Organisational Learning, Competitive Strategy and Export Performance

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Abstract

With the rise of global competition, organisations must acquire new knowledge and enhance their capabilities in response to fast changing market requirements. In international markets, it is vital for organisations to gather knowledge from both internal and external sources; however, few existing studies explore this topic in detail. This study employs organisational learning theory and competitive strategy theory to formulate a new organisational learning-competitive strategy-performance theoretical model concerning firms operating in the export sector. This research explores the mediating role of competitive strategies in the relation between organisational learning and export performance. This thesis also explores the effect of organisational learning on competitive strategies (low cost, differentiation and innovation) and performance, as well as the impact of competitive strategies on performance. The model was tested using the experience of 105 NZ exporting firms operating in a variety of host markets. The structural equation modelling method was employed as a key statistical analysis method for exploring the organisational learning-competitive strategy-performance path model. The empirical results indicate that export performance is significantly affected by low cost and differentiation competitive strategies, but that organisational learning factors (explorative and exploitative) have no direct effect on export performance. It is also confirmed that organisational learning factors (explorative and exploitative) can act as antecedents of competitive strategy factors (innovation, low cost and differentiation), as they have a significant impact on the choice of competitive strategy. The results confirm the mediation role of competitive strategy in the relation between organisational learning and performance. The outcomes of this thesis provide a new direction for future exporting research regarding organisational learning, competitive strategy and performance.

Keywords: Organisational learning (explorative and exploitative), competitive strategy (low cost, differentiation, innovation), performance.

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Statement of Academic Integrity

I declare that this research study is entirely the product of my own work and that it has not been taken from the work of others. When the work and ideas of others has been used in the study, the work has been properly cited in the text.

Kai Chen

1.0 Introduction

Exporting is recognised as one of most important factors affecting economic growth, as many countries are highly reliant on exports, some having their exports totalling over 50% of GDP (Ramos, 2001). One of the main benefits of exporting is that an increase in international trade can reduce the unemployment rate; another benefit of exporting is that export growth will lead to an increase in foreign exchange, which will allow countries to import capital goods, in turn boosting the product potential of the economy (Ramos, 2001).Therefore, it is normal for a country to trade with other countries that demand their products. Past researchers found that an increase in export market share positively contributes to economic growth, with this effect being particularly strong among developed countries (Martin, 1992; Michaely, 1977). Fosu (1990) stated that export development allows countries to enhance their comparative advantage, overall productivity and the overall efficiency of their industrial sectors.

Studies of export performance have a long history in the international market literature, often concentrating on export sales, growth and firm profits (Cavusgil & Zou, 1994; Chris, 1998; Shoham, 1998). Export performance is crucial for the New Zealand economy as the decline in export growth, profits and sales may lead to an increase of the unemployment rate, and a decrease in productivity and GDP growth. Export growth, or international trade, may not be the first priority for many countries, however, New Zealand often considers exporting to be imperative rather than an alternative due to its small population of only four million people. New Zealand is highly dependent on international trade, particularly for its agricultural products. Approximately 25% of New Zealand GDP is derived from export industries (Statistics New Zealand, 2011). Since the United Kingdom joined the EU in 1973, New Zealand's export market share has reduced significantly in Europe, and it has become focused on the growing Asian markets. The economic environment improved dramatically after 1990, because of increased flexibility in the employment regime and reform of the foreign exchange market. New Zealand has shifted from one of the most conservative and protective markets in the world to one of the most open and dynamic (Thirkell & Dau, 1998). Exporting is increasingly considered to be an

opportunity for profit growth and firm development among various New Zealand industries, with many New Zealand firms inclined to explore foreign markets as a result of intensified domestic competition and limited domestic market opportunities (Dean, Menguc, & Myers, 2000). Furthermore, internalisation is not only a concern for multinational firms, but is also a major opportunity for small firms to generate revenue. Exporting; the popular model of internalisation for small firms; has become more important and more difficult because of the growth in competition. This is particularly relevant to New Zealand because small businesses are a major feature of the New Zealand economy. Statistical reports show that 82% of firms have five or less employees, 98.5% of firms have less than 100 employees and 99.5% of firms have less than 150 employees (Linowes & Dixon, 1992).

Export performance is suggested as being related to international marketing strategy and competitive strategy (Dean et al., 2000; Julien & Ramangalahy, 2003; Lages, Jap, & Griffith, 2008; Salavou & Halikias, 2009). International market strategy refers to marketing standardisation/adaption strategy (product, price, place and promotion) (Cavusgil & Zou, 1994; Chung, 2003; Dean et al., 2000; Schilke, Reimann, & Thomas, 2009; Thirkell & Dau, 1998). This stream of research has been extensively studied and sufficient direction has already been provided (Jain, 1989). There is no need to further explore the relation between international marketing strategy and export performance (Chung, 2003). On the other hand, the relation between export performance and competitive strategy is less conclusive and more research is needed in this area. Competitive strategy includes low cost and differentiation. Each strategy helps firms to create different types of competitive advantages in the international market place (Hill, 1988). Differentiation involves the design and marketing of products that are considered by public to be unique. The creation of superior quality is perceived as one of the most important characteristics of differentiation (Phillip, Chang, & Buzzell, 1983). Low cost, through lowering production and distribution costs, represents the possibility of higher margins than competitors. Manufactures are able to reinvest in equipment due to these high margins, in order to maintain a low cost advantage. Though past literature has already explored the relation between competitive strategy and export performance (Julien & Ramangalahy, 2003; Moen, 1999; Salavou & Halikias, 2009), their research finding still leave a number of important gaps that need to be addressed by future research. For example, current market literature remains

almost silence regarding the antecedents of low cost and differentiation advantage, as the existing research has only focused on exploring the relation between competitive strategy and export performance. This missing link is important, as the antecedents-competitive strategy-performance path provides guidance on the conditions that firms should utilise the different types of competitive strategy. For instance, exporting firms may use their organisational learning to formulate their competitive strategy, as the existing literature suggests that organisational learning, or knowledge learning, is a key antecedent of competitive advantage. Learning, through better knowledge and understanding of the changing market environment can lead exporting firms to formulate a competitive strategy that can improve their service and products offering and increase their value to customers (Lopze, Peon, & Ordas, 2005; Weerawardena, 2003). Though important, the organisational learning-competitive strategy-performance path is, as yet, not explored in the extant literature. To fill this key research gap this thesis explores the role of organisational learning in the relation between competitive strategy and export performance. In this study the antecedent roles of organisational learning in the competitive strategy-performance paradigm will be explored and highlighted. Similarly, this study also intends to widen the research scope concerning competitive strategy. In this study the components of innovation will be explored together with the traditional low cost and differentiation strategy. This inclusion is mainly based on research that has proposed that innovation is also a critical source that helps firms create competitive advantage (Porter, 1980, 1985).

