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**The determinants of the export channel  
selection and export performance**

Min Li

A thesis submitted in fulfilment of the requirements for  
the degree of Doctor of Philosophy in Marketing

Durham University Business School

Durham University

2017



## **Abstract**

The aim of this thesis is to explore how firms can make better use of channel selections to create value from their organisational capabilities, such as product development capabilities (PDC), in export operations by considering the role of resource-based factors such as entrepreneurial orientation (EO) and institutional factors such as cultural-cognitive institutional distance (CCID). Through a systematic review of the contemporary empirical studies on export channel selection, it is found that although previous studies have made advancements in improving our understanding of export channel selection using a variety of theoretical bases, this domain is still immature, in that significant theoretical and methodological gaps exist. Based on this review, the author then carries out an empirical study to explore PDC as the determinant of export channel selection and export performance to address the gaps in current export channel research, integrating resource-based view and institutional theory. Using the data collected from multiple respondents of 294 Chinese export firms, the study finds that firms with higher levels of PDC are more likely to select the hierarchical channel. In addition, the possession of EO negatively moderates the propensity of high PDC-firms to select the hierarchical channel. The study has also found that the moderating effect of EO on PDC-channel selection becomes stronger when the CCID between the home and export market increases, and that the alignment between PDC, EO, CCID, and channel selection can help firms to achieve better export performance. This thesis contributes to the literature by extending the application of RBV and institutional theory in export channel selection, and adds knowledge to the roles of PDC, EO, and CCID in helping firms to achieve better performance in export markets by means of export channel selection.

## **Publications**

Li, Min, Xinming He, and Carlos M. P. Sousa (2017), "A review of the empirical research on export channel selection between 1979 and 2015," *International Business Review*, 26 (2), 303-23.

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## **Declaration and Statement of Copyright**

I hereby declare that this PhD thesis entitled “The determinants of the export channel selection and export performance” has been carried out by myself for the degree of Doctor of Philosophy in English under the guidance and supervision of Dr Xinming He and Professor Carlos M.P. Sousa, Durham University Business School, Durham University, UK.

Part of the thesis is published in *International Business Review* (Li, M. and He, X. and Sousa, C.M.P. (2017) 'A review of the empirical research on export channel selection between 1979 and 2015.', *International Business Review.*, 26 (2). pp. 303-323.).

For the present thesis, which I am submitting to the University, no degree or diploma or distinction has been conferred on me before, either in this or in any other University.

The copyright of this thesis rests with the author. No quotation from it should be published without the author’s prior written consent and information derived from it should be acknowledged.

Place: Durham

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Date: 20/12/2017

PhD Candidate



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## **Chapter 1. Introduction**

Exporting is one of the most important internationalisation strategies by which firms can expand their market base into the international arena, and thereby gain more opportunities and achieve better performance (e.g., Aulakh *et al.*, 1997; He *et al.*, 2013; Klein *et al.*, 1990b). According to the World Bank (2015), exports accounted for around 30% of the global GDP in 2015. In the field of exporting, channel selection is a key strategic decision, being the organisational structure that a company employs to arrange and support the marketing, selling, and distribution of its products into foreign markets (Anderson *et al.*, 1987a; Hoppner *et al.*, 2015; Klein *et al.*, 1990b).

Widely recognised as one of the most important decisions in a firm's international marketing strategy, export channel selection has significant cost and performance implications for exporting organisations (Barney *et al.*, 2001; He *et al.*, 2013); for instance, an export channel cannot be easily reversed when chosen and implemented, due to the high level of sunk costs involved (Anderson *et al.*, 1987a; Ramaseshan *et al.*, 1994). An export channel also plays an important role in affecting firms' export performance, which can exert a vital influence on firms' willingness to hold and continue their investment and involvement in the foreign market (Brouthers *et al.*, 2008a; Sousa *et al.*, 2008; Zou *et al.*, 1998).

The study of export channels can be traced back to the 1970s when some scholars employed case studies to identify the forces behind channel selection (e.g., Duguid *et al.*, 1971). Over the past four decades, a number of studies have been published on the determinants and/or outcomes of export channel selection, while currently, there seems to be increasing interest in the topic, with the number of studies has grown in

recent years (Li *et al.*, 2017). By reviewing the current literature on export channel selection, the author finds that the studies in this field: (1) examine various antecedents to export channel selection; (2) include varied frameworks for the detection of export channel selection, sometimes involving no explicit theoretical foundation; (3) are dominated by one theoretical underpinning – transaction cost analysis (TCA) – and overlook other approaches such as institutions and resources/capabilities; (4) use quite inconsistent typologies of export channels and descriptions of variables; (5) adopt their own methodology and analysis approaches; and (6) often produce contradictory results, with respect to the influence of determinants and consequences of export channel strategies. Being such an important aspect of exporting strategy and a decisive route for performance enhancement, the importance of export channel selection should be highlighted more academically and practically. However, the lack of a systematic effort to comprehensively examine past work in this field not only limits our understanding of the advancements made in the contemporary literature, but also constrains our ability to explore the new territory in this field. There is, therefore, an urgent need to synthesise the extant knowledge on export channel selection studies to facilitate theory development and promote advancement in this area.

In addition to performing a systematic review of research into export channels, this thesis finds that there are several gaps that need to be filled in this field to further enrich our understanding of export channel selection.

Firstly, the theoretical bases used in export channel selection need further development; for example, the applications of resource-based view (RBV) in export channel selection are limited. Although many determinants, including resources,

have been identified as influencing export channel selection, most are based on TCA and regarded as a factor that impacts transaction efficiency (Bello *et al.*, 1995; Klein *et al.*, 1990a; Rialp, 2000). According to RBV, the firm-specific resources/capabilities owned by firms can play an important role in cost reduction and value creation. In order to realise the value of their resource-based advantages, RBV suggests that firms need to find a strategy to support the exploitation of their resource-based advantages (Barney *et al.*, 2001; Brouthers *et al.*, 2008b; Ketchen *et al.*, 2007). Export channel selection is such strategy that can affect the deployment of firms' special resources/capabilities. Previous studies of export channels have mainly looked at the impact of firms' special assets on export channel selection (Li *et al.*, 2017); however, the organisational capabilities that help export firms coordinate export activities and make the best use of basic assets have gone largely overlooked (He *et al.*, 2013; Zou *et al.*, 2003). Although the direct impact of market-oriented capabilities (He *et al.*, 2013) and entrepreneurial-oriented capabilities (Kalinic *et al.*, 2015) on export channel selection has been identified, other capabilities that highlighted in export research such as product development capabilities (PDC) deserve more attention to enable a full understanding of how firms can use export channels to organise their utilisation of different resources/capabilities. In addition, the impact of firm-specific organisational capabilities on export channel selection is unclear; RBV research demonstrates that the value of firms' resources/capabilities is not stable and can be conditioned by other factors such as other resources/capabilities (Carpenter *et al.*, 2001; Shou *et al.*, 2014). This means that the exploitation of particular organisational capabilities can be affected by other resources/capabilities firms own, and therefore in addition to the direct effect of these capabilities on export channel selection, the moderating effect of certain

capabilities on resource-based channel selection form another serious gap in the literature that deserves research attention. Therefore, it is important to look at the roles of different organisational capabilities in export channel selection for an extension to the application of RBV in export channel selection.

Secondly, more consideration needs to be paid to the application of institutional theory in export channel selection, which examines the influence of institutions on shaping the behaviour and strategic choices of organisations and individuals (Oliver, 1991b, 1997a; Scott, 1995). Institutions have been shown to play an important role in decisions as to whether to enter foreign markets (Peng *et al.*, 2008), and a number of studies of export channel selection provide empirical evidence that institutions exert an important influence on channel selection (Campa *et al.*, 1999; He *et al.*, 2013). However, these studies either fail to follow the widely accepted theoretical frameworks of North (1990) or (e.g., Anderson *et al.*, 1987b; Campa *et al.*, 1999), or mix different components of institutions in one congregated variable (He *et al.*, 2013). According to Scott (1995), the three pillars of institutions – regulative, normative, and cognitive institutions – are totally different, and have their own ways of legitimating firms’ behaviour (Suchman, 1995). Accordingly, the differences in these institutional pillars between home and export markets can have a disparate impact on firms’ channel selection. However, limited attention has also been paid to specific institutional distances, such as cultural-cognitive institutional distance (CCID), which have an important impact on individuals’ and organisations’ strategic decision making (Samaha *et al.*, 2014; Triandis, 1989). Moreover, although RBV claims that firm-specific resources/capabilities can provide sustainable competitive advantages to enhance firms’ performance, some scholars argue that the social contexts in which the resources/capabilities are embedded can affect the value of the

resources/capabilities (He *et al.*, 2013; Peng *et al.*, 2009; Peng *et al.*, 2008). Cultural-cognitive institutions are such a social context; since export firms often operate between two cultural-cognitive institutional environments for confirmatory purposes (Li *et al.*, 2017), the CCID's influence on firms' resource-based channel selection is deserving more academic enquiry.

Finally, prior studies into export channels have focused more on the aspect of selection, while the link between export channel selection and its consequence – export performance – has attracted limited attention (e.g., Hessels *et al.*, 2010; Klein *et al.*, 1990a; McNaughton, 1996; Peng *et al.*, 2006). According to the resource-strategy-performance perspective (Barney *et al.*, 2001; Brouthers *et al.*, 2008a; Ketchen *et al.*, 2007; Ray *et al.*, 2004b), firms can select a strategy to support and maximise the value creation of their specific resources/capabilities, and thereby achieve superior performance. Since firms use channel strategies to facilitate the exploitation/enhancement of their firm-specific resources, the strategic fit between their capabilities, institutions, and export channels can significantly influence the result of channel selection and export performance (Barney *et al.*, 2001; Brouthers *et al.*, 2008b). To address this issue, it is important to consider how the alignment between capabilities, conditional factors such as institutional distance, and channel selection affects export performance. However, few studies have addressed this issue in export channel selection (He *et al.*, 2013; Kalinic *et al.*, 2015), and therefore more comprehensive enquiries are required to extend export channel selection research and enrich our knowledge about the performance implications of channel selection.

This thesis fills the above gaps by addressing the following questions: (1) what roles do different organisational capabilities such as PDC and EO play in export channel

selection? (2) How does CCID influence resource-based channel selection? (3) Will firms enjoy a better export performance if the export channels they select are aligned with their capabilities and CCID?

This thesis addresses these questions by using a sample of Chinese export firms to explore the influence of firms' capabilities (PDC and EO) and CCID on export channel selection and export performance. Based on RBV, this thesis aims to investigate the different roles of organisational capabilities on channel selection and performance enhancement, and also integrate RBV with the institutional theory to explore the moderating effect of CCID on export channel selection, based on differing capabilities. Furthermore, based on the resource-strategy-performance perspective (Barney *et al.*, 2001; Brouthers *et al.*, 2008b; Ketchen *et al.*, 2007), this thesis tests the impact of the fit/alignment between a firm's organisational capabilities, institutional distance, and export channel selection on export performance.

By addressing the above issues, this thesis makes the following contributions.

Firstly, it attempts to integrate an understanding of export channel selection research by synthesising the existing knowledge, which includes delineating the evolution of the export channel selection literature and the different approaches available to identify the state of the research field. The review conducted here examines, explores, and separates the previous research into theoretical perspectives, antecedents, and outcomes, and considers the data and analytical methodology adopted in these studies to improve our understanding of how the research questions were addressed. Knowledge of the determinants of export channel strategies and their outcomes can be highly beneficial to both academics and practitioners by



facilitating their understanding of the wisdom accumulated in this field, and providing guidelines to help managers make good channel decisions.

Secondly, following the overview, this thesis examines and analyses in detail the various frameworks, theories, and methodologies applied in the research to date from a bird's-eye view, and thereby appreciate the breadth and depth of current export channel selection research. This comprehensive review contrasts different perspectives, identifies the most relevant approaches, and specifies the dominant relationships, with the goal of synthesising and integrating the diverse angles researchers have employed to explore export channel design, and thereby contribute to theory development.

Thirdly, this thesis identifies and discusses in depth a number of important issues in prior research with regard to conceptualisation, theory, and methodology. Based on the discussion, this thesis then recommends directions for further study, such as antecedents and theories that have not been linked to export channel selection, to strengthen the existing theories and frameworks, and possibly touch on the under-debated connections. This thesis also offers suggestions as to how more robust empirical studies could be conducted by considering methodological and statistical issues. It is hoped that these recommendations and suggestions will stimulate further export marketing research on channel strategies and export performance, and thereby develop more theoretical formulations.

Fourthly, this thesis adds RBV to previous TCA-based export channel selection research by adding the organizational capabilities as determinant and moderator of export channel selection. This thesis conceptualises the valuable organisational capability - PDC as a firm-specific resource and uses the mechanism of RBV to

explain how firms can select the appropriate export channel to support the exploitation of their valuable PDC to improve their value creation from the export channel selection. While previous studies have advanced our knowledge of export channel choice using transaction cost theory (e.g., Campa *et al.*, 1999; Klein *et al.*, 1990a; Peng *et al.*, 2006), they pay large attention to the channel efficiency and focus on the cost-saving effect of the determinant on the transaction cost. However, as channel can not only serve as a way to reduce transaction cost but also a strategy to create value, the differences in firms' special capabilities and the impact of these capabilities on improving export performance through export channel selection are largely overlooked. By examining the value creation potential of leveraging PDC through export channel selection, this thesis deepens our knowledge of value creation in export markets, i.e., firms can use export channel selection to help them better create value from their PDC and contribute to their performance in export market. Furthermore, this thesis looks at the moderating effect of EO on capabilities-based channel selection; and, by separately exploring the moderating role of EO on PDC-based channel selection, this thesis contributes to the applications of RBV in export channel selection, in that capabilities not only have a direct impact on channel selection, but also moderate channel selections that are based on particular capabilities.

Fifthly, this thesis contributes to the export channel selection literature by examining the influence of cultural-cognitive institutional distance on firms' resource-based export channel selection. A number of studies have noted that capabilities that offer competitive advantages in one institutional context may not be valuable in another institutional context (Barney *et al.*, 2011; Oliver, 1997a; Peng *et al.*, 2008). Since the institutional environment varies in every country, differences in institutions will

influence the value of firms' capabilities, the choice of export channel, and then export performance (e.g., Kalinic *et al.*, 2015; Peng *et al.*, 2008; Yeoh *et al.*, 1995). The cultural-cognitive aspect of an institution is important because it shapes the perceptions, dispositions, and behaviour of individuals/organisations (Samaha *et al.*, 2014; Triandis, 1989). The differences between CCID can result in difficulties in predicting customers' needs because cultural and cognitive beliefs and value systems in the export market can be very different from those of the home country (Li *et al.*, 2017; Suchman, 1995). As a result, firms' selection of strategy to support the exploitation of their resources/capabilities will vary according to the CCID between home and export market. This thesis adds to the field by testing and identifying the role of CCID in resource-based channel selections, that is, CCID will impact the PDC-based channel selection through the moderator – EO. While previous studies identify the direct moderating effect of institutional distances such as formal and informal institutional distance on resource-based channel selection (Kalinic *et al.*, 2015), the indirect moderating effect of particular pillar of institutional distance such as CCID is not been identified. This thesis extends previous work by identifying the important indirect moderating effect of CCID on resource-based channel selection through another resource-based moderator, suggesting that CCID will not influence the resource-based channel selection directly but it will influence the channel selection through its impact on particular resource-based moderator. Moreover, this thesis advances the measurement of CCID by looking at managers' perceived CCID. Since channel decisions are made by managers, the CCID between home and export market varies between export firms. Instead of using the unified distance measurement from secondary databases such as Hofstede and GLOBE, managers' perceived CCID can better capture the impact of CCID on firms' channel selection.

Finally, this thesis provides valuable normative evidence in the export channel domain, which has suffered from a lack of empirical studies that offer performance implications. Due to the fact that performance is rarely discussed in the export channel selection literature, there is a lack of validated and evidence-based support for the assessment and evaluation of the impact of the determinants of export channel decisions (Klein *et al.*, 1990b; McNaughton, 2001; Peng *et al.*, 2006). Previous TCA-based studies focusing on channel efficiency did not provide evidence whether the channel with the cost efficiency effect create better performance. In order to address this issue, this thesis introduces the resource-strategy-performance perspective to explain how the firms can create better performance from export channel selection, that is, firms can select an appropriate strategy that fits their exploitation of their resources to enhance their performance (Barney *et al.*, 2001; Brouthers *et al.*, 2008a; Ketchen *et al.*, 2007; Ray *et al.*, 2004b). By integrating an RBV- and institutional theory-based approach, this thesis finds that firms which align their channel selection with their level of PDC and EO and the CCID between home and export market can achieve better performance. Therefore, this thesis adds to the knowledge by showing that firms can enhance their export performance by using export channel to create value in different cultural-cognitive institutional environment as long as this kind of channel strategy fits the exploitation of their PDC, EO in the export market.

This thesis is organised as follows: Chapter 2 comprehensively reviews and summaries empirical studies into export channel selection between 1979 and 2015. Then, a discussion of the implications of these studies is presented at the end of Chapter 2. Chapter 3 consists of an empirical study based on this review, exploring PDC as the determinant of export channel selection, and looking at the moderating

effect of EO on PDC-based channel selection. This thesis then explores the three-way interactions between CCID, EO, and PDC in terms of channel selection and the implications of the PDC-based channel selection on export performance. In Chapter 4, this thesis discusses the theoretical and managerial implications of studies into export channel selection.

## **Chapter 2. A Review of the Empirical Research on Export Channel Selection between 1979 and 2015**

Export channel selection is an important strategy for exporting firms. Over the last 45 years, there have been a number of studies investigating the antecedents and outcomes of this strategy. However, no single study systematically reviews the findings in this field. In order to address this gap, this thesis reviews the literature on export channel selection up to 2015 and analyses findings on the determinants and/or consequences of export channel selection. This review shows that in general export channel selection remains underexplored and identifies a number of issues in the current studies, including lacking knowledge of performance implication of channel selection, missing theoretical bases, weaknesses of research methods. Based on this review, the author provides future research directions for development in export channel selection research.

### **2.1. Scope and analytical approach of the review**

In order to undertake a comprehensive search of the studies on export channel selection, this thesis uses advanced search functions, including EBSCO, Science Direct, Scopus, Web of Science, and JSTOR, to identify the export channel selection literature. Keywords related to export channel selection research (e.g., export channel, intermediary, integrated channel, channel strategy, channel governance, export mode, export integration, export distribution) are used to identify relevant literature without any time restriction. In addition, the author sent out emails on list servers such as the Academy of International Business (AIB) community (one of the largest and most inclusive of its type with over 6,300 subscribers) and asked for studies in the area through their official electronic mailing lists.

Several criteria were established for a study to be included in this research: (1) It must report on a firm(s) that engages in exporting rather than other kinds of foreign market entry modes (e.g., licensing, franchising, joint ventures, or foreign direct investment); (2) it must examine export channel selection from a micro-business perspective rather than that of macroeconomics; (3) it must study export channel selection as a primary and focal objective; (4) it must have an empirical nature which reports data analysis; and (5) it should provide adequate information on research methodologies in order to achieve uniformity and comparability. Case study/research and the literature that appears in non-English publications are not included in this review (e.g., Wen-Shinn *et al.*, 2009). Each article identified by this initial searching process was individually reviewed to ensure that its focal topic was related to export channel selection. Any article that was not topically relevant or did not fit any of the criteria of this review was removed from the sample (e.g., articles focusing on the management of the relationship involved in the export channel rather than selection; articles that study decisions in a given channel rather than the channel selection decision) (e.g., Bello *et al.*, 1985; Chelariu *et al.*, 2006).

After the careful review and selection process, a total of 47 studies were identified (see Table 1), many of which come from leading marketing/international business journals, including *International Marketing Review* (6), *International Business Review* (4), *Journal of International Business Studies* (3), *Journal of Marketing* (2), *Journal of International Marketing* (2), *Journal of the Academy of Marketing Science* (2), *Journal of Management* (1), *Management Science* (1), *Journal of Marketing Research* (1), and *European Journal of Marketing* (1).

