sharing in strengthening the relationship between export diversification and export performance is magnified under higher levels of interfunctional coordination. Such a result resonates with the idea that efficiency in terms of resource flows among interdependent organizational units demands greater coordination among those units (e.g. Zhao & Anand, 2013). As such, while resource sharing creates the setting for resource flows among units, coordination is a critical ingredient for the success of those resource flows.

Managerial implications

While managing operations in diverse export markets is complex, the globalization trend encourages managers to consider new forms of diversification. In this study, we find that greater levels of export diversification are beneficial for export success, as there are performance benefits to be gained by increasing both the number of countries and regions the firm exports to. Importantly, our findings indicate that firms get the greatest benefit when they *simultaneously* seek to increase national and regional export diversification. The benefits of pursuing higher levels of export diversification appear to be greatest when export market dynamism is low. Nonetheless, higher levels of diversification can remain beneficial (although to a lesser extent) even under higher levels of export market dynamism.

In addition, our findings point to the notion that the firm can leverage the benefits of export diversification by increasing the resource flows and interdependencies between the export unit and other functional areas. Therefore, management needs to make sure that the firm's export unit is 'plugged into' the rest of the organization, so that the export unit can take advantage of the full array of firm resources. Our results also highlight that the enablement of the benefits of resource sharing for the success of diversification can be fostered by increasing interfunctional coordination. Hence, exporting firms need to find ways of enhancing their levels of interfunctional coordination, perhaps via careful management of organizational structures (e.g. by flattening the organization, while keeping essential facets of hierarchy), and systems.

Limitations and further research directions

This study uses a cross-sectional research design, and so causal claims must be treated tentatively. Future research may be able to add evidence on the nature of the causal mechanisms involved by developing longitudinal data sets. Furthermore, additional focus

can be directed at identifying other features of firms (e.g. capabilities, network structures) and their environments (e.g. uncertainties) that influence the performance benefits of seeking higher levels of export diversification. Finally, it may also be instructive to take a more fine-grained view of the export diversification construct. While the current study is novel, in that it simultaneously considers two facets of export diversification (regional-level and country-level diversification), it is possible to further decompose such a construct. For instance, one might find that certain regions can be broken down further, or that entirely different configurations of regions may be useful in explaining success.

Disclosure statement

No potential conflict of interest was reported by the authors.

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