Knowledge is the most strategic asset that companies can process and use to build their competitive advantage. Competition is more knowledge based that competitive advantage, which concentrates more on intellectual property rather on physical assets (Hitt, Ireland, & Lee, 2000). Therefore, in order to develop, maintain and exploit their competitive advantage, companies need to learn, and then utilise their knowledge drawn from both internal and external sources. The acquisition of knowledge is the antecedent of organisational performance, with the research identifying knowledge as a vital source that practitioners need to focus on and understand if they are to develop competency (Epple, Argote, & Devadas, 1991). Understanding knowledge implies that managers appreciate the complex process of acquisition, assimilation and integration of knowledge in a learning environment (Inkpen, 1998).

When New Zealand firms export outside their home market, they will encounter many obstacles to success. These problems include; a high level of uncertainty that impedes on effective decision marking, difficulty in cooperating with local government and partners, and challenges in adapting products and processes to foreign cultures and markets; which will result in prolonged poor performance and even eventual withdrawal from the host market/s (Lord & Ranft, 2000). The major reason for these difficulties is the foreign firm lacking local market knowledge regarding the host country context (Johanson & Vahlne, 1977). Local market knowledge is knowledge that is specific to the new country in regards to its language, culture, politics, society and economy (Inkpen & Beamish, 1997). Host country specific knowledge is a key factor in driving international business performance, because knowledge and experience is difficult to capture (Lord & Ranft, 2000). Therefore, the acquiring of local market information and knowledge is vital for implementing and executing marketing strategies in a host country.

Due to the importance of obtaining knowledge during international trade, many researchers describe exporting and internationalisation as a complex process of organisational learning (Brouthers, Nakos, Hadjimarcou, & Brouthers, 2009). The influence of organisational learning on performance is revealed by Molina and Callahan (2009), with learning divided into individual and organisational learning. Crossan, Lane, and White (1999) state that learning can be divided into individual, organisational and social learning. This is currently a popular concept, because it is an effective way to help a firm gain a competitive advantage and acquire knowledge (Dunphy, Turner, & Crawford 1997; Jimenez-Jimenez & Sanz-Valle, 2011; Lord & Ranft, 2000). It prioritises the creation and acquisition of new knowledge, as well as the role of the organisation in the creation and utilisation of that knowledge (Khandekar & Sharma, 2006). In this way, it presents an important method to performance, success and a competitive advantage for the organisation.

Among the ways to conduct organisational learning, the two most important types of learning are exploratory and exploitative (Crossan, Lane, & White, 1999; Kim & Atuahene-Gima, 2010; Levitt & March, 1988). Though past research has attempted to explore these two types of learning, very little empirical evidence is available in the literature. Explorative learning denotes the acquisition and learning of information and

knowledge from outside current customer and competitor boundaries, and often involves experimentation and risky projects (Kim & Atuahene-Gima, 2010). The key strengths of this type of learning involve improving the diversity of market knowledge and information for organisations. On the other hand, exploitative learning involves the acquisition and use of market information and knowledge within current customer and competitor boundaries (March & Levitt, 1988). It emphasizes the use of existing information and routine, rather than new ones. Due to the different implications of these types of organisational learning, they may have different contributions to the formulation of a competitive strategy and sound performance for exporting firms. To fill the research gaps left in the literature, both types of organisational learning will be explored in this thesis.

Based on above discussion, this research will analyse the effect of organisational learning on competitive strategy and export performance. The impact of organisational learning and the influence of competitive strategy on performance will also be investigated. In this study, both exploratory and exploitative learning, as well as the three types of competitive strategy (low cost, differentiation and innovation), will be explored.

1.1 Research Gaps

Despite many years of development, the empirical evidence of the linkage between organisational learning, competitive strategy and export performance is inconclusive (Dunphy et al., 1997; Jimenez-Jimenez & Sanz-Valle, 2011; Lages, Jap, & Griffith, 2008; Levitt & March, 1988; March, 1991). Three important research gaps are not considered in the existing literature. These gaps are discussed in detail below.

First, the extant literature has not explored the integration relation among organisational learning, competitive strategy and performance. Existing research has either explored the relation between competitive strategy and performance (Allen & Helm, 2006; Demirbag & Tatoglu, 2008; Jonsson & Devonish, 2009; Schike, 2009; Sterlacchini, 1999; Yalcinkaya, Calatone, & Griffith, 2007), or the relation between organisational learning and performance (Dunphy et al., 1997; Jimenez-Jimennez & Cegarra-Navarro, 2007; Molina & Callahan, 2009). Therefore, a complete

organisational learning-competitive strategy-performance framework still remains unproven. This gap suggests that the mediation role of competitive strategy has not yet been uncovered. The revelation of the mediation role is important, as it can help firms to understand whether or not the impact of organisational learning on performance is via competitive strategy. By having this information firms can better formulate their organisational learning and competitive strategies. The uncovering of the mediation role can help the development of organisational learning and competitive strategy theories and their joint effects on export performance (Kim & Atuahene-Gima, 2010).

Second, past studies mainly focus on exploring the overall effect of organisational learning on competitive advantage and performance. To date, no existing literature explores the different implications of explorative and exploitative learning on competitive strategy and performance, though it is argued that explorative and exploitive learning are likely to have a different impact on competitive strategy (low cost and differentiation) formulation (Kim & Atuahene-Gima, 2010). Though recent research has attempted to separate the specific effects of both types of learning, it fails to identify how these two types of organisational learning influence export performance and competitive strategy (Kim & Atuahene-Gima, 2010).