**Table 1. Empirical findings of the study reviewed**

Author		Theory <sup>ab</sup>	Antecedents <sup>e</sup>	Mediators <sup>d</sup>	Moderators <sup>df</sup>	Control Variables <sup>de</sup>	Dependent Variable (Channel Selection)	Performance Related
1	Brady <i>et al.</i> (1979)	/	Degree of control (+); Foreign market knowledge (+); Selling cost (mix); Effectiveness of selling product (mix); Amount of export paperwork and document required (+)	/	/	/	Direct channel vs. Indirect channel	No
2	Anderson <i>et al.</i> (1987a)	TCA	Specific assets (+); Product age (NS); Service requirement (NS); Product differentiation (+); Legal restriction (NS); Used channel (+); Relatedness to principal business (NS); Strength of patent (NS); Competitive behaviour (NS); Cultural similarity (+)	/	/	/	Integrated channels vs. Independent channel	No
3	Klein (1989)	TCA	Channel volume (+); Transaction frequency (+); Asset specificity (+); Complexity (+); Dynamism (-)	/	/	Share channel (+); Destination (+)	Degree of vertical control in export channel	No
4	Klein <i>et al.</i> (1990a)	TCA	Channel volume (+); Asset specificity (+); Volatility (mix); Diversity (-);	/	/	Share channel (+); Destination (+)	Hierarchical mode (Foreign) channel vs. Hierarchical mode (Domestic) channel vs. Intermediate mode channel vs. Market mode channel	No



Author		Theory <sup>ab</sup>	Antecedents <sup>e</sup>	Mediators <sup>d</sup>	Moderators <sup>df</sup>	Control Variables <sup>de</sup>	Dependent Variable (Channel Selection)	Performance Related
5	Klein <i>et al.</i> (1990b)	TCA	Psychic distance (mix); Export market experience (mix);	Asset specificity	/	Share channel (+)	Hierarchical mode (Foreign) channel vs. Hierarchical mode (Domestic) channel vs. Intermediate mode channel vs. Market mode channel	No
6	Chan (1991)	/	Resource availability, Choice of target market, Firm type	/	/	/	Integrated channel vs. non-integrated channel	Yes
7	Chan (1992)	/	Home country (NS)	/	/	/	Direct channel vs. Indirect channel	Yes
8	Erramilli <i>et al.</i> (1993)	TCA	Asset specificity (NS)	/	Capital intensity (mix); Inseparability (+); Cultural distance (NS); Country risk (+); Firm size (+)	/	Shared-control mode vs. Full-control mode	No
9	Grønhaug <i>et al.</i> (1993)	/	Firm's resource base (-); Management education (NS); Manager's international experience (NS); Product complexity (NS); Market distance and difference (NS); Foreign sales (mix)	/	/	/	Company owned subsidiary (operation) vs. Outside agent	No

Author		Theory <sup>ab</sup>	Antecedents <sup>e</sup>	Mediators <sup>d</sup>	Moderators <sup>df</sup>	Control Variables <sup>de</sup>	Dependent Variable (Channel Selection)	Performance Related
10	Ramaseshan <i>et al.</i> (1994)	TCA	Export experience (NS); Export volume (-); International heritage (-); Age of technology (NS); Profit expectation (NS); Product knowledge (NS); Service requirement (+); Past growth of export market (NS); Potential of export market (NS); Market proximity (NS)	/	/	/	Indirect channel vs. Direct channel	No
11	Bello <i>et al.</i> (1995)	TCA	Specific Assets (+); Volatility (NS); Diversity (-); Export volume (+); Export intensity (+)	/	/	/	Non-integrated mode (agent) vs. Non-integrated mode (distributor)	No
12	McNaughton (1996)	TCA	Channel volume (+); Asset specificity (+); Volatility (+); Diversity (NS)	/	/	Product Customisation (+); Destination (NS)	Hierarchical mode (Foreign or Domestic) channel vs. Intermediate mode channel vs. Market mode channel	No
13	Osborne (1996)	TCA	Specific Assets; Export volume; Firm size; External uncertainty; Product differentiation; Service requirement; Cultural similarity; International experience; Used channel; Political factors	/	/	/	Integrated channel vs. Indirect integrated channel vs. non-integrated channel	No
14	Aulakh <i>et al.</i> (1997)	ET	Asset specificity (mix); Country risk (-); International experience (mix); Firm size (NS); Market position strategy (NS); Global integration strategy (+); Differentiation strategy (mix)	/	/	/	Hierarchical mode channel vs. Intermediate mode channel vs. Market mode channel	Yes

Author		Theory <sup>ab</sup>	Antecedents <sup>e</sup>	Mediators <sup>d</sup>	Moderators <sup>df</sup>	Control Variables <sup>de</sup>	Dependent Variable (Channel Selection)	Performance Related
15	Campa <i>et al.</i> (1999)	TCA	Intangible assets (+); Product differentiation (+); Resource availability (+); Export commitment(NS); Development level of competitor's host country (NS); Potential of export market (+); Institutional and cognitive constraints (+)	/	/	/	Internalized channel vs. Shared-control channel	No
16	Burgel <i>et al.</i> (2000)	SM, TCA, OC	Firm size (+); International experience (NS); Manager's international experience (NS); Used channel (+); Product technology age (NS); Product customisation (+); Service requirement (NS)	/	/	R&D intensity(NS)	Intermediary channel vs. Direct channel	No
17	Rialp (2000)	TCA	Channel volume (NS); Product line (NS); Production technology (mix); Specific Assets (+); Assets technological intensity (mix); Product differentiation (mix); Service requirement (mix); Firm size (+); Resource availability (+); Foreign capital (+); Export commitment (+); Cultural similarity (+); External uncertainty (NS); Foreign distribution advantages (+)	/	/	/	Proprietary forms and/or commercial alliances vs. Independent channels	No
18	Kim (2001)	TCA, FA	Transaction-specific assets (+); Service requirements (+); Sales value (+); Foreign market experience (NS); Outside distributor's capability to perform the distribution functions (mix); Age of product (NS)	/	/	/	Integrated channel vs. Non-integrated channel	No

Author		Theory <sup>ab</sup>	Antecedents <sup>e</sup>	Mediators <sup>d</sup>	Moderators <sup>df</sup>	Control Variables <sup>de</sup>	Dependent Variable (Channel Selection)	Performance Related
19	McNaughton <i>et al.</i> (2001)	TCA	Asset specificity (-); Volatility (NS); Diversity (+); Channel volume (-); Product customisation (NS); Destination (NS)	/	/	/	Market mode channel vs. Intermediate mode channel vs. Hierarchical mode channel	No
20	Chung (2002)	/	Firm's characteristics (NS); Product related characteristics (+); Home market position (NS); Potential of export market (NS); Market size of export country (-); Buyers' business mode (+); Industry difference (NS)	/	/	/	Direct channel vs. Indirect channel	No
21	Li (2002)	REP, TCA	Country-specific knowledge; Superior capabilities; Trust; Market growth; Opportunism; Exporter's wish to increase coverage	/	/	/	Market mode channel vs. Intermediate mode channel vs. Hierarchical mode channel	No
22	Li <i>et al.</i> (2002)	RCP, TCA, UM	Experiential knowledge (mix), Market turbulence (-); Activity complementarity (+*); Market concentration (NS); Brand power (+); Trust (+*)	/	/	/	Hierarchical mode channel vs. Intermediate mode channel vs. Market mode channel	No
23	McNaughton (2002)	TCA	Asset specificity (-); Volatility (-); Diversity (+); Channel volume (NS); Channel Growth (-); Product customisation (NS); Destination (NS)	/	/	/	Multiple channel vs. Single channel	No

Author		Theory <sup>ab</sup>	Antecedents <sup>e</sup>	Mediators <sup>d</sup>	Moderators <sup>df</sup>	Control Variables <sup>de</sup>	Dependent Variable (Channel Selection)	Performance Related
24	Merino <i>et al.</i> (2002)	TCA	R&D activities (NS); Standardised product (NS); Level of customer service (+); Service requirement (NS); Brand (NS); Physical and cultural distance (NS); Scale economies effect (+); Number of employee (NS); National ownership (+)	/	/	/	Proprietary export channel vs. Non-proprietary export channels	No
25	Rialp <i>et al.</i> (2002)	TCA	Firm size (+); Resource availability (+); Foreign investment (+); Structured planning of export activity (+); Product complexity (+); Product differentiation (+); Promotional activities (+); Level of customer service (+); Industrial Sector (+); Specific foreign market knowledge (+); External uncertainty (+); Export Volume (+); Product line (-); Perception of competitive advantage (+)	/	/	/	Proprietary forms vs. Commercial alliances vs. Independent channels	No
26	Trabold (2002)	TCA	Market Distance (-); Product complexity (-)	/	/	/	Indirect channel vs. Direct channel	No
27	Li <i>et al.</i> (2003)	TCA, OC, MC	Asset specificity (+); Country risk (NS); Firm size (+)	/	/	/	Hierarchical mode channel vs. Intermediate mode channel vs. Market mode channel	Yes

Author		Theory <sup>ab</sup>	Antecedents <sup>e</sup>	Mediators <sup>d</sup>	Moderators <sup>df</sup>	Control Variables <sup>de</sup>	Dependent Variable (Channel Selection)	Performance Related
28	Ekeledo <i>et al.</i> (2004)	RBV	Proprietary technology (+); Tacit know-how (NS); Business experience (+); Specialized assets (+); Firm size (+); Organisational culture (+); Company reputation (+); Complementary resource (+);	/	Nature of the product (mix)	/	Sole (Full) control mode vs. Shared control mode	No
29	Li (2004)	/	Product life cycle; Competition intensity; Differential pricing; Grey marketing; Intermediary power; Broad targeting	/	/	/	Internet channel vs. Export intermediaries	No
30	Eriksson <i>et al.</i> (2006)	UM	Foreign market knowledge (+); Potential of export market (+); Cultural distance (+); International experience (NS); Customer knowledge (NS); Competitor knowledge (NS)	/	/	Firm size (NS); Firm age (NS); Power distance in the country of origin (+)	Integrated channel vs. Non-integrated channel	No
31	Peng <i>et al.</i> (2006)	TCA	Market Distance (-); Product complexity (-)	/	/	/	Direct export vs. Indirect export	No
32	Lau (2008)	TCA	Firm size (+); Firm age (+); Product complexity (+)	/	/	/	Direct channel vs. Indirect channel vs. Multiple channel	No
33	Arranz <i>et al.</i> (2009)	UM, INVM	Competitive strategy (-); Reactive strategy (+)	/	/	Industry sector (NS); Firm size (mix); Turnover abroad (mix)	Market channel vs. Cooperative channel	No

Author		Theory <sup>ab</sup>	Antecedents <sup>e</sup>	Mediators <sup>d</sup>	Moderators <sup>df</sup>	Control Variables <sup>de</sup>	Dependent Variable (Channel Selection)	Performance Related
34	Carazo <i>et al.</i> (2010)	EM	Firm size (+); Firm age (NS); International experience (+); Age of managers (+); Management education (+); Management international experience (-); Specificity of assets for export (+); Specificity of assets for production (+); Transactions frequency (+); Product diversification (+); Foreign market diversification (-); Stimulus in foreign countries (-); Barriers in foreign countries (+); Sector internationalization level (-)	/	/	/	Direct channel vs. Indirect channel	No
35	Hessels <i>et al.</i> (2010)	RDT, IT	Perceived favourability of home country (mix); Perceived internationalisation of the operation field (NS)	/	/	Industry (+); Firm size (+); Firm age (-); Resource base (NS); Business owner's education (NS); TMT foreign experience (+); Foreign investors (+)	Indirect channel vs. Direct channel	No

Author		Theory <sup>ab</sup>	Antecedents <sup>e</sup>	Mediators <sup>d</sup>	Moderators <sup>df</sup>	Control Variables <sup>de</sup>	Dependent Variable (Channel Selection)	Performance Related
36	Khemakhem (2010)	TCA, UM	Product complexity (NS); Service requirement (-); Promotional activities (NS); Product knowledge (NS); Product adaption needs (+); Management goal (-); Management expectation (NS); Management engagements (NS); Demand condition (NS); Competition condition (NS)	/	/	/	Independent channel vs. Integrated channel	No
37	Parente <i>et al.</i> (2010)	TCA	Cultural distance (NS); Intangible assets (+); Degree of product line concentration (NS); Product complexity (NS);			Firm size (+); Advertising intensity (NS); Year-specific effects (NS)	Direct writing distribution vs. Independent agency	Yes
38	Gabrielsson <i>et al.</i> (2011)	UM, TCA	Long-term channel relations	/	/	/	Partner-based channels (indirect, dual, hybrid) vs. Non-partner-based channels (direct)	No
39	Abel-Koch (2013)	/	Firm size (-)	/	/	Firm age (NS); Product innovation (+); Product quality (-); Strength of patent (-); Contract enforceability (NS); Multinational firms (-); Free trade zone (-); Direct import (-); Indirect import (+)	Indirect channel vs. Direct channel	No



Author		Theory <sup>ab</sup>	Antecedents <sup>e</sup>	Mediators <sup>d</sup>	Moderators <sup>df</sup>	Control Variables <sup>de</sup>	Dependent Variable (Channel Selection)	Performance Related
40	Cho <i>et al.</i> (2013)	TCA	Searching costs (-); Bargaining costs (-); Monitoring costs (-); Product standardisation (+); External uncertainty (+); Institutional influence (NS)	/	/	/	E-intermediary vs. Market intermediary	No
41	He <i>et al.</i> (2013)	RBV, IT	Market orientation (+)	/	Institutional distance (+);	Ownership (mix); Industry (mix); Firm size (NS); Export experience (NS); International experience (NS); Market experience (+); R&D (NS); Frequency (NS); Asset specificity (+); Internal uncertainty (NS); External uncertainty (NS); Market size (NS)	Hierarchical channel channel vs. Hybrid (Intermediate)	Yes

Author		Theory <sup>ab</sup>	Antecedents <sup>e</sup>	Mediators <sup>d</sup>	Moderators <sup>df</sup>	Control Variables <sup>de</sup>	Dependent Variable (Channel Selection)	Performance Related
42	Sandberg (2013)	NP	Societal Knowledge (+); Business network knowledge (+); Customer-specific knowledge (+)	/	/	/	Hierarchical mode (Foreign) channel vs. Hierarchical mode (Domestic) channel vs. Intermediate mode channel vs. Market mode channel	No
43	Fernández-Olmos <i>et al.</i> (2014)	TCA, RBV, UM	Firm size (+); Intangible Resources (mix); Product quality (+); International experience (+)	/	/	Business group affiliation (+); Firm age (NS)	Direct channel vs. Indirect channel	No
44	Dung <i>et al.</i> (2015)	PDp	Psychic distance (NS); Entrepreneurs' age (-); Entrepreneurs' education (+); Entrepreneurs' international experience (NS); Entrepreneurs' social ties (NS)	Entrepreneurs' actual behavioural control (NS)	Entrepreneurs' actual behavioural control (NS)	Firm size (+); Firm age (-); Firm's location (-); Firm's industry (NS)	Direct channel vs. Indirect channel	No

Author		Theory <sup>ab</sup>	Antecedents <sup>e</sup>	Mediators <sup>d</sup>	Moderators <sup>df</sup>	Control Variables <sup>de</sup>	Dependent Variable (Channel Selection)	Performance Related
45	Fernández-Olmos <i>et al.</i> (2015)	RBV	R&D intensity (NS); Advertising intensity (NS); Human resources (+); International experience (NS)	/	/	Firm size (+); Information and communication technology (+); Firm age (NS)	Direct channel vs. Indirect channel	Yes
46	Kalinic <i>et al.</i> (2015)	RBV, IT	Entrepreneurial orientation (+)	/	Regulative institutional distance (-); Normative/cognitive institutional distance (mix)	Asset specificity (NS); Internal uncertainty (mix); External uncertainty (mix); Frequency (-); Firm size (NS); International experience (NS); Number of countries (NS); Export channel experience (-); Nationality (-); Industry (mix)	Hierarchical channel vs. Cooperative channel	Yes
47	Serrano <i>et al.</i> (2015)	TCA, UM	The using of Internet (+)	/	/	Product differentiation (NS); Human capital (+); Firm's size (+); Firm's age (NS); Foreign investors (NS)	Direct channel vs. Indirect channel	No

Notes: a. '/' denotes no theoretical bases have been identified.

b. TCA = Transaction Cost Analysis, RBV = Resources-based View, IT = Institutional Theory, UM = Uppsala Internationalisation Process model, OC = Organisational Capability Perspective, RDT = Resource Dependency Theory, NP = Network Perspective, ET = Eclectic Theory, MC = Marketing Control Theory, SM = Stage Model of Internationalisation, REP = Relational exchange paradigm, RCP = Relational contracting paradigm, EM = Eclectic model, PDp= Psychic Distance perspective, INVM = International New Venture Model

c. ANOVA = analysis of variance, BA = bivariate analysis, CA = correlation analysis, MDA = multiple discriminant analysis, RA = regression analysis, PA = path analysis, SEM = Structural Equation Model, CTA = content analysis, FA = Functional Approach

d. '/' denotes no mediator/moderator/control variable is used.

e. += increases likelihood of the first channel mode against the rest choices or positive effect on channel internalisation/externalisation, - = decreases likelihood of the first channel mode against the rest choices or negative effect on channel internalisation/externalisation, +\* = increases likelihood of the second channel mode against the rest choices or positive effect on channel internalisation/externalisation, -\* = decreases likelihood of the second channel mode against the rest choices or negative effect on channel internalisation/externalisation, mix = mixed result, NS = not significant.

f. += significantly positive impact on the link between antecedent and the channel selection, - = significantly negative impact on the link between antecedent and the channel selection, mix = mixed result, NS = not significant.

This relatively small number of articles on export channel selection is surprising, indicating that this field, whilst having attracted some scholarly enquiries, is not as flourishing as other aspects of exporting such as export performance (Chen *et al.*, 2016; Sousa *et al.*, 2008) and, hence, demands much more research effort to provide richer and robust answers to the focal question of what drives exporting firms' channel selection. That said, the studies to date have revealed many important antecedents and consequences of channel selection (e.g., He *et al.*, 2013; Klein *et al.*, 1990b; McNaughton, 2001; Trabold, 2002).

Following the approach used by many scholars on exporting (e.g., Sousa *et al.*, 2008; Tan *et al.*, 2011; Zou *et al.*, 1998), this review employs the vote-counting technique instead of meta-analysis as the analytical method because the latter requires a relatively large sample size (i.e., the number of studies) to establish the relationship between two variables (Hunter *et al.*, 1990), and the articles reviewed cannot meet this specific condition. The vote-counting approach has the advantage that it “summarises for each independent factor, the number of studies that report a significant positive effect, a significant negative effect or a non-significant effect” on export channel selection, offering a clearer picture for reading (Sousa *et al.*, 2008: 346).

## **2.2. Theoretical bases and frameworks**

In this section, the author discusses the typology of the export channel, and theoretical frameworks of the studies reviewed. In order to secure a comprehensive view of export channel strategy, the author develops a table that presents the

theoretical bases, analysis method used, and findings of the export channel selection studies included (see Table 1). Due to the complexity of the export channel structure applied in the previous research, this review starts with the typology of the export channel.

### 2.2.1. Typology of export channel

There seems to be no agreement on a typology of the export channel structure.

Hence, there is considerable difficulty in comparing empirical findings. Over 15 typologies are found in previous export channel selection literature (See Table 2).

Among them, the direct/indirect channel classification of Brady and Bearden (1979) is the most popular, adopted by 14 studies (e.g., Chung, 2002; Peng *et al.*, 2006; Trabold, 2002). According to them, firms sell their offerings to foreign customers or foreign middlemen/agents/distributors directly or through a company-owned salesforce/distribution channel located overseas in a direct export channel whereas in indirect channels firms sell to a middleman, agent or distributor who exports for them to the target countries.

Another popular scheme is devised by Klein *et al.* (1990b). They developed a useful categorisation of three types of channel referring to the market mode, intermediate mode, and hierarchical mode (including integrated channels with offices at home and/or in foreign markets) according to the degree of integration. Ten studies adopt this typology (e.g., He *et al.*, 2013; Rialp *et al.*, 2002). Compared with the direct/indirect channel typology, the categorisation of market/intermediate/hierarchical provides a more specific description of firms' roles and involvement in export activities. Also, the direct/indirect channel typology

includes distributor, agent/middleman in both direct and indirect channel structures, therefore, the differences between these channel members cannot be distinguished clearly. As the role and function of distributor and agent/middleman are quite different in practice, the Klein *et al.* (1990b) categorisation offer a clearer view of channel structures in exporting.

In addition to these two categorizations, the typology developed by Anderson and Coughlan (1987) which includes integrated and independent channels is adopted by six studies (e.g., Khemakhem, 2010; McNaughton *et al.*, 2001; Ramaseshan *et al.*, 1994).

Service is quite different from other industries due to the specificity and characteristics of service and its offerings (Kotler *et al.*, 2010). Six studies reviewed look at the channel selection for service industry (e.g., Erramilli *et al.*, 1993; McNaughton, 1996; Parente *et al.*, 2010). According to the feature of the offering in some non-separable service sector, studies such as Erramilli *et al.* (1993) and Ekeledo *et al.* (2004) developed a classification of shared-control/full control export mode for the channel selection of service firms while direct writing/independent agency typology is used by Parente *et al.* (2010).

As shown in Table 2, in addition to these typologies, there are a number of typologies that have only been used once or twice such as proprietary channel/non-proprietary channel classification used by Gabrielsson *et al.* (2011), single/multiple channel classification used by McNaughton (2002), and hierarchical/cooperative channel classification used by Kalinic *et al.* (2015).

**Table 2. Typology and definition of channel structures**

Typology of channel structure	Definition of channel structures	Studies applied this typology	No of studies applied this typology
Direct channel  vs.  Indirect channel	Firms sell to foreign customers or foreign middlemen/agents/distributors directly or through a company-owned salesforce/distribution channel located overseas  Firms sell to a middleman, agent or distributor who exports for them to the export countries	Brady <i>et al.</i> (1979), Chan (1992), Ramaseshan <i>et al.</i> (1994), Chung (2002), Trabold (2002), Peng <i>et al.</i> (2006), Lau (2008), Carazo <i>et al.</i> (2010), Hessels <i>et al.</i> (2010), Abel-Koch (2013), Fernández-Olmos <i>et al.</i> (2014), Dung <i>et al.</i> (2015), Fernández-Olmos <i>et al.</i> (2015), Serrano <i>et al.</i> (2015)	14
Market channel vs. Intermediate channel vs. Hierarchical channel (including both domestic and foreign hierarchical mode)	Firms use distributors who take title and perform all marketing and distribution functions  Firms use agents or sharing control with another company/agent to perform the marketing and distribution functions  Firms use the company-owned sales organisation(domestic hierarchical mode)/establish a foreign subsidiary (foreign hierarchical mode) to perform marketing and distribution functions	Klein <i>et al.</i> (1990a), Klein <i>et al.</i> (1990b), McNaughton (1996), Aulakh <i>et al.</i> (1997), McNaughton <i>et al.</i> (2001), Li (2002), Li <i>et al.</i> (2002), Li <i>et al.</i> (2003), He <i>et al.</i> (2013), Sandberg (2013)	10
Integrated channel  vs.  Independent channel (or Non-integrated channel)	Firms use primarily captive agents (company salesforce and company distribution division) to perform export activities  Firms use primarily independent intermediaries (outside sales agents and distributor) to perform export activities	Anderson <i>et al.</i> (1987a), Chan (1991), Bello <i>et al.</i> (1995), Kim (2001), Eriksson <i>et al.</i> (2006), Khemakhem (2010),	6



<b>Typology of channel structure</b>	<b>Definition of channel structures</b>	<b>Studies applied this typology</b>	<b>No of studies applied this typology</b>
Shared-control channel vs. Full control channel	A share control channel that requires low-to-moderate commitment of resources, exposes the company to low-to-moderate business risk, and allows the company low-to-moderate return on investment  A wholly owned channel enquires the highest commitment of company resources, exposes the company to the highest level of business risk, and allows the highest return on investment	Erramilli <i>et al.</i> (1993), Ekeledo <i>et al.</i> (2004)	2
Proprietary forms vs. Commercial alliances vs. Independent channels	Firms run commercial facilities abroad on his own  A shared institutional mechanism to develop commercialization and/or distribution activities abroad to take advantage of the partner's physical presence and/or market knowledge of a country-market in question, without the exporter having to establish itself there  Firms carry out international distribution through external intermediaries formed by agents and/or independent distributors in international markets	Rialp (2000), Rialp <i>et al.</i> (2002)	2
Distributor vs. Direct export	Firms ally with a partner (using a distributor) to perform export activities  Firms export its offering to foreign market alone (direct exporting)	Burgel <i>et al.</i> (2000)	1
Export Intermediaries vs. Internet channel	Firms use export merchants or export agents to perform export functions in foreign market  Firms use internet to export to the customer is foreign market directly	Li (2004)	1
Fully internalized channel vs. Shared-control channel	Firms direct invest in proprietary marketing and distribution abroad  Firms joint ownership of foreign distribution asset or strategic alliances in distribution with firms located in the foreign market to perform export activities	Campa <i>et al.</i> (1999)	1

Typology of channel structure	Definition of channel structures	Studies applied this typology	No of studies applied this typology
Partner based channel vs. Non-partner based channel	The born global firm in selling to indirect channel partners/or let local distributors become part of a mixed system in which the producer manages numerous customers directly with the Internet, while the local distributors focus on discrete segments of national markets  The born global producer carries out all the channel functions by itself and applies the Internet for both promotion and to generate customers and/or handle product fulfilment	Gabrielsson <i>et al.</i> (2011)	1
Market channel vs. Cooperative channel	Firms assigning distributors to export  Firms using cooperation agreements in their exporting activities	Arranz <i>et al.</i> (2009)	1
Hierarchical channel vs. Cooperative channel	Exporting firms take full responsibility for distribution and marketing of its products in the foreign country  Exporting firms share some of the distribution or marketing with a foreign-based partner through structures such as joint ventures, merchant distributors, and commission agents	Kalinic <i>et al.</i> (2015)	1
Market intermediary vs. E-intermediary	A specialist firm that functions as the export department of several manufactures in non-competitive lines to hep firm in exporting  An independent market intermediary serving as a B2B electronic marketplace in a form of cyberspace in which qualified members post offers to buy and sell and sales representatives then search the globe for firms that can supply or purchase relevant products, matching exporters with foreign buyers	Cho <i>et al.</i> (2013)	1
Integrated channel vs. Indirect integrated channel vs. Non-integrated channel	Firms integrated directly i.e. had set up joint venture or wholly-owned sales subsidiaries without using an existing distributor  Firms integrated through existing distributor  Firms use only third-party distributor	Osborne (1996)	1

<b>Typology of channel structure</b>	<b>Definition of channel structures</b>	<b>Studies applied this typology</b>	<b>No of studies applied this typology</b>
Proprietary channel vs. Non-proprietary export channels	Firms use vertical integration to perform distributional and sales activities  Firms use external agents or distributors to perform distributional and sales activities	Merino <i>et al.</i> (2002)	1
Direct writing distribution system  vs. Independent agency distribution system	A distribution system includes both salespeople employed by the insurance firm and exclusive agents  A distribution system consists of non-exclusive agents	Parente <i>et al.</i> (2010)	1
Company owned subsidiary (operation) vs. Outside agent	Firm use the company owned sales operation abroad to handle foreign business activities  Firms contracting an outside agent to handle foreign business activities	Grønhaug <i>et al.</i> (1993)	1
Multiple channel vs. Single channel	Firm use a combination of direct and indirect channel in exporting  Firm use a direct or an indirect channel only in exporting	McNaughton (2002)	1
Degree of vertical control in export channel	The degree of centralization and formalization exerted by exporting firms in their export channels	Klein (1989)	1

### 2.2.2. Theories and frameworks

A number of studies were grounded in different theoretical perspectives, including TCA (e.g., Bello *et al.*, 1995; Klein *et al.*, 1990a), the Uppsala internationalization process model (UM) (e.g., Eriksson *et al.*, 2006; Khemakhem, 2010), the resource-based view (RBV) (including organisational capabilities theories) (He *et al.*, 2013; Li *et al.*, 2003), and institutional theory (IT) (e.g., He *et al.*, 2013; Hessels *et al.*, 2010). Some studies, especially earlier publications, do not explicitly draw on major theories (e.g., Brady *et al.*, 1979; Chan, 1992). This review now analyses the four major theoretical perspectives and the antecedents involved in the studies reviewed (see also Table 1).