Organisational learning theory indicates learning as a process of intuition and integration of knowledge; it is often referred to as *knowledge integration*, or *learning by doing* (Jimenez-Jimenez & Sanz-Valle, 2011; Lages, Lap, & Griffith, 2008; Lopez, Peon, & Ordas, 2005; Murray, 2003; Murray & Donegan, 2003). March (1991) and March and Levitt (1988) divide knowledge learning into two different forms; exploration, and exploitation learning. Explorative learning is pursuing radical, novel information and knowledge, while exploitative learning is refining and following current existing routines and procedures, and learning from current experience and knowledge (March, 1991).

Third, although competitive strategy has been extensively studied in the extant literature, most researchers have only focused on Porter's generic strategy (low cost and differentiation competitive strategy) in studying the relation between competitive strategy and firm performance (Acquaah & Yasai-Ardekani, 2008; Amoako-Gyampah & Acquaah, 2008; Yamin, Gunasekaran, & Mavondo, 1999). Though there is

considerable evidence that innovation can assist firms to create competitive advantages (Kirbach & Schmiedeberg, 2006; Roper & Love, 2002; Wakelin, 1998), innovation has not been included in the existing competitive strategy model. Differentiation and cost efficiency are considered to be the most important competitive strategies in both the domestic and international market, however, because of market and technological development, their level of importance in helping firms to create, or maintain, their competitive advantage is declining. Kandampully and Duddy (1999) suggested that quality is no longer the strongest competitive weapon. In today's global market, a firm's competitive advantages in areas such as design, formula and promotion are easily imitated (Dickson, 1992; Ghemawat, 1986), but a competitive strategy based on innovation is not easily copied by competitors (Kandampully, 1993). Therefore, in order to maintain sustainable competitiveness, a firm must possess stronger innovative capability than its competitors. The pursuit of innovation will help firms fit customer needs, wants and values, as innovation is derived from customer orientation (Kandampully & Duddy, 1999). Therefore, innovation and the competitive advantage process are closely related. Firms produce competitive advantage through formulating new methods to conduct value chain activities for creating superior customer value, which is an act of innovation (Porter, 1985; Weerawardena & Sullivan-Mort, 2001). This suggests that innovation can lead to sustained competitive advantage (Hyvarinen, 1990). Lengnick-Hall (1992) further supports this view by pointing out three factors regarding the linkage between innovation and competitive advantage. One innovation is difficult to imitate and it is more likely to create sustained competitive advantage. Two, market realities are accurately reflected by innovation and are more likely to lead to sustained competitive advantage. Three, innovation is based on capability and technology that are readily accessible to firms when creating sustainable competitive advantage.

Therefore, based on the above analysis, it is proposed that innovation is a critical component of competitive strategy, together with Porter's generic strategy (low cost and differentiation), as all three types of competitive strategy can assist firms to create competitive advantages. Thus, in this thesis, a broad definition of competitive strategy is adopted. The components of innovation, low cost and differentiation are considered to be elements of competitive strategy, as they can all contribute to the creation of competitive advantage for exporting firms (Yamin et al., 1999).

To fill these gaps, this study will use a sample of 105 New Zealand-based exporting firms to explore the research framework. As indicated, the issues of explorative, exploitative and competitive (low cost, differentiation and innovation) strategies will be explored in detail. Its outcomes are likely to provide insightful implications for practitioners and researchers who are interested in the relations among organisational learning, competitive strategy and performance. This thesis consists of five major sections. After the introductory section, the literature review and research hypotheses are next explored. The third section is the methodology and analysis, followed by the findings and discussion. The final section includes implications and the conclusion.

1.2 Research Objectives

This study is designed to fill the research gaps outlined above. In this research, four research questions will be addressed:

How does explorative and exploitative learning influence competitive strategy and export performance?

How does competitive strategy mediate the relation between organisational learning and export performance?

How does competitive strategy (Cost efficiency, differentiation and innovation) affect export performance?

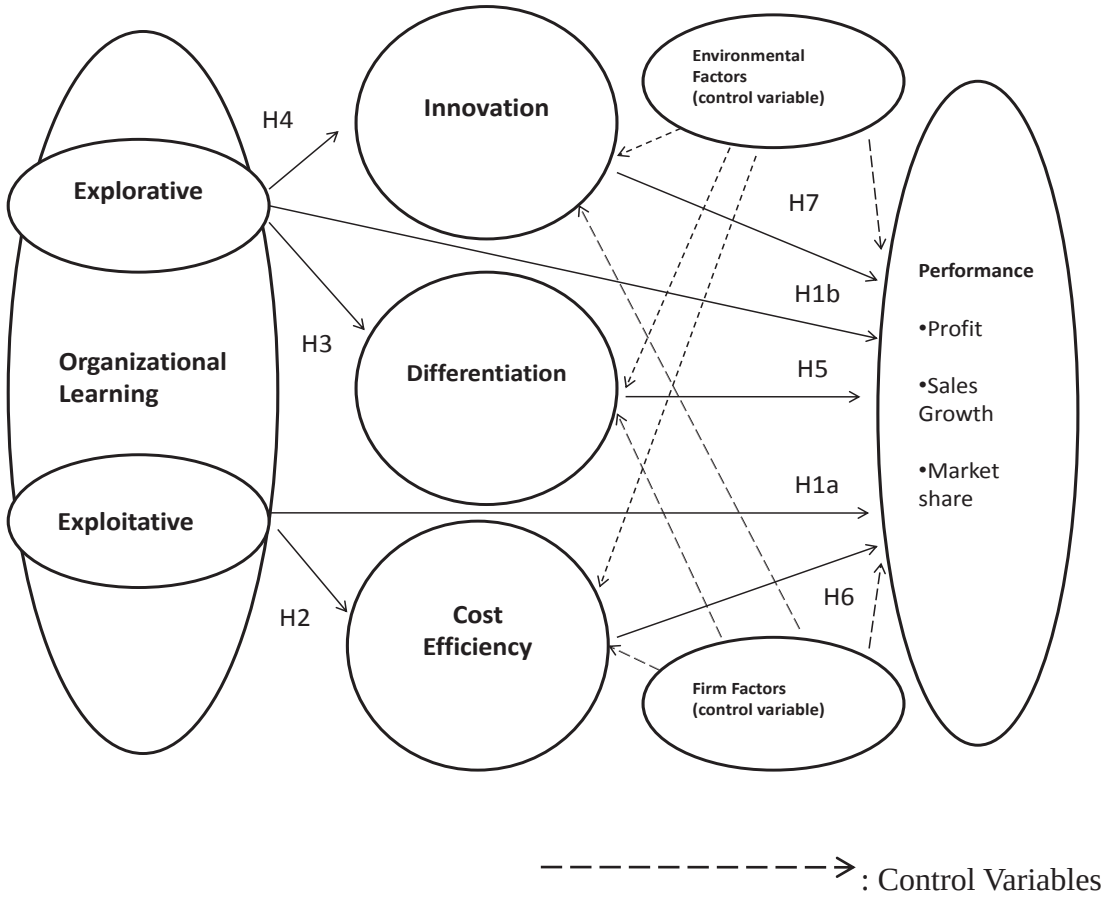
Does organisational learning have a direct, or an indirect, influence on export performance among New Zealand exporting firms?

1.3 Research Framework

To fulfil the research objectives, the conceptual model is presented in Figure 1. In the model, export performance is directly affected by competitive advantage (cost efficiency, differentiation and innovation) and organisational learning (explorative and exploitative learning). Export performance is also indirectly affected by organisational learning through competitive strategy. In this model, environment and firm related

factors are included as control variables. Details of the research hypotheses are discussed in the next section.

Figure 1: Conceptual Model



2.0 Literature Review

2.1 Organisational Learning

Organisational learning theory has been discussed for over 30 years, since Cangeosi and Dill (1965) first proposed the concept. More recently it has been applied to many different study areas, such as international marketing, knowledge management and organisational management (Dunphy et al., 1997; Sharma & Khandekar, 2006). The interpretation of organisational learning has been built on 3 classical observations from research into organisations. The first of these is that an organisation is based on routine (Cyert & March, 1963). The second is that behaviour in an organisation is historically dependent (Lages, Lap, & Griffith, 2008; Levitt & March, 1988). Lages, Lap, and Griffith (2008) indicated that the past year's behaviours have a cumulative effect on effective behaviour and action; that is, organisational performance in the preceding year influences performance in the current year. The third observation is that organisations are driven by targets (Levitt & March, 1988). Levitt and March (1988) suggest that future behaviour is subject to the observed outcomes, with both the positive and negative outcomes (success and failure) having direct influence on organisational actions in the following year.

A number of different definitions of organisational learning have been presented in the literature over the last several years (Table 1). In early studies of organisational learning it was referred to as adaptive behaviour (Cyert & March, 1963; Daft & Wick, 1984), an interactive process of trial and error (Argyris & Schon, 1978; Carlson, 1966; Levitt & March, 1988), or a learning process involving intuiting, interpreting, integrating and institutionalising (Crossan et al., 1999). Current research (see Huang, 2010; Jimenez-Jimenez & Sanz-Valle, 2011; Lord & Ranft, 2000; Pemberton, Stonehouse, & Yarrow, 2001) perceives learning as knowledge transference and integration. Organisations normally enhance their competency through the capture of internal and external knowledge in the marketplace. March and Levitt (1988) and Lages, Jap, and Griffith (2008) perceived learning as a review of past experience, while Lages, Jap, and Griffith (2008, p. 306) suggested that "organisations' encoding

of inferences from the past year's experiences into routines that guide future behaviour".

Table 1: Selected Studies of Organisational Learning

Author	Conceptualisation of Organisational Learning	Theoretical Model/Process
Huang (2010)	Inter-organisation Knowledge transfer	Learning intent Learning process Learning outcome
Kim & Atuahene-Gima (2010)	Explorative Exploitative	Organisational learning -Competitive strategy -Performance
Lages, Jap, & Griffith (2008)	Preceding and current year performance	Organisational learning- Adaption strategy
Lord & Ranft (2000)	Transferring and capture of local knowledge	Corporate structure- Organisational learning
Jimenez-Jimenez & Sanz-Valle (2011)	Knowledge acquisition and integration	Organisational learning -Innovation-Performance
Pemberton, Stonehouse, & Yarrow (2001)	Knowledge transferring and management	Organisational learning- Competitive advantage
Murray & Donegan (2003)	Level of behavioural routine	Organisational learning- Competency
Huber (1991)	Knowledge and information transfer	Acquisition, distribution, interpretation, organisational memory
March & Levitt （1988）	Past experience	Acquisition, interpreting, organisational memory
Crossan et al. (1999)	Level of learning Individual, organisational and social	Intuiting, interpreting, integrating, institutionalising

2.1.1 Learning process and behaviours

Organisational learning is a very complex process. There have been many different definitions in regards to learning behaviour and process (see Table 1).

Learning by doing

The most popular example of organisational learning stems from direct experience, which is the effect of an accumulation of production and user experience (March & Levitt, 1988). This kind of learning is widely used in primary industries' factories, in

areas such as aircraft manufacture, automotive manufacture and steel production, through which productivity will be increased through the accumulation of the product manufactured (Yelle, 1979).

Competency trap

Another form of learning is trial and error learning, which means that learning is based on organisational search (March & Levitt, 1988). Companies always employ those routines, procedures and strategies that lead to favourable outcomes.

Learning from others

Another important type of learning is acquiring the experience of other organisations through the transferring of encoded experience, such as transferring technology, knowledge and similar procedures, and routines (March & Levitt, 1988). The term inter-organisational learning process implies collective learning from experience, achieved by formal organisational collaboration strategy (Holmqvist, 2004). This organisational learning usually originates from others through various forms of cooperation, such as contracts, joint ventures and strategic alliances (Huang, 2010; Lord & Raft, 2000). Intra-organisational learning refers to the learning of single formal organisations. Hamel (1991) argued that inter-organisational learning is an extension of intra-organisational learning, a process which extends the experience of some to others. The purpose of intra-organisational learning is for each party to exploit the knowledge and experience of the other party, which requires organisations to transfer and integrate both internal and external knowledge and experience (Holmqvist, 2004).