*Transaction Cost Analysis.* Among the theories that have been used, TCA holds a dominant position in explaining export channel decisions, and 29 of the studies reviewed are TCA-based (see Table 1). TCA demonstrates that the decision to apply a particular governance structure depends on the comparative transaction cost (Erramilli *et al.*, 1993; Klein *et al.*, 1990b). Therefore, exporting firms will choose the channel structure that allows them to perform at lower cost, and rely on the market if it is effective (Klein *et al.*, 1990a; Williamson, 1979).

Bounded rationality and opportunism are the two key assumptions in TCA (Williamson, 1979, 1985). Bounded rationality assumes the constraints of decision makers' cognitive capabilities and limits on their rationality can become a barrier for firms when facing uncertainties (both environmental and behavioural), which will affect transaction cost (Rindfleisch *et al.*, 1997; Standifird *et al.*, 2000; Williamson, 1979). Opportunism can create problems such as lying, cheating or violating

agreements, and leading people/organisations to behave in their own interests, thus increasing the cost of co-ordination (Rindfleisch *et al.*, 1997; Zhao *et al.*, 2004).

Asset specificity, uncertainty (both internal and external) and frequency are three conditions that are relevant to transaction cost which will affect transaction arrangements. Asset specificity and internal uncertainty can influence the transaction cost level under the assumption of opportunism, while external uncertainty can influence the transaction cost according to the assumption of bounded rationality (Brouthers *et al.*, 2007; Williamson, 1985). Unlike asset specificity and uncertainties, frequency is negatively linked to transaction cost as the increased frequency can enable firms to achieve a scale effect that reduces transaction cost (Williamson, 1979, 1985). These three factors in exporting can influence transaction cost levels and, subsequently, export channel arrangements (e.g., Anderson *et al.*, 1987a; Klein *et al.*, 1990a).

Asset specificity refers to the specialised human and physical assets accumulated during the transaction (Klein *et al.*, 1990b; Williamson, 1979). Eighteen studies include asset specificity. Among them, the majority of the studies (15) identify that a high level of asset specificity leads to a greater degree of internalisation of the channel structure (e.g., Klein *et al.*, 1990a; McNaughton, 1996) while three of them fail to have similar results or have mixed results (e.g., Aulakh *et al.*, 1997; Erramilli *et al.*, 1993).

Internal (behaviour) uncertainty arises when firms have difficulty in assessing their partners' performance under the assumption of bounded rationality (Williamson, 1985). This can be the result of lacking good measures of output or specifying the performance incorrectly (Anderson *et al.*, 1986). Experience is a common way to

measure the internal uncertainty of a firm. When firms have more experience, especially international experience, the internal uncertainty will be lower (Anderson *et al.*, 1986; Brouthers *et al.*, 2007; Zhao *et al.*, 2004). Experience is included in 11 previous export channel studies to explore the influence of internal uncertainty on export channel selection. Although the three studies with significant results all provide support that a higher degree of control in export channel will be chosen when firms gain greater international/exporting experience (e.g., Carazo *et al.*, 2010; Ekeledo *et al.*, 2004), over half of the 11 studies found no evidence or mixed results concerning the connection between internal uncertainty and export channel selection (e.g., Eriksson *et al.*, 2006; Fernández-Olmos *et al.*, 2015).

External uncertainty, or environmental uncertainty, refers to unpredictable changes in circumstances around the exchange (Klein *et al.*, 1990a; Rindfleisch *et al.*, 1997). The unpredictability and changeability of environmental conditions create difficulty for transaction parties in drafting/amending/implementing a contract given their bounded rationality (Klein, 1989; Rindfleisch *et al.*, 1997). Nine studies consider external uncertainty (e.g., Cho *et al.*, 2013; Rialp *et al.*, 2002), five of which examine the influence of the two dimensions of external uncertainty: volatility and diversity, on export channel selection (e.g., Bello *et al.*, 1995; McNaughton, 1996).

Surprisingly, only three studies identify that external uncertainty positively leads to the selection of hierarchical channel/internet as the intermediary/single channel significantly. For the remaining studies, four found mixed effects of volatility and diversity on export channel selection, while two studies found no significant result.

Frequency is used to describe the recurrence of transactions (Brouthers *et al.*, 2007; Williamson, 1985). Often proxied as volume, frequency helps to spread both

production cost and transaction costs, and enables firms to realise economies of scale (Bello *et al.*, 1995; Klein *et al.*, 1990a; Williamson, 1985). In total, ten studies focusing on the impact of frequency on export channel selection use volume (including channel and export volume) as the determinant. Among them, seven studies found a positive relationship with the selection of direct or hierarchical export channels (e.g., Klein, 1989; McNaughton, 1996), while the remaining three found no significant influence (e.g., Osborne, 1996; Rialp, 2000).

Generally, previous research provides support for the idea of TCA, suggesting that high transaction costs lead to greater channel integration (e.g., Klein *et al.*, 1990b; McNaughton, 1996). Despite the number of transaction cost-based studies, there is much room for improving the knowledge and application of TCA to export channel selection. More thoughts need to be given to issues such as how internal uncertainty and external uncertainty influence export channel selection. By exploring and developing the antecedents and measures that correspond more to the theoretical perspectives of TCA, we can gain a deeper understanding of how transaction costs affect the export channel decision (Brouthers *et al.*, 2007).

*Uppsala Internationalisation Process Model.* The Uppsala model (UM) is a popular theory to explain the mechanism of internationalisation and seven studies used UM as their theoretical base (e.g., Eriksson *et al.*, 2006; Fernández-Olmos *et al.*, 2015; Gabrielsson *et al.*, 2011). It indicates that firms go through four different stages when entering international markets. Accordingly, firms will start their internationalisation with sporadic export activities before they export via intermediaries such as agents; they then establish overseas sales subsidiaries, and

finally set up manufacturing/production units in the overseas market (Johanson *et al.*, 1977, 2009; Johanson *et al.*, 1990).

Psychic distance is an important concept in the UM. It results from a collection of factors that can create barriers in the process of translating information from firms to their markets, such factors being identified as language differences, cultural differences, political differences (Johanson *et al.*, 1977). The problems associated with psychic distance encourage firms to begin their export business in foreign markets that are less distant from the home market in psychic terms than others, in order to avoid the disadvantages brought about by the liability of foreignness.

The basic assumption of the UM is that firms will learn from their operations in export markets to enhance their ability to identify opportunities and that they will change the commitment decision about their current activities in order to strengthen their position against foreign competition (Johanson *et al.*, 2009). Therefore, as market knowledge grows, firms will make a greater investment in the foreign market in the hope of securing more opportunities.

However, as global competition and technological development are becoming more intense and faster than ever, some scholars argue that the old, incremental internationalisation model is no longer valid (Forsgren, 2002; Johanson *et al.*, 2003; Petersen *et al.*, 1997). This argument suggests that firms do not have to enter foreign markets through the stage chain; they can, in fact, proceed to internationalisation more rapidly by methods such as joint venture, strategic alliance, and even acquisitions, which no longer correlate with psychic distance (Johanson *et al.*, 2009; Madsen *et al.*, 1997). The recent development of the UM views the business environment as a relationship web instead of a market system with independent



suppliers and customers (Johanson *et al.*, 2003, 2009). According to this extension of the UM, firms start their business by identifying the knowledge needed for the opportunities and identifying the relationship that can provide them with the knowledge required to exploit those opportunities. By establishing the relationship with the source of knowledge, firms have more chances to discover and even create opportunities. The increased knowledge volume can then affect their trust in, and commitment to the relationship, thereby prompting them to take actions to change their position in the network.

Although the UM has already been applied in international business research for over 40 years, its application in export channel selection is rare. According to UM, firms' selection of export channel will largely base on the knowledge needed for the opportunities (Johanson *et al.*, 2003, 2009). Therefore, the more knowledge a firm needs to acquire in the export market, the more probability it will have to select an export channel structure such as market or intermediate mode that enables it to obtain the knowledge required. In contrast, when firms have enough knowledge about the export market, they do not rely much on acquiring knowledge from the external relationships. In this sense, they will more likely to set up the integrated channel structure such as the hierarchical channel. The limited number of studies seems to support the UM in predicting channels. As different export channels can be seen as different network structures, their abilities vary in offering firms the knowledge to exploit and create opportunities in foreign markets. Therefore, firms need to analyse and identify the knowledge they need in order to make a better selection of an export channel in order to benefit from the channel relationship. Correspondingly, factors such as foreign market knowledge, the potential of the export market, and cultural distance are found to be positively related to the selection

of an integrated channel (Eriksson *et al.*, 2006). Hence, when firms have enough resources to commit, they are less likely to use intermediaries such as agents.

Although current UM-based export channel research provides support for the use of the model, there remains a lack of development in the application of the framework. According to both the original version and new development of the UM, there should be an outcome, such as changes of the mode/relationship, once a firm acquires new knowledge (Johanson *et al.*, 2009). Therefore, the application of the UM deserves more attention as the model not only explains why firms will choose a particular export mode, it also offers a chance to explain the dynamic changes in firms' channel selection.

*Resource-based View.* The RBV (which here also includes organisational capabilities theories) is a relatively new framework used by five studies to explain a firm's export channel strategy and performance. Some studies suggest that entry decisions like exporting should not be viewed in isolation or solely as a cost-reducing process, but should rather be considered as an important aspect of the firm's overall strategic posture (Hill *et al.*, 1990; Peng, 2001). The RBV offers a value creation perspective on the mechanism behind export channel selection.

The RBV suggests that sustainable competitive advantages (SCA) come from a firm's valuable, rare, imperfectly imitable, and non-substitutable resources and capabilities (Barney, 1991; Barney *et al.*, 2001). According to the resource-structure-performance perspective, firms can select an organisational structure to maximise the utilisation of their special resources in order to achieve superior performance (Barney, 2001; Brouthers *et al.*, 2008b; Ray *et al.*, 2004a). As the export channel is such a structural arrangement, exporting firms should select an export channel that

fits the exploitation need of the resources/capabilities in order to benefit from the SCA (Barney, 2001; Brouthers *et al.*, 2008a; Ray *et al.*, 2004a).

Though it is a mature theory, RBV as a means of analysing export channel selection remains under-utilised. Reid (1983) notes that the resources and capabilities required to handle an export order can influence the choice of exporting structure. This assumption is supported by many later studies as several resource-based variables, such as resource availability, intangible assets, experience, foreign market knowledge, commitment, have been linked with export channel selection (e.g., Burgel *et al.*, 2000; Campa *et al.*, 1999; Rialp *et al.*, 2002). However, most of the research in this area takes the approach of constructing frameworks using TCA and focusing on the transaction efficiency brought by resources, to the exclusion of considerations regarding performance.

The application of RBV as a theoretical underpinning for export channel research was rare before 1998 when Peng and Ilinitch (1998) conducted the first qualitative study explicitly for the conceptualisation of export channel analysis. In this case, a good example of an attempt to conceptually link channel selection with the performance was offered.

Although the research of export channel selection has remained under the heavy influence of TCA in the last 15 years (see Table 1), scholars such as Burgel *et al.* (2000) and Li *et al.* (2003) have noticed the importance of organisational resources in export channel selection. Ekeledo *et al.* (2004) undertook one of the earliest empirical studies to use the RBV as the main framework to explain how the organisational resource base, such as proprietary technology, business experience, complementary resource influence export channel structure. However, their study

did not provide support for the findings of Peng *et al.* (1998) as no performance implementation is provided. In recent years, there has been an increase in RBV-based research. Five studies reviewed are based on RBV, three of which consider performance implementation of export channel selection by showing the performance-enhancing effect of the match between resources and channel arrangement. For example, He *et al.* (2013) and Kalinic *et al.* (2015) identify the role of two firm-specific capabilities (i.e., market orientation and entrepreneurial orientation) in choosing certain export channel, in benefiting firms' export operation.

As noted by He *et al.* (2013), the RBV suggests that firms' resources/capabilities should be deployed appropriately for better performance and, hence, exporting firms should organise their resource base in a way that garners value. Since export performance will be enhanced when the firm considers the fit between resources and export channel (Barney *et al.*, 2001; Fernández-Olmos *et al.*, 2015), it is important for future research to pay more attention to other types of resources/capabilities and how these can be structured in exporting operations to create more value.

*Institutional Theory.* The recent development of institutional theory has drawn researchers' attention to the effects of institutional forces, in addition to the industry structure and organisational resources base, on business strategy and performance (e.g., Chelariu *et al.*, 2006; He *et al.*, 2013; Peng, 2002).

The institutional theory implies that institutions can play an important role in restricting and affecting the behaviour of organisations (Scott, 1995). Therefore, firms have to make a particular strategic choice that they use to conform to institutional requirements, which will help enhance their legitimacy and chances of survival (Oliver, 1991b; Peng *et al.*, 2008; Scott, 1995).

There are three types of institutions: (1) regulative institutions, covering the rules and laws to ensure stability and order in society; (2) normative institutions, including values and norms governing people's behaviour; and (3) cognitive institutions that cover the rules concerning the nature of reality and the frames through which this is interpreted (DiMaggio *et al.*, 1991; Scott, 1995). International firms face pressures in at least two institutional environments (the home country, and the market country) for conformity (Xu *et al.*, 2004). They must, therefore, respond strategically to the institutional challenges both at home and in the target markets, and overcome the institutional distance between the two (Berry *et al.*, 2010).

In export channel research, institutional theory's logic implies that a firm chooses a particular export channel not merely based on principles such as minimising transaction costs or realising the value of its resources/capabilities, but also as a response to institutional forces for conformity (He *et al.*, 2013). Due to the institutional restrictions, the value of particular resource/capabilities might be limited in certain markets (Brouthers *et al.*, 2008b) and the cost of applying particular channel structure will change (Campa *et al.*, 1999), which will then jointly influence their performance in an export market (Davis *et al.*, 2000). Therefore, firms have to choose a certain channel structure that helps them gain legitimacy and maintain competitiveness (Scott, 1995).

Some earlier work has observed the influence of national difference on export channel selection (e.g., Anderson *et al.*, 1987a; Klein *et al.*, 1990b). Campa *et al.* (1999) are the first to consider and test the influence of institutions on export channel selection, revealing a negative relationship between institutional constraints and the use of wholly-owned proprietary distribution channels. However, most of these

studies do not explicitly relate the differences to institutions but consider institutions from the perspective of TCA. As a result, how firms arrange their exporting operations to garner value from their resource base and address institutional challenges in order to boost export performance was ignored. Some studies explore export channel selections from an institutional-based view, but they do not include institutions as a key factor in their construct. For example, whilst Hessels *et al.* (2010) note the usefulness of institutional factors, the institutions' impact on export channel selection is far from clear.

He *et al.* (2013) is one of the earliest studies to explore the drivers and consequence of export channel selection from an institutional-based perspective and identify the moderating role of institutional distance on the resource-base and channel structure link. Their study also provides normative value by theorising and testing how the alignment of organisational resources, structure, and institutional constraints enables an exporting firm to create more value. Kalinic *et al.* (2015) extend this line of research by looking at the roles of the formal (regulative) and informal (normative/cognitive) institutions in export channel selection. Compared with a theory such as TCA, institutional theory sheds light for both managers and researchers on why firms use different strategies in different countries. Additionally, this theory offers a fresh way of assessing and responding to the influence of institutional issues, such as the gap between home country and export market (Peng, 2002).

In summary, multiple theoretical bases have been utilised in export channel selection research. Although TCA is useful in explaining the choice of export channel, it receives criticism through its narrow consideration of cost reduction, and its failure

to take account of the outcomes of selection. The RBV's logic suggests that export channels can serve as important avenues for the creation and realisation of value in export operations (He *et al.*, 2013). These two theories are simply two sides of the same coin. Besides, firms operating a foreign market need more consideration of the external factors that can make organisational resources more or less valuable and, therefore, firms need to respond to institutional forces by carefully designing export channels that match their resource base and the institutional constraints (He *et al.*, 2013). In addition to these frequently used theories, other theoretical bases such as resource dependence theory, network theory also see support in the paper reviewed, showing a promising direction in explaining firms' channel selection (Hessels *et al.*, 2010; Sandberg, 2013). Though much has been done so far, gaps remain in this field. For instance, the use of additional theories such as upper echelon theory could help advance knowledge in the area by providing a new perspective (Brouthers *et al.*, 2007; Nielsen *et al.*, 2011). Through the utilization and integration of different theories, we can expect the knowledge and understanding of export channel selection to move forward to a broader scope and a wider range of both academia and practice.

### **2.3. Methodological characteristics of the studies reviewed**

This review employs three dimensions to evaluate the research methodologies used in the studies under review, these being fieldwork characteristics, sampling and data collection, and statistical methods. Table 3 summarizes the descriptive properties of the 47 studies reviewed.