Organisational learning is the process by which firms develop new knowledge and ideas from previous behaviour, or common experience. It has the potential to influence future behaviour and improve firm performance (Jimenez-Jimenez & Sanz-Valle, 2011; Lages, Jap, & Griffith, 2008; Schein, 1990; Sinkula, 1994; Slater & Narver, 1995). Organisational learning consists of four learning activities; knowledge acquisition (creating and obtaining skills, knowledge and information), knowledge distribution (dissemination to others of what has been obtained), information interpretation (interpretation of the learning, so it can be assimilated and understood) and

organisational memory (storing of information and knowledge, and its conversion into standard operating procedure, routine and scripts) (Crossan et al., 1999; Day, 1994; Huber, 1991; Schein, 1990; Sinkula, 1994; Slater & Narver, 1995).

Crossan et al. (1999) identify the learning process in that:

> Intuiting is the preconscious recognition of the pattern and possibilities inherent a personal stream and experience. Interpreting is explaining through words or action of an insight or idea to one's self and to others. Integrating is the process of developing shared understanding among individuals and taking coordinated action through mutual adjustment. Institutionalizing is the process of ensuring that routinized actions happen. (p. 525)

Crossan et al. (1999) define organisational learning as a dynamic strategic process that occurs at three different levels; the individual, group, and organisational levels. Crossan et al. (1999) identify it as containing four key elements in their literature review. First, organisational learning entails the relation between assimilating new knowledge (exploration) and using existing knowledge (exploitation). Second, organisational learning is carried out at multiple levels; individual, group, and social. Third, these three different learning methods are related through the four processes of intuiting, interpreting, integrating and institutionalising.

2.1.2 Explorative and exploitative learning

Organisational learning has been divided into two main learning forms; exploitation, and exploration (Crossan et al., 1999; Levitt & March, 1988). Various definitions of exploration and exploitation have been given in the literature, with the difference between them being in terms of the kind of learning, or adaption, and its presence and absence. March (1991, p. 85) states that "exploitation learning comprises refinement, choice, product efficiency, selection, implementation and execution", while "exploration learning includes search, variation, risk taking, experimentation, play discovery and innovation". Therefore, the development of a new routine is a result of exploration, while exploitation learning leads to improvement of an existing organisational routine (Dixon, Meyer, & Day, 2007). "Exploitation is associated with mechanistic structures, tightly coupled systems, path dependence, routinization,

control and bureaucracy, and stable markets and technologies" (Yalcinkaya et al., 2007, p. 70). Alternatively, "exploration is associated with organic structures, loosely system, pathbreaking improvisation autonomy and chaos, and emerging markets and technologies" (Yalcinkaya et al., 2007, p. 70).

Most studies of exploitation learning are an incremental change in a routine within an existing schema (Dixon et al., 2007), however, incremental change may not be sufficient when a firm enters a new environment that requires radical change. Newman (2000) suggested that firms operating in foreign markets need to engage in exploration learning to achieve radical change in existing schema. Holmqvist (2004) proposed the concept of *opening up*, which involved an organisation conducting explorative behaviour, such as experimentation and trial, as a result of opening new source experiences. This opening up creates novel knowledge and experience. Another concept proposed by Holmqvist (2004) was that of *focus*, which refers to the exploitative process, whereby organisations following existing systems and routines create reliability and efficiency in their operations. This is often referred to as *learning by doing*, or *experiential learning*.

According to Fiol and Lyles (1985), learning can be further divided into low-level and high-level learning. "Low-level learning refers to behaviours that may, or may not, be repetitious of past behaviour, often at a routine level" (Appelbaum & Goransson, 1997, p. 117). This is similar to exploitation learning, in which the organisation responds to errors by modify strategies and assumptions within the constant organisational norms (Dixon et al., 2007). "High-level learning refers to development of complex rules and regulations regarding new actions, with the whole organisation often being affected by this kind of learning" (Appelbaum & Goransson, 1997, p. 118). High-level learning is similar to exploration, in which responses to new environments cause radical change, often in terms of creation and innovation. According to March's (1998) review, explorative organisational learning involves the acquisition of knowledge from outside of customers and the organisational boundary. This allows the company to view fresh and heterogeneous information in regards to consumer and competitor business, which is derived from the firm's existing knowledge, information and skills. The strengths of explorative learning are an enhanced diversity of the company knowledge base and an opportunity for better experimentation and innovation. Exploitative learning involves

the current use of customer and competitor information within the neighbourhood of the firm's current expertise and experience to build on its existing skills (Weerawardena, 2003). This kind of learning often utilises existing, rather than new, organisational routines. The key advantage for firms is the gaining of a deep insight into current competitors and consumers, to ensure efficiency in organisational implementation.

One of major issues is that it is very difficult to balance between explorative and exploitative learning; they are very different from each other and serve different goals (Vanhaverbeke, Beerkens, & Duysters, 2003). In contrast to exploitation, exploration is more long-term orientated, highly unstable and is more experimental in nature, whereas exploitation can be more easily managed and controlled (McGrath, 2001). Due to the high level of uncertainty in explorative learning, it is not efficient for companies to adopt planning. Therefore, explorative learning is organised very differently by different companies, as opposed to exploitative learning, which involved daily activities (Vanhaverbeke et al., 2003). March (1991) proposed that explorative and exploitative learning are incompatible with each other, as an increase in explorative learning will reduce the speed of existing skill and knowledge improvement, while an increase in exploitative learning will make experimentation and innovation less attractive.

Learning does not only occur within organisations, but also between organisations. Therefore, we should consider the explorative versus exploitative learning at an inter-organisational level. Some cooperation is built up that deepens the existing rules, regulations and capabilities between organisations (exploitative learning), while other cooperation is intended to develop novel ideas and new technology. In the international dynamic environment, explorative learning seems to be more important due to its endogenous capabilities (Vanhaverbeke et al., 2003).

2.2 Competitive Strategy

Competitive strategy is the means by which a firm achieves a competitive advantage over others in their industry (Porter, 1980, 1985). This strategy considers that a firm can create a defensive position in the market and is a critical factor of success through

outperforming rivals (Yamin et al., 1999). Porter's (1980) model includes three different strategies; differentiation, cost leadership, and focus (Allen & Helms, 2006; Demirbag & Tatoglu, 2008; Salavou & Halikias, 2009). Cost leadership and differentiation strategies are predominant in the international marketing literature (Acquaah & Yasai-Ardekani, 2008; Yamin et al., 1999). Porter (1980) notes that two of these strategies are a foundation for the formulation of organisational competitive advantage.

Cost leadership involves gaining a competitive advantage by utilising a low cost strategy (Allen & Helms, 2006; Porter, 1980, 1985). To formulate an efficient low cost strategy, a firm must have large market share. There are many strategies available in international markets that can help firms, such as mass production, mass distribution and economies of scale (Allen & Helms, 2006). O'Farrell, Hitchens, and Moffat (1993) noted that cost efficiency and differentiation are two different strategies, which represent two different extremes. Porter (1985, p. 17) argued that "cost leadership and differentiation are fundamentally different approaches to creating and sustaining competitive advantage".

Porter (1980) stated that a firm with a cost leadership strategy aims to become a low cost producer in an industry, which usually involves efficient scale facilities, cost controls, overhead controls, and cost reduction in the areas of R&D, the sales force and advertising. Cost leadership usually provides above average profits, as the firm will reduce its price to match the most efficient rivals and still be able to earn a good profit (Miller & Friesen, 1986). Cost efficiency, or low cost strategy, is not about offering a lower price, but having lower costs in order to maximise the potential profit margin. This often requires the exploitation of economies of scale and resources that support technology in reducing business costs (Yamin, Mavondo, & Sarros, 1997). Cost efficiency is not concerned with neglecting product and service quality; rather, the firm aims to achieve greater efficiency than its competitors in the areas of design, production and standardisation of products and services (O'Farrell, Hitchens, & Moffat, 1993). In addition, Allen and Helms (2006) proposed that low cost and cost leadership strategies result from the process of innovation, learning curve benefits and cost saving, however, only one firm can be the cost leader, because there will always be another company who can offer a lower price. Due to this downside of low cost

strategy, most firms pursue cost efficient strategies, rather than purely focus on low cost, to enhance their performance.

Cost leadership strategy will be viable if customers are very price sensitive; high price sensitivity will enhance the advantages for cost leaders of outperforming their rivals (Day, 1994). On the other hand, Murray (1988) suggested that price sensitivity is not sufficient criteria for companies to adopt a cost leadership strategy, as it only can be applicable if cost structures are different across competitors within an industry; for example, if the technology used in the product line is more than enough to enable a significant cost improvement, or if large operational size enables a firm to gain large cost benefits.

Differentiation is a strategy based on unique products in terms of branding, design, technology, customer service and special features; since differentiation strategy focuses on unique need, gaining maximum market share is not the primary objective. It enhances customer loyalty and attachment to the products and brands (Yamin et al., 1997). Hambrick (1983) proposed that differentiation strategy either focuses on enhancing quality images, or on creating distinct products for new market environments. Researchers have often referred to differentiation as product differentiation, as it satisfies customer needs and involves adapting the product, or service, to the customer (Allen & Helms, 2006). Similarly to cost efficiency strategy, the differentiation strategy can be viable if these criteria been met. First, the customer is more focused on product attributes rather than price when they make purchase decisions. Second, the technology in the product line enables firms to offer significant quality and service difference over their competitors (Murray, 1988).

Yamin, Mavondo, and Sarros (1997) noted that past researchers are divided into two major groups regarding conceptualisation and the adoption of competitive strategy. One group of researchers has suggested that the more cost efficiency the firm implements, the less differentiation they will have. On the other hand, the more differentiation they have, the less cost efficiency there will be (Yamin et al., 1997). Dess and Davis (1984) support Porter’s (1980) assertion that a firm should choose only one of these strategies, and devote and commit all of their available resources to developing a competitive advantage. Porter (1980) proposed that cost leadership

requires aggressive managerial action, which often aims to control and reduce costs, whereas differentiation unleashes the firm from the action of cost saving, because customer loyalty can be exploited to achieve high profit. Helms, Dibrell, and Wright (1997) argued that low cost and differentiation represent two different extremes. If the firm only wants to compete with cost leadership strategy, all the functions of the firm should focus on the cost approach and operate at a low cost continuum. On the other hand, if the firm focuses on differentiation then it should have maintained all of the functional areas of the cost approach at a high cost continuum. If a firm want to compete on low cost and differentiation at the same time, it would need some function areas, such as production cost and distribution cost to be at a low cost continuum, while a few of the other function areas need to be at the high cost end of the continuum (Helm, Dibrell, & Wright, 1997). The contrast of these two strategies can be considered in the context of market share. Porter (1980) and Yamin, Gunasekaran, and Mavondo (1999) suggested that firms willing to implement low cost strategy always have large market share, with this large market share enabling the firm to achieve a cost advantage through economies of scale. On the other hand, a low market share is always consistent with differentiation strategy, because differentiation is always perceived as involving exclusivity, uniqueness and expense, which is incompatible with large market share.

Porter's (1980) framework suggested that organisations pursuing any one of these strategies will enhance their competitive advantage, which will enable them to perform better than others. He states that "low cost and differentiation are essential different approach to create and developing competitive advantage" (Porter, 1980, p. 17). According to Porter (1980) low cost strategy requires standardisation, while differentiation requires an increase in budgets to develop exclusive products. Therefore, "a firm will eventually reach the point whether continue to cost control or increase expense on R&D, it is point that generic strategy become inconsistent and firm must to make a choice" (Porter, 1980, p. 18). In support of Porter's (1980) findings, Amoako-Gyampah and Acquaah (2008) suggested that a firm must select one of the strategies in order to avoid *inherent* contradictions within the different strategies, thereby allowing the firm to achieve outstanding performance. This proposition is, however, not supported in all of the extant research. Concentration on one of these strategies may be viable in certain industries; a firm can draw advantages