**Table 3. Characteristics of the studies reviewed**

Authors		Country/Region of Study	Sample Size	Industrial Sector	Firm Size <sup>a</sup>	Data Collection	Response Rate (%)	Key Informant	Unit of Analysis <sup>b</sup>	Analytical Method <sup>c</sup>
1	Brady <i>et al.</i> (1979)	USA	686	Multi-industry	S	Survey	36.6%	Executives	N/A	ANOVA
2	Anderson <i>et al.</i> (1987a)	USA	94	Single industry (semiconductor)	SML	Interview	N/A	Senior executives	Venture	RA
3	Klein (1989)	Canada	927	Multi-industry	SML	Survey	55%	Not clear	Venture	RA
4	Klein <i>et al.</i> (1990a)	Canada	925	Multi-industry	SML	Survey	55%	The owner/General manager	Venture	RA
5	Klein <i>et al.</i> (1990b)	Canada	900	Multi-industry	SML	Survey	53%	Not clear	Venture	RA
6	Chan (1991)	Hong Kong	70	Single industry (electronic)	SML	Survey	20%	Managing director or CEOs	Firm	CTA
7	Chan (1992)	Hong Kong and Singapore	400	Multi-industry	SMEs	Survey	30.5%	Top managers	Firm	CA
8	Erramilli <i>et al.</i> (1993)	USA	395	Multi-industry	SML	Survey	44.3%	Vice presidents, directors of international operation, presidents, and CEOs	Firm	RA
9	Grønhaug <i>et al.</i> (1993)	Norway	266	Multi-industry	SMEs	Data base	N/A	N/A	Venture	RA
10	Ramaseshan <i>et al.</i> (1994)	USA	85	Multi-industry	S	Survey	73%	Not clear	Venture	RA
11	Bello <i>et al.</i> (1995)	USA	398	Multi-industry	SML	Survey	68%	Key export manager	Firm	MANOVA
12	McNaughton (1996)	Canada	348	Single industry (software)	SML	Survey	32%	The owner/operator or export manage	Venture	RA



Authors		Country/Region of Study	Sample Size	Industrial Sector	Firm Size <sup>a</sup>	Data Collection	Response Rate (%)	Key Informant	Unit of Analysis <sup>b</sup>	Analytical Method <sup>c</sup>
13	Osborne (1996)	New Zealand	20	Multi-industry	SMEs	Interview	N/A	Senior member of marketing or management team	Venture	CTA
14	Aulakh <i>et al.</i> (1997)	USA	352	Multi-industry	SML	Survey	30.7%	International marketing managers	Firm	MDA and RA
15	Campa <i>et al.</i> (1999)	Spain	837	Multi-industry	SML	Data base	N/A	N/A	Venture	RA
16	Burgel <i>et al.</i> (2000)	United Kingdoms	2,000	Multi-industry	SML	Survey	24%	Managing Directors	Firm	RA
17	Rialp (2000)	Spain	2,264	Multi-industry	SML	Data base	N/A	N/A	Firm	RA
18	Kim (2001)	USA, Japan	548	Multi-industry	SML	Survey	22.6%	Vice president of Marketing	Venture	RA
19	McNaughton <i>et al.</i> (2001)	Canada	470	Single industry (software)	S	Survey	26%	The owner/operator or export manager	Venture	RA
20	Chung (2002)	New Zealand	580	Multi-industry	SML	Survey	26.80%	Not clear	Venture	RA
21	Li (2002)	UK	17	Multi-industry	SML	Interview	N/A	Export manager	Firm	CTA and CPA
22	Li <i>et al.</i> (2002)	North America and Western Europe	366	Multi-industry	SML	Survey	56.28%	Export managers or senior managers, business managers of export intermediaries	Firm	RA
23	McNaughton (2002)	Canada	470	Single industry (software)	S	Survey	26%	The owner/operator or export manager	Venture	RA
24	Merino <i>et al.</i> (2002)	Spain	922	Multi-industry	SML	Data base	N/A	N/A	Firm	RA
25	Rialp <i>et al.</i> (2002)	Spain	2,264	Multi-industry	SML	Data base	N/A	Top export decision maker and/or top manager	Firm	BA

Authors		Country/Region of Study	Sample Size	Industrial Sector	Firm Size <sup>a</sup>	Data Collection	Response Rate (%)	Key Informant	Unit of Analysis <sup>b</sup>	Analytical Method <sup>c</sup>
26	Trabold (2002)	France	20,000	Multi-industry	SML	Data base	N/A	N/A	Other	CA
27	Li <i>et al.</i> (2003)	USA	328	Single industry (software)	SML	Survey	39.6%	President or CEOs	Venture	SEM
28	Ekeledo <i>et al.</i> (2004)	USA	975	Multi-industry	SML	Survey	20%	Upper level managers	Firm	RA and TCT
29	Li (2004)	Canada, UK	30	Multi-industry	SML	Interview	N/A	Export managers or international division managers, business managers of export intermediaries, buying managers of customers	Firm	CTA
30	Eriksson <i>et al.</i> (2006)	Sweden, New Zealand, Denmark	1830	Multi-industry	SMEs	Survey	27%	CEOs or managers in charge of international operations	Firm	RA
31	Peng <i>et al.</i> (2006)	USA	185,731	Multi-industry	SML	Data base	N/A	N/A	Other	CA
32	Lau (2008)	Hong Kong	809	Single industry (electronic)	SML	Survey	17.7%	CEOs	Firm	CA and RA
33	Arranz <i>et al.</i> (2009)	Spain	250	Multi-industry	SMEs	Survey	92%	CEOs and high-level managers	Firm	RA
34	Carazo <i>et al.</i> (2010)	Colombia	N/A	Multi-industry	SMEs	Survey	N/A	Director	Firm	RA
35	Hessels <i>et al.</i> (2010)	Netherlands	1,665	Multi-industry	SMEs	Survey	52%	Owner or managers	Firm	RA
36	Khemakhem (2010)	Tunisia	550	Multi-industry	SMEs	Survey	77%	Senior executives or Export managers	Firm	RA

Authors		Country/Region of Study	Sample Size	Industrial Sector	Firm Size <sup>a</sup>	Data Collection	Response Rate (%)	Key Informant	Unit of Analysis <sup>b</sup>	Analytical Method <sup>c</sup>
37	Parente <i>et al.</i> (2010)	France, Germany, Japan, Spain, Sweden, and Switzerland	168	Single industry (Insurance)	SML	Data base	N/A	N/A	Firm	RAp
38	Gabrielsson <i>et al.</i> (2011)	Finland	35	Multi-industry	SMEs	Interview	N/A	CEO or Marketing director	Firm	CTA
39	Abel-Koch (2013)	Turkey	1204	Multi-industry	SML	Database	N/A	N/A	Firm	RA
40	Cho <i>et al.</i> (2013)	Korea	600	Single industry (electronic)	SMEs	Survey	24%	Senior managers	Firm	SEM
41	He <i>et al.</i> (2013)	China	501	Multi-industry	SML	Survey	38.9%	CEOs, managing directors	Venture	RA
42	Sandberg (2013)	Sweden	277	Multi-industry	SMEs	Survey	73%	CEOs or market/sales manager, or area manager	Firm	ANOVA
43	Fernández-Olmos <i>et al.</i> (2014)	Spain	211	Single industry (wine)	SML	Survey	83%	Export managers	Firm	RA
44	Dung <i>et al.</i> (2015)	Vietnam	84	Multi-industry	SMEs	Database	N/A	N/A	Firm	RA
45	Fernández-Olmos <i>et al.</i> (2015)	Spain	157	Single industry (wine)	SMEs	Survey	88%	Export managers	Firm	RA
46	Kalinic <i>et al.</i> (2015)	Italy, Netherlands	1870	Multi-industry	SMEs	Survey	29.7%	The entrepreneur/Owner, CEO, or high-level manager	Venture	RA
47	Serrano <i>et al.</i> (2015)	Spain	213	Single industry (wine)	SML	Survey	83%	Manager or a team of managers	N/A	RA

Notes: a. S = small size; M = medium size; L = large size; SMEs = small and medium size; SML = small, medium, and large size

b. N/A = Not provide enough information about unit of analysis; Other = use congregate data

c. ANOVA = analysis of variance, BA = bivariate analysis, CA = correlation analysis, MDA = multiple discriminant analysis, RA= logit regression analysis;

RAp = probit regression analysis; SEM = Structural Equation Model; CTA = content analysis; CPA = comparative analysis; TCT = Two-way contingency table analysis

### 2.3.1. Fieldwork characteristics

The majority of studies use data collected from a single country/region. North America attracts the most attention (ten studies were conducted in the USA, seven in Canada and one study focusing on North America as a whole region). Outside North America, Spain receives most focus (8), followed by Hong Kong (3), New Zealand (3), Sweden (3), UK (3), France (2), Japan (2), and Netherlands (2). China, Denmark, Finland, Germany, Korea, Switzerland, Singapore, Italy, Norway, Tunisia, Turkey, and Vietnam each see one study. Seven studies use data from more than one country/region. It is surprising that very limited research has been done on the export channel strategy of firms from emerging economies (e.g., He *et al.*, 2013; Khemakhem, 2010), despite the fact that these economies, especially the BRICS (Brazil, Russia, India, China, and South Africa), are becoming increasingly involved in the global economy.

A total number of 29 studies reviewed consider all sizes of firm. Among the rest, fourteen studies focus on small and medium-sized enterprises (SMEs), while another four studies look only at small firms. However, the terms ‘small’, ‘medium’ and ‘large’ have varied definitions in different countries (Sousa *et al.*, 2008). For example, the European Union defines SMEs as those firms with up to 250 employees (European Union European Union Commission, 2003), while the cut-off in the USA is 500 (US International Trade United States International Trade Commission, 2010). Moreover, there is a difference in the use of small firms and SMEs, since small firms simply refer to firms with up to 50 employees while SMEs also include medium-sized firms with up to 250 employees (European Union European Union Commission, 2003). Therefore, researchers should take special care in interpreting empirical findings related to firm size.

### 2.3.2. Sampling and data collection

A total of 32 studies reviewed use survey for data collection. Ten studies use databases, and only five studies conduct interviews. Questionnaire surveys are popular because they can provide more specific information on the antecedents of channel selection (Katsikeas *et al.*, 2000). While databases may lack this ability, the advantages include time and financial efficiency, increased accessibility, feasibility of both longitudinal and international comparative studies to gain new insights (Ghauri *et al.*, 2005).

In respect of those studies using a survey methodology, with the exception of one study that did not provide information on sampling, the sample size ranges from 51 to 2,000, with a mean of 650 and a median of 470. The average sample sizes of studies using interviews and databases are 39 and 21,374 respectively. For studies with a relatively small sample size, the external validity and generalisability are questionable as the sample may “not be representative of the population and it also limits the use of adequate statistical analysis to test the relationship” (Sousa *et al.*, 2008: 349).

The average response rate of the survey studies is 45.96% (with the exception of one study that did not provide information on sampling). Noticeably, the cross-country studies using survey report a relatively lower response rate of 33.2%, indicating the difficulty in obtaining information from more than one country.

The analysis levels and units of channels and, therefore, data collection unit, vary among the studies reviewed. Twenty-six studies are at export venture-level and

gathering data on the channel used for a product and/or a foreign market. Among them, eight studies examine the channel used for the most important product in the most important market (e.g., He *et al.*, 2013; Klein *et al.*, 1990a), while another seven studies consider the channel for a given product in a given foreign market (e.g., Klein, 1989; Klein *et al.*, 1990b). Seven studies examine the channel used in a given market (e.g., Eriksson *et al.*, 2006; Parente *et al.*, 2010). Two studies look at the channel used for the most familiar/most experienced market (Aulakh *et al.*, 1997; Sandberg, 2013). The channel used for a given product (Ramaseshan *et al.*, 1994) and the channel a firm uses to export to the most important market(s) (Burgel *et al.*, 2000) see one study each.

Seventeen studies use firm as the unit of analysis, looking at the firms' general channel decision(s) made for exporting in foreign markets (e.g., Arranz *et al.*, 2009; Dung *et al.*, 2015; Fernández-Olmos *et al.*, 2014).

Besides these 43 studies, four studies do not provide clear information of the unit of analysis (Brady *et al.*, 1979; Serrano *et al.*, 2015) or use congregate data that are neither firm-level or venture-level (Peng *et al.*, 2006; Trabold, 2002).

Researchers suggest that venture-specific and firm-level variables may not be equally effective in influencing export strategy because a venture can have quite different characteristics such as resource base compared with other ventures and firms (Cavusgil *et al.*, 1994; Oliveira *et al.*, 2012; Sousa *et al.*, 2008). Effects found in venture-level studies might not be significant for the firm-level context as it is too specific for the general application, and vice versa (Cavusgil *et al.*, 1994; Oliveira *et al.*, 2012). Therefore, both academics and managers should take care concerning the unit of analysis when applying findings from a different level of analyses.

For survey and interview studies, export managers are the most selected key informants, followed by CEOs, owners of firms, and managing directors. Four studies do not clearly provide the detail of key informants. All survey-data studies use self-report questionnaires to collect data at the same time from the same respondents, causing concerns of common method variance (CMV) which creates a false internal consistency among variables from their common source. CMV can reduce the correlation between systematic error components, average out random errors in individual responses, and analyse and correct systematic errors in informants' responses. The problem is greater when both the independent and dependent variables are perceptual measures derived from the same informants. However, only three studies are aware of the problem of CMV and apply methods such as Harman's single-factor test or confirmatory factor analysis (CFA) to assess CMV (Aulakh *et al.*, 1997; He *et al.*, 2013; Kalinic *et al.*, 2015). Hence, there is a concern in the existing export channel selection literature regarding the ability of studies to effectively assess the correlations between variables (Chang *et al.*, 2010; Podsakoff *et al.*, 2003).

For the five empirical studies using quantified interviews to collect data, multiple case study method is commonly used. Unlike survey studies, interview-based research can conduct interviews with more than one respondent within each firm/venture if needed (e.g., Anderson *et al.*, 1986). Triangulation method is also applied to validate the measures as more independently rated measures are less subject to CMV (Chang *et al.*, 2010; Podsakoff *et al.*, 2003; Podsakoff *et al.*, 2011). For example, three studies combine data sources with empirical interview data from different channel members and secondary sources from industry reports and internal documents (Gabrielsson *et al.*, 2011; Li, 2002, 2004). Among the five interview



studies, four use content analysis to vote counting, analyse and compare the data within-case and cross-case to validate the proposed channel selection relationship, while Anderson *et al.* (1986) use regression analysis to test their hypotheses.

### 2.3.3. Statistical analysis

Over half of the reviewed studies adopt regression analysis. Correlation analysis is the second preferred method of analysis (4), followed by ANOVA (2), structural equation modelling (SEM) (2), MANOVA (1), bivariate analysis (1), multiple discriminant analysis (1), probit regression analysis (1), and two-way contingency table analysis (1). Being the most popular analysis method, regression analysis offers a simple and convenient way to measure the sample and predict the direct causal relationship between variables (Cooper *et al.*, 2006). Compared with the multivariate techniques such as regression analysis, the more advanced methodology like SEM is used in only two studies (Cho *et al.*, 2013; Li *et al.*, 2003). Although regression is an advanced analysis method compared with correlation analysis and descriptive analysis, it remains limited when dealing with issues such as multiple independent variables and the indirect effect between variables (Cooper *et al.*, 2006; Zou *et al.*, 1998). Therefore, more advanced methodology is required when a more complex model is considered.

## 2.4. Directions and implications

In general, the vital role of export channel selection in exporting has been acknowledged academically and practically (e.g., Anderson *et al.*, 1987a; Klein *et*

*al.*, 1990b; Trabold, 2002). This review indicates that in the past four decades, research in this area has made slow but steady progress in the following areas: (1) data on channel decisions are more available for researchers; (2) more studies have used conceptual models and theories to guide their hypothesis development rather than presenting propositions simply based on reasoning; (3) important theories are introduced and developed in studies, and more new theories are combined with those existing to deepen the understanding; and (4) new determinants of export channel strategy have been proposed and identified. Such progress significantly advances the knowledge and understanding in this field as some ideas are consolidated and new ones established.

Despite the advancement made by the current literature and the increasing interest in this topic, however, research in the area remains at a relatively early stage of development, and more effort is needed to bring maturity to the understanding of export channel strategy (He *et al.*, 2013; Peng *et al.*, 2006). Hence, there is still a long way to go in research design, theory development, and analytical techniques to secure the best means of pursuing questions relating to this issue. How to build research on a stronger theoretical foundation that will systematically explain the selection remains a serious challenge. Additionally, many of the studies reviewed show disagreement on a good number of aspects, suggesting that there is still much space for improvement of research on the export channel decision.

#### 2.4.1. Theoretical issues

The theoretical basis in export channel selection research can go much further. First, more research is needed to consider the performance outcome of channel selection.

Only eight studies (17% of the studies) looked at performance implication of export channel selection (e.g., He *et al.*, 2013; Kalinic *et al.*, 2015; Parente *et al.*, 2010), showing that most studies have overlooked the important aspect of export channel selection – its consequence. The resource-structure-performance perspective (Barney *et al.*, 2001; He *et al.*, 2013) provides a good theoretical mechanism by suggesting that firms need to organise resources in order to accumulate more value. Since firms' objects or coordination across different export markets and their willingness to commit to different resources “goes far beyond the efficiency consideration of cost minimisation” (Aulakh *et al.*, 1997: 167), export performance can be improved by both cost reduction and the effective deployment of market orientation capabilities aligned with export channel structure. As export channels are such a structure that effective positioning of resources can contribute to greater rent (He *et al.*, 2013), future research needs to go further by considering not only the cost-oriented but also the value-creating approaches in selecting the export channel to improve the understanding of how export channel selection affects export performance.

Second, the application of the RBV in export channel selection can be improved by including more resources. A promising route to extend the RBV in export channel research is to extend the identified capabilities, e.g., market-oriented capabilities (He *et al.*, 2013), and entrepreneurial-oriented capabilities (Kalinic *et al.*, 2015), to explore the effect of other highlighted capabilities in the export literature such as relationship capabilities, marketing capability, pricing capabilities (e.g., Lages *et al.*, 2009; Sousa *et al.*, 2008; Zou *et al.*, 2003). The addition of a dynamic dimension can be helpful as firms' resources can be unsustainable for lasting competitive advantage (Eisenhardt *et al.*, 2000). The organisational and strategic routines that integrate, reconfigure, gain and release resources to meet the environmental change can bring

new competitive advantages for firms (Barrales-Molina *et al.*, 2014; Eisenhardt *et al.*, 2000; Teece *et al.*, 1997). Hence, it is worth investigating how an adaptive and dynamic resource base contributes to an exporting firm's long-term competitive advantages through its deployment in the export channel.

Third, institutional theory can be applied to a greater degree. Institutions and institutional distance are among the key drivers of strategy and performance (Peng *et al.*, 2008). Unlike TCA or the RBV, the application of institutional theory in export channel strategy research is just beginning. Furthermore, with one exception (Kalinic *et al.*, 2015), most institution-related studies either fail to follow the widely accepted theoretical frameworks of North (1990) (formal and informal institutions) or Scott (1995) (regulative, normative and cognitive institutions) (e.g., Campa *et al.*, 1999), or have mixed different components of institutions into congregated variable(s) (e.g., He *et al.*, 2013). Future research should systematically examine how different aspects of institutions influence exporting firms' channel strategy. For example, the moderation effect of regulative, normative and cognitive institutional differences on export channel selection deserves future inquiry as these institutions' characteristics and legitimate requirements are different (Suchman, 1995). Therefore, the degree to which they can affect the exploitation of certain resources/capabilities can also vary.

In addition to the distance, the institutional profile of home/host country should be investigated separately as they have different effects compared to institutional distance. Despite the barriers brought by the differences of institution environment, the effect of the local institution profile in home and host country are also important (Van Hoorn *et al.*, 2016). Firms' exporting operations and performance are subject to not only host country's institutions, but also the home country's institutions, for

example, government support (Brouthers, 2002; Brouthers *et al.*, 2007; Meyer *et al.*, 2009a). Therefore, the different roles of home and host institutions can be another promising direction for IT's application in export channel selection.

Fourth, the use of resource dependence theory (RDT) should be considered as a means of strengthening the theory. RDT highlights the impact of an organisation's external resources on the organisation's behaviour (Hillman *et al.*, 2009; Pfeffer *et al.*, 1978). According to RDT, in order to reduce environmental interdependence and uncertainty, firms try to increase their own power over others to control the vital resources by actions such as obtaining resources from other actors (Hillman *et al.*, 2009; Pfeffer *et al.*, 1978; Ulrich *et al.*, 1984). However, when a firm has limited organisational autonomy to control the usage and allocation of the resources that are beyond its boundaries, its performance can be affected (Oliver, 1991a). Therefore, firms need to select an appropriate inter-organisational arrangement, such as channel structure, to have more "reliable and durable access to the knowledge and resources of partner organisations" (Drees *et al.*, 2013: 1669; Oliver, 1991a). However, existing export channel research that applied RDT (e.g., Hessels *et al.*, 2010) found limited evidence of how resource dependencies can affect firm's decision to choose particular export channel structure to maximise their control over the important resource and compete effectively in export markets. A promising direction for RDT's application in export channel selection can be the integration of the RDT and other theoretical bases (Hillman *et al.*, 2009). For example, integrating RBV and RDT can strengthen both theories and offer new insights into the ways in which firms use export channels to reap the value from both internal and external resources (Drees *et al.*, 2013; Hillman *et al.*, 2009). In addition, integrating the RDT and institutional theory through looking at the moderating effect of institutional factors

can generate a comprehensive understanding of how exporting firms use export channel arrangements to source external resources in order to address institutional challenges (Drees *et al.*, 2013; Peng, 2004; Pfeffer *et al.*, 1978).

Fifth, further exploration of the use of network theory in export channel selection can be promising. Network (social network) is very important for firms as it affects organisational competitiveness through providing them with valuable assets (Brouthers *et al.*, 2016a; Domurath *et al.*, 2015; Johanson *et al.*, 2015). Networks help firms to identify potentially valuable opportunities, trigger foreign market selection and entry, and reduce uncertainty about the foreign market (e.g., Brouthers *et al.*, 2016a; Coviello, 2006; Sharma *et al.*, 2003). The more networks a firm has, the more value and knowledge will arise from these ties that offer them competitive advantages in the foreign operation (Domurath *et al.*, 2015; Johanson *et al.*, 2009; Musteen *et al.*, 2010). However, in addition to the current application of network theory made by Sandberg (2013), limited attention is given to how networks influence export channel selection. Further exploration is needed to enrich our understanding of export channel selection from a network perspective.

For example, the goal of a firm in a particular network relationship can determine what kind of strategy it will use to achieve its goal and affect the kind of network it will enter into. Liability of outsidership (LoO) can be an interesting direction of applying network theory in export channel selection (Johanson *et al.*, 2006, 2009). Overcoming outsidership and gaining insidership in relevant networks is necessary for successful internationalisation (Johanson *et al.*, 2009). In order to overcome the LoO when exporting to a new foreign market with which they are unfamiliar, firms can choose a non-hierarchical channel structure that allows them to minimise the set-

up costs and concentrate on developing networks to become an insider and blend into the local network (Brouthers *et al.*, 2016a; Johanson *et al.*, 2009). Moreover, the problem of autonomy can affect firm's export channel selection, as firms that seek more autonomy from network partners might choose to set up their own sales operation or marketing office instead of cooperating with other channel partners (Brouthers *et al.*, 2016a).

Sixth, upper echelon theory (UE) (Hambrick, 2007; Hambrick *et al.*, 1984) can also provide a conceptual base to enrich our knowledge of export channel selection.

Different organisational structures can affect the effectiveness of the TMT through different types of leadership processes in decision-making (Wang *et al.*, 2014).

Although existing export channel selection studies show awareness of the importance of the TMT in the channel decision (Carazo *et al.*, 2010; Dung *et al.*, 2015), the role of the TMT still worth exploration. For example, the ownership type can affect the power of the TMT in decision-making (Pinho, 2007). In some emerging countries like China, the power of the TMT in deciding the strategic action of a firm varies between the state-owned company and private especially family-owned businesses (Cui *et al.*, 2012; Liang *et al.*, 2014). Also, due to the different strategic orientation of various types of firms, the degree to which the demographic characteristic, e.g., the TMT's education, age, and experience, affects the object of the firms' goal or action in exporting can also be different as well (Pinho, 2007). Consequently, export channel selection based on TMT predictions can be conditioned.

In addition, enquiries are needed to explore TMT's role in dynamic changes of channel selection. Since the characteristics, resources, and even the competing

context of a particular venture will change over time (Johanson *et al.*, 1990), TMT who are in charge of the whole organisation may not necessarily know the details for the venture-level decision making compared with the managers of ventures (Cavusgil *et al.*, 1994; Morgan *et al.*, 2012). Therefore, when a venture switches to a different channel mode (e.g., from using company-owned sales force in the home country to deploying their sales force in export markets), the competitive advantages provided by TMT members will be limited.

#### 2.4.2. Methodological issues

Export channel research can benefit from considering and addressing the following methodological issues. First, inconsistency exists across the literature in respect of the unit of analysis (i.e., firm level vs. venture level) as 55% of study looking at venture-level channel selection while the rest 45% looking at either firm-level selection (36%) or did not provide clear details about the level of analysis (9%). An exporting firm may consist of a number of export ventures, which have a line of products for a particular foreign market (Oliveira *et al.*, 2012; Sousa *et al.*, 2008). When using venture as the unit of analysis, scholars can gain deeper insights into more “concrete and manageable key success factors” in exporting (Sousa *et al.*, 2008: 350) and indicate the determinants of a specific strategy for a specific product/market in the same firm (Douglas *et al.*, 1987). However, many theories and measurements are developed for firm-level analysis (Oliveira *et al.*, 2012). Due to the heterogeneity of different ventures, their characteristics, required resources for exporting, and actions taken in response to institutional requirement vary (Cavusgil *et al.*, 1994). Therefore, the firm-level factors will be too general for guiding the



channel selection in different export ventures. Hence, this review suggests future export channel selection research to give more attention to venture-level analysis and more specific determinants.