from differentiation strategy if none of its competitors are able to attain the basis of the differentiation. In this context, the firm will require sound patent protection, or well-established brand name identification and quality image (Helms et al., 1997). *Apple* is a classic example of a company which maximises its most potential on differentiation strategy; it delivers unique, innovative, premium, quality products and customer service. There is, however, only one *Apple* in the industry, as its main competitors, such as *Samsung HP, HTC* and *Microsoft,* emphasise the value of their product, involving a trade-off of price and quality. Some researchers have argued against Porter's (1980) assertion and suggest that organisations should consider both low cost and differentiation strategies in their competitive strategy formulation. Hambrick (1983, p. 689) pointed out that "cost efficiency and differentiation are generally incompatible, but they are not the opposite ends of single continuum". Yamin et al. (1999) stated that differentiation strategy produces premium products, higher quality and customer loyalty, which may draw large customer demand, allowing firm to implement low cost strategy through an increase in the market share and economies of scale. In support of these finding, Jones and Butler (1988) argued that the two strategies form the cost approach, with differentiation referring to transaction costs and low cost referring to production costs. Their empirical study suggested that these strategies are not on totally opposite extremes, because they are subject to the same underlying *cost trade-off*.

Innovation includes the generation, development and implementation of new ideas, or behaviours (Damanpour, 1991). It can be products, services, an administrative system, or a new production process. Innovation is perceived as a response to change in the environment, or the bringing out of changes in companies. Innovation at the company level involves the adoption of new ideas, technology and management structures (Damapour & Evan, 1984). Therefore, innovation is formally defined as the adoption of internally generated, or purchased, equipment, systems, programmes, products and services, which are new to the organisation (Damanpour, 1991). Innovation capability is considered to be a special asset for firms. It is a source of competitive advantage; the kind of competitive advantage that is described as "valuable", "rare", "difficult to imitate" and "difficult to substitute" (Guan & Ma, 2003, p. 740). Researchers have identifies that innovation helps firms deal with turbulent environments (Darroch & McNaughton, 2002; Wolfe, 1994).

Innovation varies and has been divided into two types; radical, and incremental innovation. Radical innovation refers to inventing, or discovering, technology that has never before existed, or which has been unrecognised, while incremental innovation means change to, or improvement of, existing technology (Mole & Worrall, 2001). Radical innovation entails science, technology, and research and development, however, only a small proportion of firms are willing to engage in radical innovation (Freeman, 1994). Incremental innovation is more likely to derive from manufacturing workers, engineers and management staff. The term *process innovation* is derived from the development and operation of new equipment and capital, which is very important for international marketing, as most success and development arises from the cumulative effects of incremental innovation (Arias-Aranda, Minguela-Rata, & Rodriguez-Duarte, 2001).

Innovation is also distinguished into other various types. Damanpour et al. (1989) noted that innovation can be divided into technical and administrative levels, with technical innovation not only innovation through the adoption of new technology, but also new ideas, concepts, products or services. Administrative innovation results from the adoption of new social system, which involves rules, roles, procedures and systems (Damanpour & Evan, 1984; Damanpour et al., 1989). Therefore, an innovation can be viewed as a new product, or service, a new production process involving technology, or a new administrative structure, or system (Damanpour, 1991; Jimenez-Jimenez & Sanz-Valle, 2011). It is important to know the difference between technical and administrative innovation, because this will help us to better understand organisational adoption behaviour and identify the determinants of innovation. Technical innovation is related to product, service and production process technology, while administrative innovation pertains to the organisational structure and administrative process (Damanpour, 1991; Damanpour & Evan, 1984). Kirbach and Schmiedeberg (2006) discussed the difference between product innovation and process innovation, stating that process innovation is a way to increase productivity and decrease cost, while product innovation gives a firm a competitive advantage and allows a differentiation strategy to be implemented. Product and process innovation are often connected to each other, because new product development always needs the support of new technology.

Innovation activities are always considered to be more appropriate for large firms. Four advantages have been addressed by Acs and Audretsch (1988). First, innovation of an activity involves large fixed costs. Therefore, large firms can take advantage of their size scale. Second, R&D is a very risky and expensive investment. Small firms may be made vulnerable if they invest a large proportion of their resources in a single project. Large firms can reduce this potential risk by diversifying their R&D to a number of projects at the same time. Third, the return of innovation may take a long time, which will be too costly for small firms, as they only have limited budgets, however, large firms often have sufficient funds to support long-term R&D. Fourth, large firms have well established promotion and distribution channels. This will facilitate new product penetration and allow large firms larger potential profits. Cohen and Klepper (1996) suggested that large firms have an advantage on product and process innovation, as they can spread R&D costs to ensure that they always produce large outputs. Arias-Aranda, Minguela-Rata, and Rodriguez-Duarte (2001) pointed out that large firms enhance innovation through their more stable and greater funds, such that large firm always achieve higher profits and sales due to their large market share. Arias-Aranda et al. (2001) suggest that, as firm size increases, this will lead to an increase in R&D activity and innovation, and a decrease in R&D productivity. Though innovation is probably suitable for large sized firms, it can also help SMEs to develop competitive advantage and improve their performance. Large firms have an innovative advantage because of material and resource factors, whereas small firms are attributed with behavioural advantages (Beaver & Prince, 2002). Lin and Chen (2007) found that incremental and radical innovation is positively related to company performance in the case of Taiwanese SMEs. Wolf and Pett (2006) suggested that innovation enhances new product development in SMEs (Rothwell, 1985). Bagchi-Sen (2000) reported that small firms adopting product and process innovation will perform better in terms of sales and profits in tradition heavy manufacturing, while small firms with low levels of innovation struggle to survive in the competitive global environment. Small firms possess many unique advantages to promote industrial innovation, such as a lack of bureaucracy, high levels of efficiency, flexibility and adaptability (Beaver & Prince, 2002). Pavitt, Roboson, and Townsend (1987) found that the bureaucracy of large organisations may hinder the process of innovation, as it may face resistance from management; however, small firms only require a small number of people to make such decisions. Scherer and Ross (1980) argue that small firms are more likely to

place innovative activities at the centre of their marketing strategies than are large firms, because large firms can spread the cost of R&D due to their large output. As firm size increases, the influence of individual scientists decreases along with benefits from individual research in innovation.