Second, this literature review also indicates some weaknesses in the area of statistical analysis. The most common analysis technique used, regression analysis (68% of the total studies), is capable of evaluating the model between a scalar variable and one or more explanatory variables separately in sequential steps. Compared with regression analysis, a more sophisticated approach, such as SEM, has advantages including flexibility as it deals not only with a single simple or multiple regression, but with a system of regression equations (Alavifar *et al.*, 2012; Gefen *et al.*, 2000). It enables researchers to measure direct and indirect effects and perform test models with multiple dependent variables as well as using several regression equations simultaneously (Cooper *et al.*, 2006; Gefen *et al.*, 2000). As more studies begin to look at the indirect effects, such as moderator and mediator in export channel selection (see Table 1), the application of advanced multivariate techniques such as SEM can provide powerful statistical help when detecting the role of the observed or latent variables in a complex model.

Third, common method variance (CMV) is an issue that demands attention when using survey and/or quantified interviews for data collection. Only 6% of the studies looked at this problem (Aulakh *et al.*, 1997; He *et al.*, 2013; Kalinic *et al.*, 2015). Although these include popular testing methods such as Harman's single-factor test or confirmatory factor analysis, which are viewed as more sophisticated tests for addressing the CMV issues (Meade *et al.*, 2007; Podsakoff *et al.*, 2003), recent scholarship finds these methods insufficient (Chang *et al.*, 2010; Podsakoff *et al.*,

2003). To avoid or reduce CMV, the best way is to control it in the *ex-ante* research design stage (Chang *et al.*, 2010). Researchers should take two *ex-ante* approaches in research design by: (1) using multiple informants to collect the measures of predictor and criterion variables from different sources; and, (2) carefully designing and administering the questionnaire (Chang *et al.*, 2010; Podsakoff *et al.*, 2003). More fact-based questions can reduce the possible appearance of CMV (Chang *et al.*, 2010). Additionally, improving the construction of the scale items can help to minimise the method biases (Podsakoff *et al.*, 2003). Manipulating the order of the questionnaire items can also reduce respondents' cognitive observations of the correlation between items. The following *ex-post* statistical methods to identify or remedy CMV are also useful: estimating the CMV and its effect based on the correlation between the marker variable and the unrelated variable (Lindell *et al.*, 2001; Malhotra *et al.*, 2006); specifying the relationship among the dependent and independent to make it complex (Chang *et al.*, 2010); and, a combination remedy of multiple approaches such as partial correlation procedure and direct measure of a latent common method factor (Chang *et al.*, 2010; Podsakoff *et al.*, 2003). Future studies using survey and/or quantified interviews should follow these procedures to avoid CMV if it is not possible to obtain information from multiple respondents from single organisations.

Fourth, measurement issue for cultural/institutional distance should draw more attention from export channel scholars. Distance is a popular factor in export channel selection research as nine studies (19% of total studies) included it as an antecedent or a moderator (e.g., Eriksson *et al.*, 2006; He *et al.*, 2013; Kalinic *et al.*, 2015). However, recent research has highlighted the problem associated with culture/institutional distance research (Brouthers *et al.*, 2016b; Van Hoorn *et al.*,

2016). As mentioned in section 3.1, there is a distinction between distance and country profile and they should be treated separately. Many studies tended to consider distance to/from a single or culturally/institutionally homogenous set of countries. This selection of single reference point creates the problem of conflation of distance effect and profile effect, which can make the mechanism behind any observed effect of culture/institution on export behaviour unclear and lead the findings to be in doubt (Van Hoorn *et al.*, 2016). To address the problems brought by the single-country sample, future studies can use multiple reference points when designing the research. For example, the two-country solution that selects samples that comprised of at least two home/host countries where most of the dimensions for the two countries are different is helpful in eliminating the problems brought by the confounded variables (Brouthers *et al.*, 2016b). Also, including measures for the cultural/institutional profile can help distance studies separate distance and profile effects (Van Hoorn *et al.*, 2016). With these efforts, future study can ensure that the cultural/institutional distance they examined is really the distance they want to measure.

#### 2.4.3. Practical implications

In addition to the conversation with the academic community, managers can benefit from this review in three ways. First, the summarised and identified frameworks provide a useful map to evaluate and improve firms' export channel selection. Firms can choose guidance based on different theoretical lenses to achieve and enjoy target benefits. For example, TCA-based analysis and factors related to asset specificity, uncertainty and frequency can offer them clear ideas of which channel to choose if

the main goal of a firm's operation in the export market is efficiency enhancement.

The resource-based selection will be helpful if better exploitation of the resources to create competitive advantage is the aim of exporting firms.

Second, the importance of export channel choice is highlighted in this research as it serves as a platform for the exporting firm to realise the value of its resources, and to react to the institutional challenges such that it can successfully operate in export markets. As the functions of different channel structures vary, the way a firm can organise the exploitation of resources and respond to institutional pressures is different. Therefore, a careful analysis of the internal and external characteristics using RBV and IT analytical methods can enable the managers to select an appropriate channel which, in turn, enhances the export performance.

Third, by using the identified moderators, managers can better understand the conditions of applying certain channel selection. As mentioned in 3.1, factors such as the characteristic of the product, country risk, firm size and institutional distance not only have a direct impact on export channel selection but also serve as a moderator concerning the relationship between other antecedents and particular export channel selection. Therefore, when using capabilities such as TCA-based or RBV-based factors as the main influencing factors in export channel selection, managers should consider the identified moderators and other potential moderators such as market orientation and the influence of ownership that might create barriers or release the conditions to select the appropriate channel for better export operation.

#### 2.4.4. Directions for new ideas in export channel selection research

A number of new areas hold promise for advancing our knowledge. First, research on emerging market firms can be beneficial. Only eight studies use data from emerging markets, such as Hong Kong (3), China (1), Colombia (1), Tunisia (1), Turkey (1), and Vietnam (1). In recent years, emerging markets with institutions and cultures that are different from developed economies have become active exporters (Sousa *et al.*, 2008). They are very important as home to over 80% of the world's population and represent over 45% of world trade (European Central Bank, 2016). Firms from these countries will face more challenges such as the lack of superior resources and increased institutional differences, which create barriers and concerns when designing their export channel strategies (Brouthers *et al.*, 2008b; He *et al.*, 2013; Peng *et al.*, 2008). These barriers and concerns offer a good chance for the further application of theories such as RBV and IT as these issues are more urgent for firms in emerging countries than those in developed countries (Meyer *et al.*, 2016; Peng *et al.*, 2008). Hence, more research inquiry is needed to reveal how exporting firms from emerging markets, such as the BRICS, employ their resources and arrange exporting strategies to tackle institutional challenges in target markets from different theoretical perspectives.

Second, future study can undertake more inquiry into the application conditions of the antecedents of channel selection. Some studies include the moderating effect of exploring the mechanism behind export channel selection. For instance, factors such as inseparability of the offering, country risk, and firm size are identified to positively moderate the relationship between asset specificity and the selection of a share-control channel while capital intensity and cultural distance lack significant empirical support. Also, when integrating IT with RBV, He *et al.* (2013) and Kalinic

*et al.* (2015) found that institutional distance can moderate the relationship between certain capabilities such as market orientation and entrepreneurial orientation and the selection of hierarchical channel significantly. However, in addition to the over 100 antecedents to export channel selection this review have identified in this review, only five studies consider the impact of moderators on export channel selection (e.g., He *et al.*, 2013), thereby showing this as an area seriously lagging behind in theoretical advancement (e.g., Brouthers *et al.*, 2015). RBV suggests that the resources/capabilities can interact to create more value (Barney *et al.*, 2001; Sun *et al.*, 2010). Thus, the impact of certain capabilities such as entrepreneurial orientation on export channel selection can be conditioned by the level market orientation a firm obtained (Baker *et al.*, 2009; Frishammar *et al.*, 2007). Moreover, institutional theory suggests that companies' reactions to institutional pressure vary across ownerships (Meyer *et al.*, 2014a). Therefore, state-owned or private ownership might moderate the relationship between the impacts of foreign institutions on export channel selection. Future research needs to pay more attention to exploring not simply the new antecedents and their direct effect but, also, the conditions under which a certain channel is selected.

Third, scholars notice a growing emergence of multiple channels used in exporting. For example, partially integrated channels are popular in eastern Asian countries, for example, South Korea and Japan, and its popularity is increasing in countries including the United States (Hoppner *et al.*, 2015; Kim *et al.*, 2011). Therefore, the complexity of new channel structures requires firms to have a better analytical approach to enable them to select the appropriate export channel and secure better co-ordination capacity and, as a consequence, there should be a greater inquiry into the drivers of these more complex channel structure decisions.

Fourth, governance or management consequences of previously selected channels can also advance our knowledge of export channel selection. The practise and experience from the consequences of previously channel governance or management can make export firms more knowledgeable in selecting or avoiding the same kind of channel structure (Chelariu *et al.*, 2006; Rambocas *et al.*, 2015; Solberg *et al.*, 2002). Future study taking the previous practice in export channel governance or management can provide a more comprehensive view of export channel decision making.

Fifth, the dynamism of export channel selection worth more attention. The characteristics, resources, and even the competing context of a particular venture will change over time (Johanson & Vahlne, 1990). Also, ventures will gain more experience and knowledge of their products and markets (Johanson *et al.*, 2003, 2009). Therefore, some firms will seek for switching to higher commitment channel structure or use export as a springboard of their foreign entry after they made a channel selection (Benito *et al.*, 2005). Research that focuses on the factors that not only impact current selection but also determine future within-mode and between-mode switches can improve our understanding of the reason behind firms' specific channel selection.

Finally, in order to transfer the academic findings into operational practice, an important issue requiring further development and improvement in export channel selection studies is the categorisation of export channels, which needs to be consistent. As presented in Table 2, inconsistency exists in using the typology of export channel structure. This creates confusion and difficulty in comparing research findings. This review suggests that future studies apply the typology developed by

Klein *et al.* (1990b) because, compared with the direct/indirect or integrated/independent categorisation, the different roles and involvement of firms and other external organisations such as distributors and agents are clear in the market-, intermediate- and hierarchical mode.



### **Chapter 3. Product Development Capabilities-based Export Channel Selection and Export performance**

This chapter presents an empirical study which draws on the resource-based view and institutional theory to explore how firms make export channel selection to exploit their product development capabilities (PDC) and improve export performance by aligning PDC, entrepreneurial orientation (EO), cultural-cognitive institutional distance (CCID), and channel selection. Using data collected from multiple respondents of 294 Chinese export firms, this study finds that PDC are linked to the selection of hierarchical channels, while their EO and CCID weaken this link. Moreover, the alignment between firms' capabilities, institutional distance, and channel selection increases export performance.

#### **3.1. Introduction**

Exporting is a popular way for firms to explore business opportunities for their products abroad. To seize the opportunities in export markets, it is important for firms to have a well-developed product that fits the target market. Product development capabilities (PDC) serve as a firm's ability to organise, exploit, and integrate its product innovation efforts in order to meet export customers' needs quickly and successfully (Morgan *et al.*, 2012; Murray *et al.*, 2011; Rubera *et al.*, 2016; Tan *et al.*, 2015). Although superior PDC enable firms to seize opportunities in export markets (Kaleka, 2012; Lages *et al.*, 2009; Tan *et al.*, 2015), it does not transfer into the competitive advantages automatically. According to the resource-strategy-performance perspective in RBV (Ketchen *et al.*, 2007), firms need to find particular strategies that help them take advantage of the opportunities and capitalise on the resources/capabilities such as PDC to achieve higher performance. In

exporting, export channel selection is such a strategy that enables firms to better realise the value of their PDC. For example, by using the Apple Store and selling the iPhone through the wholly owned hierarchical channel, Apple successfully introduced its iconic iPhone in Japan in 2008 and became one of the most powerful players in Japanese smartphone market ever since (The Verge, 2017). For firms like Apple which are capable of developing products, the careful selection of export channel enables them to better capitalise the value of their superior PDC into competitive advantages and improve performance in the export market.

Export channel refers to the organisational structure that a company uses to arrange the selling, distribution, and marketing of its products into foreign markets (Li *et al.*, 2017) and its selection represents a key strategy that contributes to the success of firms' operations in export markets. Basically, there are two options available for firms to choose from: hierarchical modes - using self-managed operations in exporting and non-hierarchical modes including market modes (using title-taking distributors to perform export functions) and intermediate modes (cooperating with agents/intermediaries to share control of the exporting activities) (He *et al.*, 2013; Klein *et al.*, 1990b; Li *et al.*, 2017; Rialp *et al.*, 2002). Since export channel selection is often irreversible and can offer firms a strategic option to support the exploitation of their PDC in export markets, selecting an appropriate channel strategy is important for export firms.

Over the last half centuries, attentions have been paid to the export channel selection. Transaction cost analysis (TCA) is among the main theories used in explaining the mechanism of export channel selection. Previous TCA-based studies have explored the antecedents and outcomes by focusing on the cost efficiency function of channel selection (e.g., Bello *et al.*, 1995; McNaughton, 1996). However, this focus on

channel selection has been criticized as it isolated the channel selection as a cost reduction process while overlooked the other role of channel in firms' export operation, for example, value creation according to resource-based view (RBV) (He *et al.*, 2013; Kalinic *et al.*, 2015). The recent ten years see an increasing interest in export channel selection as more theoretical bases such as the Uppsala model (UM), RBV, and institutional theory are applied in export channel selection research and more models of channel selection have been established and tested using the data from different countries with different kind of statistical analysis (Li *et al.*, 2017). However, there are still significant gaps in the literature.

First, the roles of a firm's key organisational capabilities are under-researched in the export channel selection literature. RBV argues that firms can achieve superior performance by capitalizing on the value of resources through an appropriate strategy (Brouthers *et al.*, 2008b; Hult *et al.*, 2005; Ketchen *et al.*, 2007). However, the role of organisational capabilities in influencing channel choice, including the direct impact and interactions between different capabilities, has been overlooked. While prior studies have shown that capabilities such as PDC, entrepreneurial orientation (EO), and export channel can influence export performance respectively (e.g., Sousa *et al.*, 2008; Tan *et al.*, 2015; Zou *et al.*, 1998), little is known whether firms can use export channels to create value from these capabilities and boost export performance (Li *et al.*, 2017). This leads to the first research question: How do organisational capabilities such as PDC and EO affect a firm's export channel selection?

Second, the impact of cultural-cognitive institutional distance (CCID) on resource-based export channel selection has received little attention, resulting in a serious gap

in this line of enquiry (Li *et al.*, 2017). RBV demonstrates that the heterogeneity of firms comes from the possession of firm-specific resources and capabilities that create sustainable competitive advantages (Barney, 1991). Accordingly, firms can achieve better performance by taking strategic actions (Barney *et al.*, 2001; Ketchen *et al.*, 2007). However, RBV fails to consider the social context in which the resources/capabilities are embedded and the influence of these contexts on the sustainable competitive advantages brought about by the resources/capabilities (Oliver, 1997a, 1997b). Institutions are such a social context, consisting of regulative, normative, and cognitive structures and activities that provide stability and meaning to an individual/organisation's behaviour (Scott, 1995). Previous resource-based studies have regarded institutional impact as one congregated factor while ignoring the individual impact of different institutional aspects (He *et al.*, 2013; Kalinic *et al.*, 2015). Amongst the different institutions, cultural-cognitive institutions reflect the attitudes and beliefs of individuals/organisations, and they can have a significant impact on the strategic behaviours displayed by organisations (Geletkanycz, 1997; Kreiser *et al.*, 2010; Tihanyi *et al.*, 2005). Since exporting firms often face pressure in at least two cultural-cognitive institutional environments (i.e. the home country and the market country) for conformity (Xu *et al.*, 2004), this raises the second research question: How does the CCID between the home and export market affect firms' resource-based channel selection?

Third, previous channel selection studies have largely ignored how the channel decision makes its link to the outcome of the export operation (Li *et al.*, 2017). According to the resource-strategy-performance perspective (Brouthers *et al.*, 2008b; Ketchen *et al.*, 2007), performance will be enhanced when the strategy applied fits the resources and institutional requirements. This raises the third research question:

How will exporting firms benefit from aligning their capabilities with export channel arrangements and CCID in order to achieve superior export performance?

This study aims to address the above three research questions both theoretically and empirically. Drawing on RBV and institutional theory, this study develops a framework by arguing that (1) PDC directly affect export channel selections; (2) the PDC-based channel selection is conditioned on EO and CCID; and (3) the fit between PDC, EO, CCID, and channel selection affects export performance.

This study contributes to the literature in three ways. First, this study extends the export channel literature by looking at the different roles of important organisational capabilities (i.e. PDC and EO) on export channel selection. Proposing the use of export channel selection to manage the value creation of PDC, this study advances existing knowledge by revealing how firms can use different types of export channels to support the exploitation of this capability, a gap that has been overlooked in previous studies. Moreover, by proposing that EO helps firms garner value from their PDC through alignment with a particular channel structure, this study adds new insight to current studies by looking at the moderating role of EO in resource-based export channel selection.

Second, this study enriches institutional theory in export channel selection research by exploring the role of CCID on resource-based export channel selection in response to calls for more intra-institutional research that takes account of intercultural heterogeneity and addresses the complexity arising from differences across different cultural contexts (Meyer *et al.*, 2014b). By incorporating institutional theory in current resource-based export channel research and looking at the impact of an individual pillar of institutional differences – i.e. CCID, this study

extends current understating of the role of institutions in export channel selection by identifying that CCID moderates the effect of organisational capabilities (i.e. PDC and EO) on export channel selection.

Finally, this study provides significant normative value in the export channel selection domain, which has longed for empirical research offering performance implications. By testing and validating the resource-structure-performance perspective under the context of export channel selection, this study adds important knowledge to current export research by showing that firms need to align the exploitation of their PDC with the export channel selection, along with EO capabilities and CCID, to achieve better performance in the export market.

### **3.2. Literature review**

Channel selection is an important strategy influencing firms' performance in export markets, and a few studies have explored the antecedents behind export channel decisions over the last half-century (Li *et al.*, 2017). Previous studies have applied different theoretical bases to explain the selection mechanism, including TCA (e.g., Bello *et al.*, 1995; Klein *et al.*, 1990a), the Uppsala internationalisation process model (UM) (e.g., Eriksson *et al.*, 2006; Khemakhem, 2010), RBV (He *et al.*, 2013; Li *et al.*, 2003), and institutional theory (e.g., He *et al.*, 2013; Hessels *et al.*, 2010). Based on these theories, around 100 antecedents have been linked to the selection of 15 typologies of export channel (see Li *et al.* 2017 for a detailed review). For example, TCA focuses on transaction cost minimisation as the key driver of channel design (Erramilli *et al.*, 1993; Klein *et al.*, 1990b). In this sense, exporting firms will choose a channel structure that allows them to perform with cost efficiency (Klein *et*

*al.*, 1990a; Williamson, 1979). Factors such as asset specificity, volatility, diversity, and channel volume are found to influence the selection between integrated and non-integrated channels, indicating that high transaction costs will lead to greater channel integration (e.g., Klein *et al.*, 1990b; McNaughton, 1996). Despite producing encouraging results, the shortcoming of TCA in explaining export channel selection cannot be neglected. One of the most obvious problems of TCA is that it focuses the cost reduction effect of channel selection. Although the transaction-cost based channel selection may allow firms to achieve cost efficiency at the time when they made the channel decision, it might not be a good selection that helps firms achieve better performance in export market when future changes occur. Since channel selection is an important factor that leads to firms' performance in the export market, scholars argue that the selection should be considered from the firm's overall strategic position, i.e. performance implications (Hill *et al.*, 1990; Peng, 2001). Therefore, it is necessary to learn about the role of channel selection from different views.

UM views channel selection as a learning process and suggests that firms will learn from their international operations and increase international engagement incrementally (Johanson *et al.*, 1977, 2009; Johanson *et al.*, 1990). They will make greater channel investments in the foreign market as market knowledge grows. Accordingly, foreign market knowledge is found to be related to the selection of an integrated channel (Eriksson *et al.*, 2006). However, since channel selection tends to be a static decision-making process rather than a dynamic one, the mechanism of UM is more suitable for explaining channel dynamism rather than channel selection.

Compared to TCA and UM, RBV and institutional theory extend current view of export channel selection from cost-reduction and learning processes to value creation and legitimacy enhancement, thus offering additional insights into the mechanisms behind channel selection. RBV looks at channel selection from the view of value creation by regarding channel as a strategy that supports firms' value creation of their specific resources/capabilities. Moreover, due to the differences in the external environment between home and export market, institutional theory highlights the legitimacy enhancement effect of the channel on firms' performance in the export market. Although few studies have applied RBV and institutional theory in export channel selection (e.g., He *et al.*, 2013; Kalinic *et al.*, 2015), current RBV- and institutional theory-based export channel selection remains at a relatively early stage of development and gaps existed for the better understanding of value creation and legitimacy enhancement role of export channel selection (Li *et al.*, 2017). For example, the application of RBV deserves to have more attentions paid to explore the role of more important resources/capabilities in affecting firms' channel selection. Also, more attentions should be given to interactions between different resources/capabilities in affecting the channel selection in order to improve our understanding of the value creation role of export channel selection. With regard to institutional theory, previous studies tend to regard institutions as one congregated factor while ignoring the individual impact of different pillars of institutions (He *et al.*, 2013). As these institutions' characteristics and legitimate requirements are different, varied influences could be found through the exploration of the individual impact of the different institutional pillars (Li *et al.*, 2017). Therefore, this study aims to extend current channel research by exploring the effects of organisational capabilities and CCID's effects on export channel selection.



### 3.2.1. RBV and institutional theory

RBV maintains that firms can achieve competitive advantage and superior performance by leveraging their valuable, rare, imperfectly imitable, and non-substitutable resources and capabilities (Barney, 1991; Brouthers *et al.*, 2007). PDC is such an organisational capability that enables firms to manage and develop new products in order to exploit R&D and innovation investment effectively, ensuring that the development efforts of new products/services are able to meet export customers' needs and that new products/services are launched successfully (Morgan *et al.*, 2012; Murray *et al.*, 2011; Rubera *et al.*, 2016; Tan *et al.*, 2015). In addition, PDC allows firms to foresee market opportunities for new products, thereby speedily developing and launching new products to meet dynamic customers' preferences quickly (Morgan *et al.*, 2012; Rubera *et al.*, 2016; Vorhies *et al.*, 2005). According to RBV, PDC can provide firms sustainable competitive advantages in export market. However, RBV also indicates that the firm-specific resources/capabilities like PDC only have potential value, as the possession of PDC is necessary but not sufficient for value delivery (Barney, 1991; Barney *et al.*, 2001). In order to fully realise the value of PDC and gain the competitive advantage to obtain desirable performance, the resource-strategy-performance perspective of the RBV argues that firms need to find a value-enhancing strategy to support their superior resources/capabilities in order to enhance their performance (Ketchen *et al.*, 2007). In exporting, export channels provide such a structure for firms to exploit their resources/capabilities and create value in their operations in export markets. Therefore, in order to fully realise the value of the PDC, firms should select a channel according to the requirements of the PDC they own and maximise the value of PDC through the export channel. By using RBV particularly resource-strategy-

performance perspective, we can better understand how export firms can better create value from their PDC by selecting from the hierarchical and non-hierarchical channel.

Although valuable resources/capabilities can offer firms competitive advantages, their value is not constant and might increase or decrease under certain contexts (Barney et al. 2001). Accordingly, the way firms exploit the value of the resources/capabilities will be affected as well. Extended RBV research indicates that other resources/capabilities owned by firms can affect the utilisation of particular resources/capabilities (Carpenter *et al.*, 2001; Shou *et al.*, 2014). A key differentiator is EO, which captures how a firm intends to compete (Hughes *et al.*, 2007).

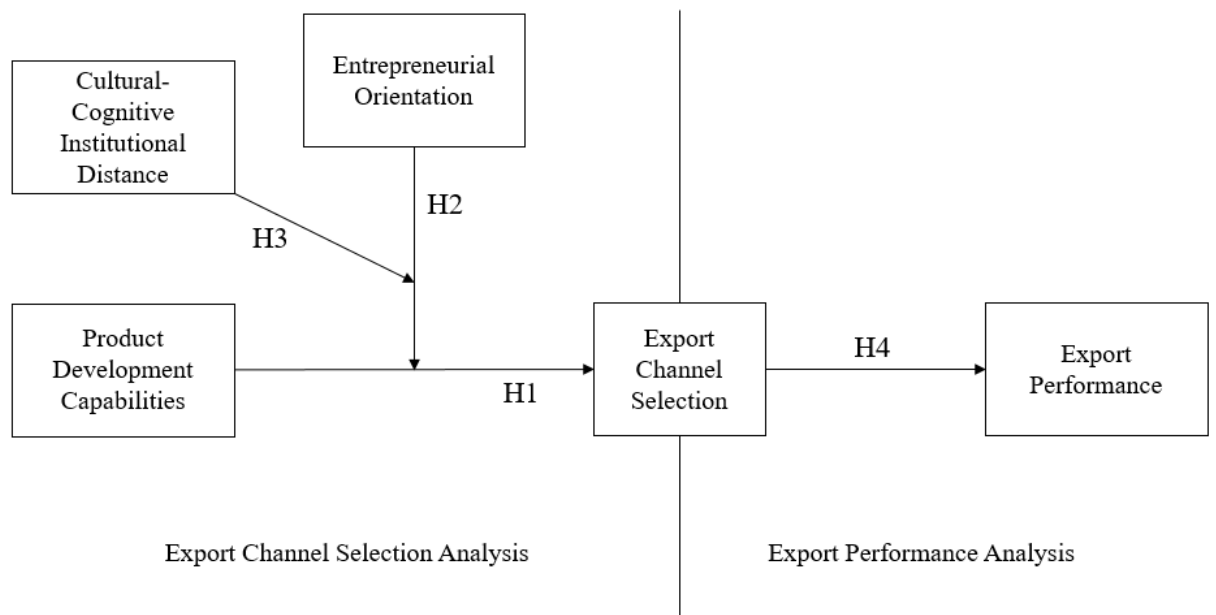
Entrepreneurially-oriented firms tend to innovate boldly and have a greater willingness for risk-taking and proactive market leadership than non-innovative firms. In this context, the product development of the offerings for the export market in entrepreneurial firms will be more aggressive and proactive than in conservative firms. Accordingly, since entrepreneurially-oriented firms tend to be innovative, and will actively introduce new products to satisfy consumer needs and preferences. Additionally, since these firms are often amongst the first to take advantage of new and underexploited opportunities, they can seize opportunities in exploiting their PDC quickly. Moreover, as entrepreneurially-oriented firms are more willing to pursue projects with high risk, they will expect greater returns from high-risk investments in product development. As a result, the exploitation of PDC through export channels will be affected by the level of EO owned by the firms. Thus, by looking at the moderating effect of EO on PDC-based channel selection, we can understand how EO helps firms make a better resource-based channel selection.

In addition to EO, Firms' export channel selection is also subject to institutional factors, for instance, the CCID between home and international markets. Institutional theory implies that institutions play an important role in affecting the behaviour of individuals/organisations (Scott, 1995). Therefore, firms need to make particular strategic choices to conform to institutional requirements, which will help enhance their legitimacy and chances of survival (Oliver, 1991b; Peng *et al.*, 2008; Scott, 1995). Scott (1992) suggests that one of the best ways to organize depends on the nature of the external environment to which the organisation relates. A country's cultural-cognitive institutions represent the cultural values and beliefs held by the society (Scott, 1995) and export markets often have different cultural-cognitive institutional environment from the domestic market. Accordingly, firms will face challenges from the differences between the home and export market's cultural-cognitive institutional environments.

Due to the existence of differences in cultural-cognitive institutional environment, firms need to update the way they exploit their resources/capabilities to respond appropriately to the changed institutional environment. In order to conform to the changed cultural-cognitive institutional requirements and enhance the chances of survival, firms should select appropriate channel structures in export markets (He *et al.*, 2013; Kalinic *et al.*, 2015). Although EO differentiates firms, the influence it can bring to the exploitation of PDC varies, as the differences between the home and export market's cultural-cognitive institutions are not constant. The differences between cultural-cognitive institutions can increase/reduce the difficulties in gaining access to the corresponding cultural-cognitive information related to product development for export markets. Accordingly, the efficiency of EO's innovativeness, risk-taking, and proactiveness in influencing firms' exploitation of PDC will be

reduced or enhanced depending on the CCID between home and export markets. In this context, firms' selection of export channel varies as the moderating effect of EO on PDC-based channel selection will be affected by CCID between home and export market. By integrating institutional theory with RBV in explaining firms resource-based channel selection, this study can advance current knowledge about the impact of CCID on the resource-based channel selection.

Furthermore, by using RBV and institutional theory as the theoretical foundations, this study theorises and develops a conceptual framework of the influence of PDC on export channel selection contingent upon EO and CCID and how this PDC-based channel selection leads to superior export performance. Figure 1 displays the conceptual model of this study.



**Figure 1. Conceptual model**

### 3.3. Hypotheses

#### 3.3.1. Product development capabilities and export channel selection

When firms export, they need to establish a structure to get their products to customers in the export market and ensure efforts of product development are perceived by customers. They also require market and customer information that helps them expand the scope of their information search beyond existing product categories, enhance their understanding of current product segments, and recognise market opportunities and emerging customer needs in order to capitalise on these opportunities and needs through innovation in product development. To better exploit their PDC, firms can choose either in-house development (i.e. a hierarchical channel) or cooperation with an external partner to complement scarce resources (i.e. a non-hierarchical channel), depending on the level of PDC they own.

Firms with strong PDC are often capable of exploiting customer knowledge, predicting the trends of the market, and transforming market opportunities into product development (Krishnan *et al.*, 2001; Zou *et al.*, 2003). Moreover, strong PDC can enhance the R&D strength of a firm, which is very important for technological innovation, thus enabling a firm to design and develop unique offerings that not only meet the customers' needs but that also differentiate the firm from its competitors (Zou *et al.*, 2003). For these firms, the hierarchical channel will be more preferable. First, firms with strong PDC are often capable of translating and integrating knowledge about customers and markets with their technology and R&D of the product to benefit product design (Tan *et al.*, 2015). In order to better develop a product that fits the requirement of the market, information about the preference of export customer is important. In a hierarchical channel, firms can have the direct

communication, interactions, and connection with the customer in the export market. Firms can obtain the first-hand information about the consumers' reactions and feedbacks about the product, therefore learn about the export market quickly and use the information obtained to develop or modify the product that meets the expectation of export customers correctly and efficiently.

Second, firms with strong PDC are capable of monitoring innovation and R&D progress (Rubera *et al.*, 2016). They are able to adjust and modify product development when facing changes in customers' needs and can predict future trends in foreign markets (Mayer *et al.*, 2006). In order to maximise the value of their superior PDC, having a high-quality information processing system is important for the efficient development and modification of the product according to the changes in customers' needs and market trends. Using a fully-controlled channel operated by an export firm's own staff can ensure the quality of information transfer and guarantee that customer feedback is effectively translated and adopted into product modification without the possible bias in information transfer in non-hierarchical channel (Cui *et al.*, 2017; Mahr *et al.*, 2014).

Furthermore, PDC composes of a large amount of specific knowledge (Vicente *et al.*, 2015). A hierarchical channel provides the firm with maximised control over the export operation so that the tactic knowledge about the product development and the collected information about the customer will not be shared with other external companies or individuals. Hence, guarantee the maximized control over the value creation of the PDC through export channel operation. Sharing control over the export operation can lead to problems, for example, with regard to time and money wasted training partners, safeguarding problems of the superior PDC, and

insufficient communications between parties, which can lead to a reduction in the final return created by the PDC (He *et al.*, 2013; Zhao *et al.*, 2004). Therefore, firms with strong PDC will be more likely to choose a hierarchical channel rather than the non-hierarchical channels.

For weak PDC firms, selecting a non-hierarchical channel (i.e. to cooperate with local agents/distributors) can help them supplement their weak PDC. Information can be expensive to collect in export markets (Brouthers *et al.*, 2008b; Vicente *et al.*, 2015). By choosing the non-hierarchical channel, firms can spare themselves the pressure of gathering customer and market information. As local partners and distributors are often familiar with the market in which the product and the export firm compete, they can provide important suggestions for the firm in relation to aspects such as innovation and product design (Knight *et al.*, 2004). The knowledge and information added to customers and markets by external partners or distributors improve weak PDC firms' understanding of export markets, thus enhancing the accuracy of developing and launching products to satisfy customers' needs.

Moreover, by using a non-hierarchical channel, firms can control and select the knowledge given by the partner and carefully choose the information to be utilised in the product development process, which guarantees the efficiency of knowledge exploitation. In addition, compared with strong PDC firms, weak PDC firms do not have problems in relation to the safeguarding of their PDC. Therefore, sharing control of the PDC is less likely to create a future competitor. Furthermore, the sunk cost of non-hierarchical channels is often less than that of the hierarchical mode, and the rents created by cooperation with other channel members can be covered by the useful resources offered by partners (He *et al.*, 2013; Mayer *et al.*, 2006). Therefore, for firms with weak PDC, non-hierarchical channels will be more preferable than

hierarchical channels. Based on the above discussion, the first hypothesis is proposed as follows:

**Hypothesis 1. Firms with stronger PDC are more likely to use a hierarchical channel, while firms with weaker PDC are more likely to use a non-hierarchical channel.**

### 3.3.2. The moderating role of entrepreneurial orientation

The arguments above suggest that an exporting firm's PDC will have a significant impact on its channel strategy. However, this relationship is far from being universal. In this sense, the value of firm-specific capabilities may be conditioned by other factors (Barney, 2001; Brouthers *et al.*, 2015). The existing resources/capabilities can have an impact on the decision made regarding PDC. In this context, EO serves as an important factor affecting the exploitation of PDC through the export channel.

EO helps firms equip themselves with the ability to use its internal resources effectively and look for resources from outside sources in order to discover and exploit new opportunities (Brouthers *et al.*, 2015; Wiklund *et al.*, 2003).

Innovativeness, risk-taking, and proactiveness are three components for EO.

Innovativeness reflects a firm's tendency to support new and creative ideas and processes. Risk-taking refers to a firm's willingness to commit a large number of resources to projects where the likelihood and cost of failure may be high.

Proactiveness reflects a firm's posture of anticipating and acting on the future wants and needs of the market. EO reflects the strategic direction implemented by export firms in order to create innovation and superior performance. Hence, firms that are more entrepreneurially-oriented tend to be more likely to introduce new products,



diversify their activities, and learn how to survive and become competitive in an uncertain international environment (Covin *et al.*, 2011; Dimitratos *et al.*, 2004).

For firms with strong PDC and being entrepreneurial-oriented, they will try to develop their product proactively and aggressively to satisfy export markets' needs and quickly take advantage of new and underexploited opportunities. To seize the opportunities in the export market, timely and sufficient information about the export market is important for entrepreneurially-oriented firms to use their PDC in developing new product and apply the creative design. Compared to the hierarchical channel, a non-hierarchical channel offers firms existing resources, such as export market information, customers, distribution networks, marketing, and sales, to help them transform export market opportunities into the exploitation of their strong PDC quickly and in advance.

For firms with strong PDC but being conservative-oriented, they tend to react and respond passively when environmental challenges and instabilities are present and take the corresponding action when important resources are available (Covin, 1991).

For such firms, using the self-managed hierarchical channel and use their own staff in information transferring and processing and can guarantee the efficiency of the information applied to product development when changes present.

Moreover, since entrepreneurially-oriented firms tend to be more risk-taking, they will obtain greater returns by taking risks to exploit new opportunities in the export market. In exporting, giving away partial control of the channel operation can be risky, as the involvement of an external partner can create problems, such as sharing control and rent, poor value creation, and rapid imitation by competitors. In order to translate the value of the PDC into competitive advantages in export markets, strong

PDC and entrepreneurial oriented firms will take the risk of involving external parties in channel operations in order to seize market opportunities more quickly and aggressively.

In contrast, for strong PDC but conservative-oriented firms, establishing a wholly-controlled hierarchical channel is more effective for the value creation of their PDC because it allows them to take full control of the exploitation of their superior PDC without taking the risk of value leaking or sharing rents with external partners.

Furthermore, entrepreneurially-oriented firms tend to exploit new and underexploited opportunities. This proactive tendency will make them more aggressive when exploiting their superior PDC in export markets. Compared with setting up a self-managed hierarchical channel, partnering with experienced external organisations in a non-hierarchical channel can allow strong PDC firms to understand and analyse the export market more quickly so that they can respond proactively to future wants and needs. Therefore, this study argues that, under such circumstances, firms with strong PDC are less likely to select a self-managed hierarchical channel when they possess high EO.

While for firms with less PDC, being entrepreneurial oriented provide them with the chance to develop their PDC by taking and making the proactive, high-risk and aggressive actions and investment in seizing the opportunities in export market.

Since the PDC is not well developed in weak PDC firms, cooperating with external partners such as agents or intermediaries can create problems such as the efficiency of the information delivery, the time and money wasted training partners, safeguarding problems of the tactic knowledge, which will harm the development and value creation of firms' PDC. In order to maximize the value of EO in helping

firms create more value by developing their PDC, choosing the hierarchical channel can be preferable for weak PDC but entrepreneurial oriented firms.

On the other hand, for firms with less PDC and conservative-oriented, they are not capable of product development and will not actively make investments or take risky and aggressive actions to the future changes. For such firms, partnering with an external channel member such as distributor or agent can be a good choice for them as they can rely on their partners to develop product and cope with the change when it presents.

Therefore, the second hypothesis is proposed as follows:

**Hypothesis 2. Firms' EO negatively moderates the relationship between PDC and export channel choice, i.e. the likelihood of firms with strong PDC selecting hierarchical channels decreases when they have more EO.**

3.3.3. The impact of cultural-cognitive institutional distance on the moderating effect of entrepreneurial orientation on PDC-channel relationship

Cultural-cognitive institutions are an important element in international business since the cultural-cognition system embedded in a country play as a key environmental force that reflects and shapes the perceptions, dispositions, and behaviour of individuals/organisations (Samaha *et al.*, 2014; Triandis, 1989).

Cultural-cognitive institutions can have a significant impact on the strategic behaviours displayed by organisations (Geletkanycz 1997; Kreiser *et al.* 2010; Tihanyi *et al.* 2005). The increased distance between home and export markets' cultural-cognitive institutional environment can create problems regarding the

availability, accessibility, and quality of export market information generation about the cultural-cognitive institution, which is important for firms' product development for export market. Accordingly, the CCID will influence the value of the firms' EO, will be then affected EO's moderating effect on the exploitation of firms' PDC through export channel.

The author has indicated that the impact of PDC on export channel selection can be dependent on its EO so that a firm's EO reduces the likelihood of a strong PDC firm selecting a hierarchical channel in order to maximize the value creation of PDC through export channel selection. However, according to institutional theory, the institution influences individual/organisations' behaviour and strategic making. Therefore, responding strategically to, and overcoming, cultural-cognitive institutional differences is an important task for firms in order to gain legitimacy and maintain competitiveness. CCID implies the perceived differences in customer preferences, market trends, and competition patterns between the host country and the home country. It also indicates managers' perceptions of the differences in values, mindsets, norms, and practices of doing business between the host and home countries. Due to the existence of different institutional distance such as CCID, the benefit firms can get from their organisational capabilities such as EO and PDC can be different (Brouthers *et al.*, 2008b) as well as the cost of applying particular channel strategy to support the exploitation of these capabilities (Campa *et al.*, 1999), which will then jointly influence performance in an export market (Davis *et al.*, 2000). In order to better create value from the superior PDC and EO in export operation, the impact of cultural-cognitive institutional differences should not be overlooked in export channel selection. Since EO is identified as being particularly useful when firms face a highly ambiguous and uncertain external environment (e.g.,

Alvarez *et al.*, 2001; Brouthers *et al.*, 2015; Dimitratos *et al.*, 2004), how CCID affect EO's value in affecting the exploitation of firms' PDC through export channel selection deserves better exploration. The author further argues that CCID may exacerbate the moderating effect of EO on the PDC-channel selection relationship, that is, the negative moderating effect of EO on the relationship between PDC and export channel selection will be strengthened when there is a large CCID.

Firms with a high level of EO are often more proactive, have innovative skills, and are willing to take risks when competing in exporting. The proactive, innovative, and risk-taking propensity can help the firms identify or even create opportunities quickly and aggressively, which provide the chance for firms to make use and deploy their PDC to developed appropriate offerings that suit the needs in the export market. By selecting particular export channel, firms can obtain sufficient information about the customer need in foreign markets and seize the opportunities by undertaking proactive, risky and innovative actions in exploiting their PDC.

When entering a market with different cultural-cognitive institution, a firm will find it more challenging to understand the host market and to compete effectively if the CCID is large. Although EO can provide firms with the competitive advantages in identifying and seizing the opportunities in the export market for product development by taking the aggressive, proactive and risky investments and actions, firms still need tactic information about the cultural-cognitive institution in export market in order to behave correctly. In this sense, select the non-hierarchical channel can helps firms gain access to the necessary information about these differences in the cultural-cognitive institution from external channel members, such as agents or distributors who are more familiar with the export market and developing effective responses in advance. By gaining key knowledge of the cultural-cognitive

institution, entrepreneurial oriented firms can better utilise their superior PDC by applying the proactive, innovative, and risk-taking investment in R&D as well as developing and launching new or modified products quickly and aggressively to serve the export market with their product development effort. Therefore, when entering a country with a large CCID from the home country, firms with greater EO and PDC capabilities will be more likely to use non-hierarchical export channels.

However, when firms enter a country that is cultural-cognitive similar to their home country, firms will need less effort to obtain knowledge about the local cultural-cognitive environment. Firms' existing resources, such as information about the customer, can be exploited in product development for competitive advantages without losing much value. Also, as firms are familiar with the export market, the value of applying EO is limited since practising EO will not create as many opportunities as it does in an unfamiliar environment (Kalinic *et al.*, 2015). As a result, the benefits of partnering with an external channel member will be reduced. Therefore, in entering a country that is similar, culturally and cognitively, to the home country, firms with greater EO and PDC capabilities will be less likely to benefit from and use cooperative export channels.

Accordingly, it is hypothesised that:

**Hypothesis 3. The negative moderating effect of EO on PDC export channel selection becomes greater as the CCID between home and export market country increases.**

#### 3.3.4. Capabilities, cultural-cognitive institutional distance, and export performance

According to the resource-strategy-performance perspective of RBV (Brouthers *et al.*, 2008b), firms that align their unique resources/capabilities with their organisational structure will achieve superior export performance. Alignment is defined as the fit/match between two related variables (He *et al.*, 2013). The concept of fit is central to RBV, as the firm's special resources/capabilities will be enhanced or exploited through an appropriate organisational structure (Barney *et al.*, 2001). Hence, exporting firms' choice of a channel structure will affect the efficiency of capabilities such as PDC in providing value for the outcome of exporting. For firms that want to gain advantage from their superior PDC, selecting an export channel structure with high integration and controllability allows them to learn from the export market directly and improve their product development effectively, which can facilitate the firm's performance in the export market, as the product/offering better fits the market's expectations and the product's development-based advantages can be correctly delivered to the export market (Tan *et al.*, 2015). While for the firms with less PDC, cooperating with external channel members in non-hierarchical channels such as agents, intermediaries, or distributor offers them the chance to supplement the information about export market and develop appropriate product accordingly, which can also lead to better performance in export market.

However, RBV also claims that the value of firm-specific capabilities can be conditioned by other forces. The existence of other organisational capabilities, such as the EO owned by the firm, can affect the relationship between the level of PDC it possesses and the way it structures its export channel. The characteristic of EO – aggressiveness, proactiveness, and risk-taking can affect the way firms exploit their PDC and hence affecting the following choice of export channel strategy to support

the PDC's exploitation. When firms make channel selections based on their resource-based factors, they need to consider about not only the direct effect of their organizational capabilities such as PDC have on their export channel selection but also the moderating effect of their other organizational capabilities such as EO have on the PDC-based channel selection. Hence, in order to maximize the value creation of their PDC through export channel selection, firms should also take their EO into account.

In addition to the resource-based factors, institutional theory highlight the influence of the institution on firms' behaviour and strategic choices (Brouthers, 2002; Brouthers *et al.*, 2007). Accordingly, the differences in institutions between the home and export market can affect the value created by the capabilities (Brouthers *et al.*, 2008b). Thus, firms need to select the corresponding strategy in order to be legitimated and sustain competitiveness in the particular institutional context. Since an export channel offers firms such strategic choice to deploy and garner the value of their organisational capabilities, firms in unfamiliar institutional environments can attempt to shift their competitive advantages by using different channels to organise the exploitation of their resources. Since the cultural-cognitive institution affect individual and organisations' perceptions, dispositions, and behaviour (Samaha *et al.*, 2014; Triandis, 1989), the differences between home and export market's cultural-cognitive institution can result in difficulties in predicting customers' needs (Li *et al.*, 2017; Suchman, 1995), which will influence the value of firms' resources such as EO and its impact on PDC's exploitation through export channel selection. Therefore, when firms make resource-based channel selection, the impact of the CCID should be considered in order to improve their performance in export market.



Based on resource-strategy-performance perspective and the integration between RBV and institutional theory, it is predicted that firms selecting an appropriate export channel strategy which can maximise the exploitation of their PDC and EO in a cultural-cognitive institutionally distant market will be more likely to maintain or enhance the competitive advantages they have in their overseas markets (Yeoh *et al.*, 1995). As the competitive advantages created can greatly affect the performance of firms' export operations, the alignment of an export channel structure with their capabilities and institutional distances will play an important role in the development of the export operation (Barney *et al.*, 2001).

Making channel selection decisions using RBV and institutional theory approaches enable exporting firms to exploit their valuable PDC in such a way as to provide more favourable outcomes. Therefore, firms looking to achieve improved performance levels in export markets need to select an appropriate export channel that fits the exploitation of their PDC in order to maximise the competitive values emerging from its organisational capabilities and minimise the influence of challenges coming from increased institutional distances when exporting to foreign markets.

**Hypothesis 4. Firms that align their export channels with their PDC, contingent on their EO capabilities and the CCID between the home and market country, will achieve better export performance.**

### **3.4. Methodology**

#### 3.4.1. Sampling and data collection

This study used the data collected from Chinese exporters in 2016. Developing countries are largely overlooked in export channel selection research (Li *et al.*, 2017). Among the developing countries, China is one of the most important countries in exporting as it is one of the most active players in the world of international trade (European Central Bank, 2016). Also, China is one of the leading countries that promote internationalization and encourage its firms to expand their business abroad. Therefore, using samples from China and investigating how to use channel selection to improve the value creation of organisational capabilities such as PDC in exporting can provide important theoretical and practise implications for export firms in developing countries.

The sample was drawn from the Exporting Firms Directory provided by the customs authorities of Fujian Province, which is one of the first provinces to have been designated a Special Economic Zone (Xiamen) in the 1980s, as well as having a very long history of international trading, as the starting point of the Maritime Silk Road. Nowadays, Fujian is among the most active trading provinces in China (Ministry of Commerce of the People's Republic of China, 2016). This study took a random sample of 1,000 export firms. A pre-test was carried out to assess the accuracy of the measurements and the description of some technical terms to ensure the measurements captured the information correctly.

This study focused on the export channel selection made by ventures. Since exporting firms may consist of a number of export ventures that have a line of products for a particular foreign market (Oliveira *et al.*, 2012; Sousa *et al.*, 2008),

using ventures as the unit of analysis can help to deepen our insights of the more “concrete and manageable key success factors” (Sousa *et al.*, 2008: 350) in exporting, and indicate the determinants of a specific strategy for a specific product/market in the same firm (Douglas *et al.*, 1987). This study used two respondents (managers) in each venture to answer different parts of the questionnaire. Multiple telephone calls and e-mails were made to contact the firms in order to confirm their qualifications and willingness to participate in this study before questionnaires were sent to the selected firms. A total of 294 export firms responded and returned the questionnaires, yielding a 29.4% response rate.

The representativeness of the sample was assessed on the coverage of the sampling frame, the absence of non-response bias, and the consistency of the sample with the population on key distributional characteristics. The sampling frame of this study consisted of 294 export firms’ channel selection (see Table 4).

To assess potential non-response bias, this study followed Armstrong and Overton (1977) in comparing early and late respondents with respect to various firm characteristics and construct measures. The t-statistics suggested that there were no significant differences between these two groups. Thus, non-response bias is unlikely to be a significant problem. This study also compared the characteristics of the population of Chinese exporting firms to the respondent firms. Among these firms, private firms account for nearly 70% of the total firms, which in line with the population of Chinese export firms by 2017 (GACC, 2018). For the countries to which the sample firms export, USA takes up 39.5% of the total number, followed by the European Union countries (16.9%) and the Association of Southeast Asian Nations countries (9.2%), which also in line with the statistic of Chinese export firms by 2017 (GACC, 2018). In terms of the industry distribution, firms from textile and

apparel account for 34.7% of the total firms, followed by light industry (25.5%). Compared with the population of Chinese export firms, the dominating industry category - mechanical and electrical industries only accounts for nearly 20% of the total population in this sample, while the second largest industry category - traditional labour-intensive industries account for nearly 60% of the total amount. The author further compares other key distributional characteristics such as the average value of exporting, firm size with the population of Chinese export firms and notes no significant differences in these factors ( $p>0.05$ ). Overall, the analysis tended to indicate that the respondent firms of this study were representative of firms exporting from China.

However, it should be acknowledged that in terms of the industry distribution, the textile and apparel and light industry firms are over-presented while the industries such as mechanical and electrical industries lack sufficient representation in this sample. This creates both advantages and disadvantages. For the advantages of the sample, the high proportion of textile and apparel and light industry can help this thesis to better examine the CCID's impact on export channel selection as the product of these industries and their customers' behaviour and preferences are influenced by cultural-cognitive institution more directly compared with the mechanical and electrical industries where many customers are in business to business market. On the other side, the textile and apparel and light industry tend to be more labour intensive and less R&D intensive compare with other industries such as machinery manufacturing, information electronics, or transportation. The over-presenting of the fewer R&D firms in the sample may lead to the disadvantage that the true role of PDC plays in export channel selection can be misunderstood or hidden.

**Table 4. Profile of sample ventures**

1. Average number of years of exporting	13 years
2. Average number of international markets	20
3. <i>Employee numbers</i>	(% of total)
<251	61.9
251-1500	25.2
>1500	12.9
4. <i>Firm Ownership</i>	(% of total)
State-owned enterprises	8.8
Foreign firms	16.0
Sino-foreign joint venture enterprise	5.4
Private firms	69.0
Collectively-owned enterprise	0.7
5. <i>Industry distribution</i>	(% of total)
Energy	0.3
Chemical Engineering	3.1
Metallurgy	1.0
Mining	2.4
Machinery Manufacturing	7.8
Information Electronics	9.5
Textile and Apparel	34.7
Light Industry	25.5
Food Industry	4.8
Transportation	1.7
Agricultural Products	2.7
Other Industry	6.5
6. <i>Export Channel</i>	(% of total)
We have a wholly owned sales subsidiary in the foreign market	10.5
We serve the market directly from China, using company personnel	59.2
We are involved in a joint venture with another company to handle sales of this product in this market	5.8
We use commission agents	8.5
We sell to a merchant distributor who takes title to our product and contacts buyers directly	16.0
7. <i>Export market</i>	(% of total)
Australia	2.4
Bangladesh	0.7
Brazil	2.4
Canada	1.0
Chile	1.0
Ethiopia	0.3
Egypt	0.3
France	0.7
Germany	10.2
Ghana	0.7
Hong Kong	4.1
India	0.7
Indonesia	2.0
Italy	1.0
Japan	6.8
Korea	2.0
Malaysia	0.7
Norway	0.3
Philippines	0.7
Poland	0.3
Russia	0.7

<i>7. Export market (continued)</i>	
Saudi Arabia	4.1
Singapore	0.7
South Africa	1.7
Spain	1.0
Sweden	0.3
Taiwan	4.1
Thailand	4.4
The Netherlands	0.7
Turkey	0.7
UK	2.4
USA	39.5
Vietnam	1.4

Notes: Sample size=294.

### 3.4.2. Measures

#### *Dependent variables*

There are two dependent variables used in validating the hypotheses. Export channel is the dependent variable for export channel selection analysis, while export performance is the dependent variable for export performance analysis.

For export channel selection, inconsistencies exist in previous export channel literature. In this study, the authors applied the categorisation of Klein *et al.* (1990b) because of the different roles and involvement of firms and other external organisations, such as distributors and agents, are clear in the market, intermediate, and hierarchical modes (Li *et al.*, 2017).

The most frequently used data collection unit is the channel used for a product and/or a foreign market (e.g., Klein, 1989; Klein *et al.*, 1990b). This study integrated the most commonly used data collection units by focusing on the channel used for the most important market a firm had recently entered over the last five years. Based on Klein *et al.* (1990b), respondents were provided with five different channel choices, which included: ‘We have a wholly-owned sales subsidiary in the foreign market’; ‘we serve the market directly from China, using company personnel’; ‘we are

involved in a joint venture with another company to handle sales of this product in this market'; 'we use commission agents'; and 'we sell to a merchant distributor who takes title of our product and contacts buyers directly.' Just as in He *et al.* (2013) and Kalinic *et al.* (2015), hierarchical channels were assigned a value of one while non-hierarchical channels were assigned a value of zero.

Export performance was measured with regard to performance in the most important market the firm had recently entered over the last five years instead of overall firm performance or overall export performance. Due to the reasons that Chinese managers are often unwilling to offer objective data and the official data available is not updated or comprehensive enough, this study used subjective indicators to measure the dependent variable of export performance, similar to recent export channel studies (e.g., He *et al.*, 2013; Kalinic *et al.*, 2015). Following Katsikeas *et al.* (2016), in measuring export performance, this study included four questions about levels of satisfaction over the last five years (see Table 5).

In order to test alignment (H4), this study followed Venkatraman (1989) and previous research (e.g., Brouthers *et al.*, 2008b; He *et al.*, 2013) and calculated a Predicted Fit variable for each firm by comparing the predicted export channel (from the logistic regression models) to the actual export channel used by each firm. The fit variable took a value of 1 if the export channel used by the firm matched the export channel predicted by the logistic regression model, and it took a value of 0 if the actual export channel did not match or align with the predicted export channel.

#### *Independent and moderating variables*

For the export channel selection analysis, PDC was the independent variable to be measured. PDC is measured as a firm's knowledge and skills in new product development and improvement of existing products. Based on Kaleka (2012), Murray *et al.* (2011), and Tan *et al.* (2015), this study used five seven-point Likert-scale items to measure PDC (see Table 5).

Following recent entrepreneurial studies (Brouthers *et al.*, 2015; Kalinic *et al.*, 2015), EO was measured with nine seven-point Likert-scale items (see Table 5), based on the work of Covin *et al.* (1989). Consistent with Rauch *et al.* (2009), the values for these items were summed and averaged to create a single EO construct.

For CCID, this study integrated the subjective and objective measures. Previous CCID studies have mainly drawn measurements from secondary data that focus on a general country level of cultural-cognitive institutional differences. However, as decisions are made by managers, their perceptions of the differences will be more objective (Cui *et al.*, 2012). Therefore, this study makes an advancement in measuring CCID by using the perceptions of CCID from managers. Since managers will be mainly concerned with the cultural-cognitive institutions that they encounter in the export country, this study's items were derived from GLOBE, given that its measuring items are more related to practice and more concise (House *et al.*, 2004). Respondents were asked to indicate their perceptions of the differences of nine aspects related to cultural-cognitive institutions between their home and the export country (see Table 5).



**Table 5. Multi-item measures and validity assessment**

Item	SFL
<b>Export Performance (EP); CR=0.900, AVE=0.694, HSV=0.187</b>	
Market share of our product in export market	0.874
Export sales of our product in export market	0.906
Export profitability of our product in export market	0.745
Achievement of our initial objectives of the product	0.798
<b>Product Development Capabilities (PDC); CR=0.931, AVE=0.731, HSV=0.410</b>	
We are capable of developing of new products for our export customers	0.908
We are capable of exploit R&D investment for new products development	0.913
We speedily develop and launch new products for export	0.851
We are capable of improving/modifying of existing products	0.874
We often make adoption of new methods/ideas in manufacturing process	0.715
<b>Entrepreneurial Orientation (EO); CR=0.928, AVE=0.592, HSV=0.410</b>	
We are among the first ones to implement progressive and innovative production processes and practices	0.835
The management of our company supports the projects that are associated with risks and expectations for	0.661
We actively observe and adopt the best practices in our sector	0.793
We actively observe the new practices developed in other sectors and exploit them in our own business	0.858
We recognize early on such technological changes that may have an effect on our business	0.787
We are able to take on unexpected opportunities	0.759
We search for new practices all the time	0.788
In uncertain decision-making situations, we prefer bold actions as to make sure that possibilities are	0.637
We allocate our resources continuously to new promising operation areas	0.780
<b>Cultural-cognitive Institutional Distance (CCID); CR=0.910, AVE=0.532, HSV=0.058</b>	
Uncertain avoidance	0.625
Future orientation	0.790
Power distance	0.662
Institutional collectivism	0.819
Humane orientation	0.719
Performance orientation	0.758
In-group collectivism	0.827
Gender egalitarianism	0.575
Assertiveness	0.745
<b>Asset Specificity (AS); CR=0.867, AVE=0.627, HSV=0.246</b>	
To be effective, a salesperson, whether our own or an intermediary's, has to take a lot of time to get to know	0.826
It takes a long time for a salesperson, whether company or third party, to learn about our products	0.830
To be effective, a salesperson, whether our own or third party, has to take a lot of time to get to know our	0.923
A specialised sales effort is needed to market this product line	0.534
<b>External Uncertainty (EU); CR=0.837, AVE=0.563, HSV=0.246</b>	
Difficult to monitor trends.	0.727
Sales forecasts are inaccurate.	0.800
Difficult to gauge competition.	0.772
The market is not known to us	0.699
<b>Managerial International Experience (MIE); CR=0.899, AVE=0.607, HSV=0.022</b>	
The percentage of managers born outside of China	0.625
The percentage of managers educated outside of China	0.867
The percentage of managers who have had work experience outside of China	0.907
The percentage of managers born in export market country	0.548
The percentage of managers educated in export market country	0.806
The percentage of managers who have had work experience in export market country	0.906
Chi-square= 1211.817; p<0.000; IFI=0.942; TLI=0.936; CFI=0.942; RMSEA=0.047; CMIN/DF=1.635	

The two moderating variables were calculated by centring the values of the PDC, EO, and CCID measures and then multiplying the PDC value by the EO and CCID measures, following the procedures of previous studies (e.g., Aiken *et al.*, 1991; Cadogan *et al.*, 2009; He *et al.*, 2013).

### *Control variables*

This study included a number of control variables that may influence export channel selection and/or have been linked to export performance. As TCA is the dominant theoretical base in export channel research, this study included a transaction cost variable. Following Shervani *et al.* (2007), asset specificity was measured with the four-item scale adopted from their work. Uncertainties include both internal and external uncertainties. This study measured internal uncertainties, using a single-item seven-point Likert-scale, by asking for the ease or difficulty of measuring the collective performance of individuals with whom the firm may have cooperated, following recent export channel selection studies such as He *et al.* (2013) and Kalinic *et al.* (2015). For external uncertainties, the four-item scale developed by John *et al.* (1988) and Shervani *et al.* (2007) was adopted (see Table 5). For the third factor impacting on transaction cost, i.e. frequency, this study used channel volume as a proxy for frequency, as prior export channel studies have done (e.g., He *et al.*, 2013; Klein *et al.*, 1990a; McNaughton, 1996).

Firm factors were also included as control variables. Firm size was included to measure the number of people employed in the export firm, according to the typology of the National Bureau of Statistics of China. This study created four ownership dummy variables according to the typology of the State Administration

for Industry and Commerce of the People's Republic of China (SAIC), including state-owned enterprises, foreign firms, Sino-foreign joint venture enterprises, and private firms. Following He *et al.* (2013), each dummy took the value of 1 if the firm's ownership structure matched the variable and, otherwise, it took the value of 0. The study also controlled for export experience, which was measured by the number of markets to which the firm has exported (He et al. 2013). International experience was measured by the number of years that the firm had exported (see Brouthers et al. 2009). Finally, this study controlled for managerial international experience (Burgel *et al.*, 2000; Grønhaug *et al.*, 1993). The international experience of the whole management of the venture was captured instead of individual managers' international experience. This study followed previous upper echelon studies (Carpenter, 2002; Hutzschenreuter *et al.*, 2013; Tihany *et al.*, 2000) and measured managerial international experience as the experiences that managers have had in an international context, such as growing up abroad or studying or working outside of his/her own country (see Table 5).

In order to avoid problems raising from the fact that strategic choices like export channel selection can be endogenous and self-selected (Shaver, 1998), the author calculated an inverse Mills ratio that represents an unobserved "self-selection" correction variable and added it as a control variable in the export performance regression models following previous studies (e.g., He *et al.*, 2013; Kalinic *et al.*, 2015; Shaver, 1998). A new Inverse Mills ratio was calculated for each of the four performance models using Probit regression analysis.

### 3.4.3. Common method variance

Common method variance (CMV) is an important issue that demands attention when using surveys and/or quantified interviews for data collection. For each firm being surveyed, the author asked two respondents (two export managers) to answer the dependent and independent variables respectively. The use of multiple respondents is the most preferred data collection strategy for reducing CMV bias (Rindfleisch *et al.*, 2008). As a result, one export manager was asked to answer the question about capabilities while another answered the question about channel selection and performance. Moreover, the order of the questionnaire items was manipulated to ensure the respondents' cognitive observations of the correlation between items was reduced (Chang *et al.*, 2010).

In addition, two tests were conducted to ascertain whether CMV exists. Although recent scholarship argues that methods like Harman's one-factor test are insufficient (Chang *et al.* 2010; Podsakoff *et al.* 2003), Harman's single-factor test or confirmatory factor analysis are still popular sophisticated tests for addressing CMV issues (Meade, Watson and Kroustalis 2007; Podsakoff *et al.* 2003). First, for Harman's one-factor test, the results showed a 16-factor solution in which the largest factor explained only 22.513 percent of the variance. Second, a marker variable, customer relationship, which had a little theoretical link to at least one of the variables, was added to the proxy CMV. The lowest positive correlation between the marker variable and the other variables was selected to adjust the variable correlations and statistical significance. After controlling for the effect of the marker variable, the partial correlation results showed no significant change among the constructs. Therefore, CMV should not be a concern for this study.

#### 3.4.4. Construct reliability and validity

A construct reliability test was established to assess whether the constructs were reliable. The research started from the development stage by excluding variables and items regarded as irrelevant. A seven-factor CFA model was developed to assess construct validity. Table 5 shows the results of the validity analysis. Each indicator's standardized factor loading (SFL) on its respective construct was statistically significant and sufficiently larger than the commonly used 0.50 cut-off. The significant standardized loading ( $>0.50$ ) of each item on its pre-specified construct showed convergent validity. Composite reliability (CR) figures were greater than the usual benchmark of 0.70. Average variance extracted (AVE) indices for all constructs were greater than the 0.50 cut-off. Overall, these results support the dimensionality of the constructs, indicating adequate construct validity and reliability.

For the assessment of discriminant validity, the shared variance between all possible pairs of constructs was calculated in order to determine whether they were lower than the AVE for the individual constructs. The results show that the AVE for all constructs was much higher than its highest shared variance (HSV) with other constructs. Therefore, the results provide acceptable support for discriminant validity.

Finally, the CFA model indicated a close fit to the data (CFI=0.942; TLI=0.936; RMSEA=0.047), suggesting that the model fit was acceptable.

### **3.5. Empirical findings**

Table 6 represents the descriptive statistics and correlation matrix. Although the author noted that there was high variability in the constructs of this study, there was no sign of multi-collinearity. For example, the variance inflation factors (VIF) were examined in the regression tests and found no VIF score greater than 3, indicating a low probability of collinearity.

**Table 6. Descriptive statistics and correlation matrix**

	Mean	Std. Deviation	1	2	3	4	5	6	7	8	9	10	11	12
1 AS	4.6437	1.2763	1											
2 EU	3.9736	1.0507	.433**	1										
3 IU	4.1500	1.2440	.405**	.505**	1									
4 EV	410.7381	1296.3501	-.003	-.158**	-.025	1								
5 EE	19.9700	28.5260	.022	-.103	.005	.034	1							
6 IE	12.9320	7.8620	.042	-.082	.048	.132*	.202**	1						
7 FS	1041.7310	3831.5936	.027	-.119*	.047	.577**	.211**	.120*	1					
8 MIE	0.0869	0.1586	-.050	-.003	-.063	.008	.021	.023	.105	1				
9 EO	5.0540	0.9066	.125*	.009	-.003	.097	.075	.067	.075	.070	1			
10 CCID	3.6153	1.0340	-.244**	-.093	-.031	-.096	.077	.019	.018	-.072	-.190**	1		
11 PDC	5.2415	1.1366	.076	-.123*	-.120*	.068	.043	.181**	.067	.121*	.631**	-.070	1	
12 ECD	0.6973	0.4602	.002	.003	-.070	-.086	-.064	.097	-.111	-.011	.058	.052	.203**	1
13 EP	4.5459	1.0155	.111	-.074	.038	.129*	.017	.173**	.083	.048	.411**	-.076	.406**	.024

\*\* . Correlation is significant at the 0.01 level (2-tailed).

\* . Correlation is significant at the 0.05 level (2-tailed).

Notes: AS=Asset Specificity, EU=External Uncertainty, IU=Internal Uncertainty, EV=Export Value (in million RMB), EE=Export Experience, IE=International Experience, FS= Firm Size, MIE=Managerial International Experience, EO=Entrepreneurial Orientation, CCID= Cultural-cognitive Institutional Distance, PDC=Product Development Capabilities, ECD=Export Channel Dummy, EP=Export Performance

### 3.5.1. Export channel selection results

Since the dependent used in export channel selection analysis is dummy variable (0 and 1), the author uses logistic regression to test the hypothesis. Table 7 shows the four logit models which were created to explore the hypotheses concerning export channel selection. Model 1 was the base model and was not significant. The control variables explained 12.8% of the variance in the dependent variable (export channel selection). Food Industry ( $p < 0.05$ ) and Agricultural Products ( $p < 0.1$ ) were related to the use of the hierarchical channel.

In Model 2, the primary independent variable (PDC) was added, and the coefficient was significant and positive ( $p < 0.01$ ), supporting Hypothesis 1.

Model 3 examined the effect of the moderator (EO). Model 3 increased the explanatory power over Model 2 significantly ( $p < 0.05$ ) and explained about 19.4% of the variance in the dependent variable (export channel selection). The interaction variable PDC\*EO was also significantly and negatively ( $p < 0.05$ ) related to the export channel, thereby supporting Hypothesis 2.

In Model 4, CCID was added to test the influence of CCID on the interaction between PDC and EO on export channel selection. The interaction variable PDC\*EO\*CCID was significantly and positively related to the export channel ( $p < 0.01$ ), in line with Hypothesis 3.

### 3.5.2. Export performance results

This study developed four models to test H4 (see Table 8). Model 1 was the base model and contained transaction cost and other control variables, the inverse Mills ratio variable (self-selection correction), and the Fit-controls variable. The Fit-Basic



model takes a value of one if the firm's export channel is predicted by the base model (Model 1 in Table 7); otherwise, it takes a value of zero. The results show that Model 1 (Table 8) was significant ( $p < 0.05$ ), as well as the Fit-Base model variable ( $p < 0.1$ ).

The second export performance model contained the same control variables, a new inverse Mills ratio variable, and the Fit-PDC model variable. The Fit-PDC model variable takes a value of one if the firm's channel selection is predicted by Model 2 in Table 7; otherwise, it takes a value of zero. The results indicate that Model 2 (Table 8) was significant ( $p < 0.05$ ), and the Fit-PDC model variable was also significant ( $p < 0.1$ ).

In Model 3 (Table 8), the control variables, a new inverse Mills ratio variable, and the Fit-PDC\*EO model variable were included. The Fit-PDC\*EO model variable takes a value of one if the predicted export channel (Model 3 in Table 7) is the one used by the firm; otherwise, it takes a value of zero. Model 3 was significant ( $p < 0.05$ ), and the variable Fit-PDC\*EO model was significantly (and positively) associated with export performance ( $p < 0.05$ ).

Model 4 (Table 8) includes the control variables, a new inverse Mills ratio variable, and the Fit-PDC\*EO\*CCID model variable. The Fit-PDC\*EO\*CCID model variable takes a value of one if the predicted export channel (Model 4 in Table 7) is the one used by the firm; otherwise, it takes a value of zero. Model 4 (Table 8) was significant ( $p < 0.01$ ), and the variable Fit-PDC\*EO\*CCID model was significantly (and positively) associated with export performance ( $p < 0.01$ ), supporting Hypothesis 4.

**Table 7. Logistic Regression Analysis of Export Channel Selection**

	Model 1 <sup>^</sup>	Model 2 <sup>^</sup>	Model 3 <sup>^</sup>	Model 4 <sup>^</sup>
<i>Control Variables</i>				
Ownership: State-owned enterprises	-20.239 (0.999)	-19.825 (0.999)	-19.297 (0.999)	-18.841 (0.999)
Ownership: Foreign firms	-19.608 (0.999)	-19.350 (0.999)	-18.906 (0.999)	-18.669 (0.999)
Ownership: Sino-foreign joint venture enterprise	-20.791 (0.999)	-20.601 (0.999)	-20.096 (0.999)	-19.794 (0.999)
Ownership: Private firms	-19.955 (0.999)	-19.589 (0.999)	-19.185 (0.999)	-18.785 (0.999)
Energy	19.437 (1.000)	19.644 (1.000)	19.637 (1.000)	19.346 (1.000)
Chemical Engineering	-1.510 (0.111)	-1.252 (0.191)	-1.305 (0.177)	-1.071 (0.273)
Metallurgy	-1.164 (0.406)	-0.949 (0.500)	-0.949 (0.508)	-0.570 (0.703)
Mining	-0.674 (0.531)	-0.200 (0.856)	0.288 (0.802)	0.323 (0.786)
Machinery Manufacturing	0.013 (0.988)	-0.081 (0.930)	0.088 (0.925)	-0.028 (0.977)
Information Electronics	-0.563 (0.492)	-0.504 (0.542)	-0.350 (0.679)	-0.277 (0.750)
Textile and Apparel	-1.130* (0.099)	-1.087 (0.115)	-0.926 (0.186)	-0.878 (0.219)
Light Industry	-0.694 (0.325)	-0.711 (0.317)	-0.557 (0.441)	-0.549 (0.459)
Food Industry	-1.747** (0.040)	-1.631* (0.060)	-1.458* (0.097)	-1.548* (0.083)
Transportation	-0.773 (0.505)	-1.005 (0.390)	-1.005 (0.397)	-0.793 (0.527)
Agricultural Products	-1.747* (0.073)	-1.132 (0.268)	-0.838 (0.444)	-0.929 (0.429)
Asset Specificity	0.019 (0.878)	-0.021 (0.869)	-0.012 (0.928)	-0.047 (0.737)
External Uncertainty	0.079 (0.629)	0.143 (0.396)	0.156 (0.351)	0.264 (0.139)
Internal Uncertainty	-0.177 (0.196)	-0.166 (0.232)	-0.144 (0.310)	-0.134 (0.361)
Export Value	0.000 (0.636)	0.000 (0.647)	0.000 (0.625)	0.000 (0.664)
Export Experience	-0.006 (0.236)	-0.005 (0.266)	-0.005 (0.355)	-0.005 (0.279)
International Experience	0.039* (0.080)	0.031 (0.164)	0.028 (0.224)	0.028 (0.233)
Firm Size	0.000 (0.363)	0.000 (0.381)	0.000 (0.350)	0.000 (0.337)
Management International Experience	-0.388 (0.668)	-0.589 (0.526)	-0.571 (0.542)	-0.312 (0.747)
<i>Predictor variables</i>				
Product Development Capabilities (PDC)		0.368*** (0.006)	0.461** (0.014)	0.566*** (0.006)
Entrepreneurial Orientation (EO)			-0.218 (0.335)	-0.150 (0.539)
Cultural-cognitive Institutional Distance (CCID)				-0.040 (0.833)
<i>2-way Interactions</i>				
PDC*EO			-0.296** (0.013)	-0.445*** (0.003)
PDC*CCID				0.136 (0.399)
EO*CCID				-0.442* (0.050)
<i>3-way Interaction</i>				
PDC*EO*CCID				0.314** (0.041)
Constant	22.140	21.811	21.379	20.991
X <sup>2</sup>	27.833	35.522*	43.302**	54.658***
X <sup>2</sup> change from Model 1		7.689***		
X <sup>2</sup> change from Model 2			7.780**	11.355**
Nagelkerke R <sup>2</sup>	0.128	0.161	0.194	0.240

Note: N=294. Hierarchical channel = 1, Non-hierarchical channel = 0; \*p < .10. \*\*p < .05. \*\*\*p < .01 (p-values); <sup>^</sup>= β (p)

**Table 8. Regression Analysis of Export Performance**

	Model 1 <sup>^</sup>	Model 2 <sup>^</sup>	Model 3 <sup>^</sup>	Model 4 <sup>^</sup>
<i>Control Variables</i>				
Ownership: State-owned enterprises	0.094 (1.390)	0.078 (1.171)	0.051 (0.698)	0.069 (1.046)
Ownership: Foreign firms	0.036 (0.556)	0.028 (0.435)	0.063 (0.874)	0.015 (0.237)
Ownership: Sino-foreign joint venture enterprise	0.077 (1.156)	0.071 (1.080)	-0.030 (-0.378)	0.085 (1.331)
Ownership: Private firms	-0.058 (-0.966)	-0.061 (-1.008)	-0.071 (-1.175)	-0.067 (-1.136)
Energy	-0.149** (-2.599)	-0.151*** (-2.643)	-0.153*** (-2.698)	-0.156*** (-2.764)
Chemical Engineering	0.003 (0.055)	-0.009 (-0.150)	-0.010 (-0.177)	-0.033 (-0.562)
Metallurgy	0.007 (0.127)	0.005 (0.094)	0.002 (0.035)	0.021 (0.371)
Mining	-0.115* (-1.920)	-0.119** (-1.981)	-0.115* (-1.931)	-0.117** (-1.977)
Machinery Manufacturing	0.060 (0.949)	0.057 (0.897)	0.049 (0.774)	0.044 (0.713)
Information Electronics	-0.058 (-0.824)	-0.059 (-0.840)	-0.051 (-0.738)	-0.055 (-0.804)
Light Industry	-0.041 (-0.617)	-0.048 (-0.719)	-0.061 (-0.929)	-0.062 (-0.952)
Food Industry	-0.001 (-0.018)	-0.047 (-0.771)	-0.056 (-0.931)	-0.055 (-0.917)
Transportation	-0.053 (-0.873)	-0.052 (-0.857)	-0.043 (-0.725)	-0.030 (-0.515)
Agricultural Products	0.023 (0.371)	0.027 (0.423)	0.009 (0.149)	0.024 (0.401)
Other Industry	0.010 (0.159)	0.007 (0.117)	-0.002 (-0.029)	-0.007 (-0.109)
Asset Specificity	0.118* (1.725)	0.123* (1.805)	0.124* (1.841)	0.130* (1.954)
External Uncertainty	-0.155** (-2.072)	-0.155** (-2.073)	-0.163** (-2.187)	-0.163** (-2.217)
Internal Uncertainty	0.107 (1.486)	0.111 (1.533)	0.123* (1.696)	0.131* (1.833)
Export Value	0.099 (1.287)	0.095 (1.236)	0.097 (1.267)	0.098 (1.300)
Export Experience	0.023 (0.346)	0.001 (0.016)	0.006 (0.091)	-0.001 (-0.018)
International Experience	0.052 (0.720)	0.067 (0.957)	0.077 (1.135)	0.064 (0.949)
Firm Size	0.030 (0.398)	0.015 (0.205)	0.018 (0.238)	0.021 (0.291)
Management International Experience	0.045 (0.734)	0.045 (0.742)	0.036 (0.594)	0.048 (0.799)
Self-correction	0.001 (0.012)	0.041 (0.725)	0.044 (0.780)	0.059 (1.051)
<i>Predicted fit</i>				
Fit-Base model	0.163* (1.887)			
Fit-PDC model		0.130* (1.740)		
Fit-PDC*EO model			0.169** (2.505)	
Fit-PDC*EO*CCID model				0.216*** (3.309)
R <sup>2</sup>	0.134	0.134	0.145	0.161
F	1.663**	1.660**	1.815**	2.050***

Note: N=294. \*p < .10. \*\*p < .05. \*\*\*p < .01 (t-values); <sup>^</sup>= β (t)



## **Chapter 4. Discussion and conclusions**

In this thesis, the author has studied an important strategic decision in the field of exporting – export channel selection. Although research on exporting has been fruitful over the last several decades, export channel selection is still an interesting topic that has not been fully explored. More attention from both researchers and managers should be given to this important subject. Undoubtedly, good progress has been made by the research on export channel selection as many important theories have been established and numerous determinants have been identified. However, the review of the export channel selection literature reveals that there remain many limitations in theory development, conceptual issue development, research design and statistical analysis.

Advancement can be made by, for example, extending the application of the current theoretical bases (e.g., RBV and institutional theory) and/or introducing more theories that have been applied in other fields of exporting or entry mode selection (e.g., resource dependence theory, upper echelon theory), regarding export channel selection as a value-creation process as well as a cost-reduction method, and by continuing to explore more determinants that are known to affect the export strategy but which are somewhat ignored in export channel selection empirically (e.g., firm's network/relationship, firm's capabilities). At the same time, some important methodological issues deserve attention, such as the consideration of different kinds of data (e.g., single industry data, data from emerging countries), the use of more advanced methods of statistical analysis (e.g., SEM), and the need to take measures to reduce/avoid common method bias when conducting survey research.

Based on a unique sample of Chinese exporting firms, the empirical study of in Chapter 3 addresses some of the gaps raised in the review by investigating the determinants of export channel selection through the integration of RBV and institutional theory. This thesis suggests that organisational capabilities play an important role in shaping firms' export channel selection. Furthermore, this thesis suggests that the CCID between home and export markets moderates resource-based export channel selection. More importantly, this thesis provides empirical support to the resource-strategy-performance perspective through its assertion that firms align their channel selection with their organisational capabilities such as PDC and EO, and the CCID between home and export market can thereby achieve better performance in the export market.

The findings of this thesis contribute to the knowledge by filling the gaps in the export channel selection literature in the following ways:

#### **4.1. Theoretical implications**

Firstly, this thesis is the first attempt to systematically review the studies on export channel selection, filling a significant gap in the knowledge. By reviewing all the published empirical literature on export channel selection, this thesis deepens our understanding of the issue and its antecedents, theory, methodology, and limitations. In summarising the findings of previous studies, this thesis has identified many gaps in terms of the theoretical and methodologies issues; despite the growing interest in export channel selection, research in this domain is still limited, and future inquiries are necessary. By identifying gaps and offering directions for future studies, this thesis has not only added knowledge to the field but also provided insightful ideas for more comprehensive studies in the areas of export channel selection research.

Second, this thesis contributes to RBV-based research in export channel selection by taking into account how differences between firms' organisational capabilities can lead to improved value creation in exporting – an important gap that is largely overlooked in previous studies. Research on export channel selection has mainly focused on transaction cost minimisation. However, this perspective does not consider how a firm's differences in resources/capabilities can lead to improved value creation through exporting. Hence, when firms look to use their organisational capabilities for better value creation from superior product development, they might not be able to find the best channel. Drawing on resource-strategy-performance perspective in RBV (Ketchen *et al.*, 2007), this study argues that, although transaction cost factors are important, firms need to consider the role of the PDC they possess when making an export channel choice in order to realise the value of their product development efforts correctly and garner better performance in export markets. Building on RBV, this thesis theorises that export firms should treat export channels as a strategy to support the increased creation of value for their organizational capabilities such as PDC. By testing and identifying that PDC is positively related to the selection of the hierarchical channel, this study provides empirical evidence for the importance of organisational capabilities such as PDC in affecting firms export channel selection directly, filling a gap in the application of RBV in export channel selection by revealing the important role of PDC in export channel selection (Li *et al.*, 2017).

In addition to the direct impact of organisational capabilities on channel selection, RBV studies argue that the value creation process of certain capabilities can be conditioned for particular resources/capabilities owned by firms; for example, EO serves as an important capability that affects firms exploitation of particular

resources (Li *et al.*, 2008; Wales *et al.*, 2013). However, as firms select export channel to support the value creation from their PDC, the moderating effect of EO on resource-based channel selection remains unclear. Therefore, it is important to explore whether firms' EO can have an impact on resource-based channel selection. By looking at the moderating role of EO on PDC-based channel selection, this study finds that the interaction between EO and PDC will make a significant impact on the PDC-based channel selection. In fact, the more EO a firm possesses, the higher tendency it will select a non-hierarchical channel to exploit the value of PDC. This finding adds knowledge to the current understanding of EO's role in export channel selection that EO not only can influence the channel selection directly but also can serve as a moderator on other resource-based channel selection, filling a gap in the export channel selection literature. By testing and identifying the different role of different organizational capabilities such as PDC and EO in export channel selection, this thesis makes an important contribution to the literature by extending the application of RBV in export channel selection literature, addressing the serious gap identified from the review of this domain that more studies are needed to include more resources/capabilities into consideration in export channel selection. Therefore, the findings of this thesis improve our understanding of how organisational capabilities affect firms export channel selection.

Thirdly, this study contributes to the literature by adding the impact of the individual pillar of institutional distance, specifically CCID, on resource-based channel selection. Being an important institutional pillar, cultural-cognitive institution affects peoples' perceptions, dispositions, and behaviour as well as the strategic behaviour displayed by organisations (Meyer *et al.*, 2009b; Scott, 1995). The ignorance of CCID's role on firms' resource-based export channel selection results in a serious



gap in the knowledge. Since export firms may encounter very different cultural-cognitive institutional pressures than they face at home, the CCID between the home and export market can therefore significantly affect a firm's ability to maintain sustainable competitive advantage from exploiting their valuable resources/capabilities (Oliver, 1997b). According to institutional theory, institutions affect firms' behaviour and firms need to make strategic responses in face of institutional challenges. Accordingly, the differences in institutional environment between home and export market may lead to the result that certain capabilities which have value in one institutional context may have a different (or no) value in another. While previous studies have tended to treat the institution as a congregated factor, the impact of different institutional pillars' distances between the home and export markets, such as CCID, is overlooked (Li *et al.*, 2017). Therefore, it is important to identify the role of CCID on resource-based export channel selection. Expanding on these ideas, this thesis theorises that differences in cultural-cognitive institutions can influence the value of firm-specific organisational capabilities, having an impact on export channel choice and, as a consequence, export performance. By looking at the role of CCID on the moderating effect of EO on PDC-based channel selection, this thesis extends the applications of institutional theory in research in this field. This thesis finds that the CCID will intensify the negative moderating effect of EO on PDC firms' selection of hierarchical channel, therefore, provide evidence that CCID can influence the resource-based channel selection significantly. The result of this thesis filling a gap in the literature by looking at the role individual pillar of institutional distance – CCID on firms' resource-based channel selection, making an important contribution to the literature that in addition to the congregated institutional distance factor, individual pillar of

institutional distance such as CCID can also play an important role in firms' export channel selection. More importantly, this thesis found that the effect of CCID on firms' resource-based channel selection is not direct but will impact the relationship between PDC and channel selection through the moderator EO.

Finally, this thesis contributes to the literature by linking export channel selection to export performance, an important area that was previously largely overlooked in this domain. The existing export channel literature has mainly focused on the transaction reduction effect of channel selection, but seldom discussed how export channel selection impacts on the performance of export operation. Since an export channel is an important strategy in firms' export operations, the implication of channel selection on export performance deserves more attention as it can not only help firms reduce the costs occurred in transactions but can also support the firm in achieving better performance through the appropriate exploitation of their valuable PDC in export markets (He *et al.*, 2013; Li *et al.*, 2017). In addition, although the RBV literature provides prescriptive models to explain how a firm can use a certain strategy to support the value creation of its resources/capabilities to achieve superior performance (e.g., Barney *et al.*, 2001; Ketchen *et al.*, 2007), there is little understanding of how the possession of unique and valuable resources leads to better channel selection and performance (Li *et al.*, 2017). This thesis provides a theoretical model to explain how firms possessing organisational capabilities such as PDC can leverage them through export channel strategies to achieve superior performance. By asserting that the alignment between resource-based channel selection and contingent CCID plays an important role in achieving superior performance in the export market, this thesis fills an important gap in the export channel selection study and makes an important contribution to the knowledge. The findings suggest that

after taking into account CCID, aligning the level of PDC and EO with the appropriate export channel can have important performance implications. Therefore, this thesis adds knowledge to the literature of export channel selection and provides support for the resource-structure-performance perspective by showing that firms using a channel strategy that will allow them to exploit PDC while taking into consideration their EO capabilities and differences in cultural-cognitive institutional contexts, can achieve better performance results in export market.

#### **4.2. Managerial implications**

The research findings of this thesis have three contributions to managerial practice. Firstly, the review of the contemporary export channel selection literature gives managers a clear picture of this field. By identifying the antecedents, moderators, and theoretical mechanisms behind different kinds of export channel selection, managers can come to a deeper understanding of what they should consider when using channel selection to achieve a particular strategic purpose (e.g., cost efficiency, value creation, or legitimacy enhancement). Furthermore, some of the studies reviewed offer performance implications (e.g., He *et al.*, 2013); managers can increase their understanding of how to improve their performance through particular kinds of channel selection. Moreover, the review of previous empirical work on export channel selection not only provides guidelines for firms about how to conduct better channel selection when expanding to export markets but can also help managers to better review their previous decisions and improve it in the future.

Secondly, the findings from the empirical study in this paper highlight the importance of organisational capabilities such as PDC and EO in helping firms to

achieve better performance in the export market, suggesting that firms should carefully select the most suitable export channel strategy to make organisational capabilities such as PDC more beneficial for performance enhancement in their export operations. PDC enable firms that export to better develop their offerings to fit the needs of the export market, so firms should be more strongly motivated to develop these capabilities to improve their performance in the export market. At the same time, since the other resources/capabilities of the firm can affect the value creation potential of certain capabilities, when firms use the channel to support their exploitation of these capabilities, they should take into account the influence of other resources/capabilities, such as the negatively moderating effect of EO on the impact of PDC on selecting a hierarchical channel. Managers should, therefore, look more closely at the interaction between their resources/capabilities when creating value from their capabilities to ensure better export performance through export channel selection.

Thirdly, the findings of the role of CCID on resource-based channel selection imply that managers should be cautious towards CCID when using the channel to exploit their organisational capabilities and advance firm performance. While cultural-cognitive institutions are embedded in people's daily lives and shape individuals' perceptions, beliefs, and behaviours, little is known about how differences between export and home markets' cultural-cognitive institutions can affect the value creation of firms' organizational capabilities, and how they can improve their performance in export operations. The moderating effect of CCID on resource-based channel selection informs managers that they should not overlook the impact of the cultural-cognitive institutional context when employing channel strategies to support their resources/capabilities.

### **4.3. Limitations**

There are several limitations to this thesis, which may support future research.

Firstly, the review that has been made of the contemporary export channel selection literature is of limited scope, looking at empirical studies in the field of export channel selection. This being so, this paper does not examine other important aspects of export channels, meaning that the relatively small number of reviewed articles makes a meta-analysis impossible. Future studies can make further reviews by looking at other relevant aspects such as the governance or management consequences of selected channels, and/or changes towards other foreign market entrance models.

Secondly, the empirical study focuses on Chinese manufacturing exporting firms, and the majority of the firms in the sample are small-medium enterprises (SMEs) (over 60%). Although TCA implies the firm size is related to the export channel selection, the findings of this thesis do not show the significant relationship between firm size and the hypothesis. However, the high proportion of SMEs may amplify the moderating effect of EO on PDC-channel relationship as the possibilities of SMEs applying EO is higher than the large firms (Brouthers *et al.*, 2015; Kalinic *et al.*, 2015). Thus, this sample can limit the findings' power of explanation as they might not be generalizable to firms from other countries, to larger firms, or to service industry firms. Future research might wish to explore these issues in other geographical locations, for larger organizations, and to look at other industries in order to determine the generalizability of the ideas of this thesis.

Thirdly, this thesis only investigates the main channel decision made in the most important export market. However, firms often export to multiple markets and in this sense, export firms need to carefully design their channel strategy to exploit organisational capabilities such as PDC according to the characteristics of these different markets. This could result in differences in channel choices between various markets, so future research could explore whether the findings of this thesis can be applied to channel selection for multiple markets by collecting data on firms' operations in multiple export markets.

Fourthly, this thesis focuses on the cultural-cognitive pillar of institutions. According to institutional theory, regulative, normative, and cultural-cognitive institutions are quite different, as are their characteristics and legitimate requirements (Suchman, 1995), and their roles in resource-based channel selection can vary. Future research could expand on the findings of this thesis by looking at the impact of other institutional pillars on resource-based export channel selection, and these pillars' impact on export channel selection.

Finally, this thesis has employed cross-sectional data. According to the Uppsala internationalisation model, firms' operations in export markets can be viewed as a learning process, and the development of their organisational capabilities such as PDC and EO can change over time. Firms could have the same situation affecting their internal and external factors and as a result, switch to another mode of channel or commit to other kinds of entry modes. Hence, future research could employ longitudinal data and explore the relationship between capabilities, institutional environments, export channel choices, and export performance over time in order to investigate the dynamics affecting export channel selection.

#### **4.4. Conclusions**

This thesis helps to advance knowledge concerning value creation in exporting. By adding an RBV perspective to the existing approach in the export channel selection literature, this thesis develops new theories to explain how the level of organisational capabilities a firm possesses, such as PDC and EO, impacts their export channel decisions and, consequently, export performance. Building on insights from institutional theory, this thesis also develops a unique perspective to explain how CCID influences the value a firm can generate from its capabilities when expanding abroad, and how this interaction influences export channel choice and export performance. This thesis suggests that export performance is a result of the alignment between channel selection, organisational capabilities, and CCID between the home and export markets, and helps advance our understanding of organisational capabilities and CCID in exporting by developing and testing new theories that explain value creation as firms internationalise.

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