To summarise, in this thesis, the competitive strategy is explored using three components (low cost, differentiation and innovation) due to their proposed influences on export firms' competitive advantages.

2.3 Export Performance

Exporting is defined as international marketing related decisions and activities conduct by international firms. The key difference between exporting and other engagement is whether, or not, the firm controls, or manages, the foreign activities, including direct exporting and indirect exporting (which is conducted through other agents, or distributors) (Shoham, 1998).

Export performance is the outcome of firms' export activities and has been widely studied in the literature (Acquaah & Yasai-Ardekani, 2008; Allen & Helms, 2006; Schilke et al., 2009; Yamin et al., 1999). Previous studies have generated several key findings regarding export performance. First, it is critical to identify the central importance of performance (organisational performance, business performance and export performance) in any discussed strategies (international marketing strategy and competitive strategy), because it is an ultimate outcome of organisational strategy. Second, export performance is subject to specific contexts and the conceptualisation of performance depends on the context in any given study. Shoham (1998) suggested that export performance is more focused on problem driven issues rather than theory driven issues; that is, the definition of export performance may vary subject to the specific problems being addressed in specific pieces of research. The perception of export performance varies among stakeholders, who include employees, organisation agents and senior management (Shoham, 1998).

Export performance is very important and is always employed as a dependent variable in the extant literature (Brouthers et al., 2009; Jimenez-Jimenez & Sanz-Valle, 2011;

Lages, Jap, & Griffith, 2008), however, there is no uniform definition of export performance (see Table 2). Export performance is often considered to be an exporting company's achievements in terms of international sales; however, this achievement actually encompasses both financial and strategic factors. Cavusgil and Zou (1994) indicated that most measurement of export performance in previous studies has been in economic terms. Export performance has also been defined as "the extent to which a firm's objectives, both strategic and financial, with respect to exporting a product to a market, are achieved via intention of a firm exporting market strategy" (Lages, Jap, & Griffith, 2008, p. 306).

Researchers suggest that three groups of variables interact to affect export performance; marketing strategy (standardisation/adaption) performance, competitive strategy (low cost, differentiation, innovation) performance, and environment/firm characteristic performance. Cavusgil and Zou (1994) and Lages, Jap, and Griffith (2008) suggested that export performance is determined by international market adaption strategy, and is controlled and affected by the external environment and firm characteristics. Amoako-Gyampah and Acquaah (2008), Yasai-Ardekani and Acquaah (2008) and Yamin et al. (1999) suggested that competitive strategy is a critical factor that plays a very important role in explaining organisational performance. Katsikeas, Piercy, and Ioandidis (1996) indicated that firm size, experience, competitive advantage and the environment context affect firm performance in the European market.

Table 2: Export Performance Measures Used in Past Research

Export Sales	Profitability	Change
Export intensity	Return on assets	Change in export intensity
Total export sales	Absolute export profit	Perception of dynamic success
Perception of success	Return on investment	Six years of export survival
Enter difficult market	Export gross profit margin	Change in market share
Number of export market	Export sales operating margin	Change in net profit
Export market share	Perception of success	Change in return on assets
Perceived sale relative to the industry		Change in return on investment

Sources: Cavusgil and Zou (1994); Chris (1998); Katsikeas, Leonidou, and Morgan (2000); Lages, Jap, and Griffith (2008); Shoham (1998).

Although there is no uniform definition in the previous literature (Cavusgil & Zou, 1994), there is agreement in the performance literature that performance is multidimensional. Walker and Ruckert (1987) suggested that the relevance and importance of performance measurement depends on: (1) whether it is across stakeholder groups (employees, organisational agents, etc.), and (2) whether a short-term, or a long-term, view is taken. They discussed the three most important performance dimensions concerning organisations. The first is effectiveness, which is the outcome (success/failure) of products, or services, in relation to their rivals. It includes indicators such as sales growth, change of market share and the perception of success. The second is efficiency, which refers to the outcome of organisational programmes in terms of the inputs employed in implementing them. It includes indicators such as return on investment and profitability. The last is adaptability, which refers to the level of responsiveness to changing conditions and opportunities over a certain period. For example, it is often measured as the increase in profit over the past five years.

A critical research problem is raised, as to how to measure performance. Katsikeas, Leonidou, and Morgan (2000) identify export performance in terms of two different types of measurements; economic, and non-economic.

2.3.1 Economic measures

Sales-related measurement is always used as the primary scale to examine export performance, in terms of items such as volume, intensity and growth. Katsikeas et al. (2000, p. 498) found, however, that "this form of measurement may overstate performance through price escalation, or market growth, or may understate performance due to the experience effect, or deteriorating demand".

Another important type of indicator are profit-related measures, which is always considered to be the ultimate goal for most firms, however, profitability is very rarely measured because of measurement difficulties (Katsikeas, Leonidou, & Morgan, 2000). Export profit is normally measured through return on investment, return on sales and the export profit ratio (Shoham, 1998).

Market share has become another popular concept, indicating a firm's competitive prowess, rather than any increase in export business due to market growth (Katsikeas et al., 2000). Similar to profit, market share is considered to be difficult to examine, especially for small and medium business specialising in niche markets (Kirpalani & Balcome, 1987).

2.3.2 Non-economic measures

Non-economic measurements often use market related factors, such as the number of export countries and overseas market expansion (Katsikeas et al., 2000). Another non-economic factor is product related measures, which refer to the number of new products introduced and the proportion of the product group being exported (Katsikeas et al., 2000). Export performance in export marketing deals with similar measurement issues. Previous researchers have measured export performance in various ways, such as export sales (Chris, 1998), sales growth and market share, increased product awareness strategic expansion into overseas markets (Cavusgil & Zou, 1994), performance satisfaction and exporting achievement (Lages, Jap, & Griffith, 2008). The variety of measurement methods indicates that there is no uniform definition and measurement in the existing marketing literature (Chris, 1998).

Export performance is also divided into subjective and objective factors in the previous literature. Subjective performance measurement includes export satisfaction, export achievement and export intensity (Lages, Jap, & Griffith, 2008), while objective measures include sales growth and return on investment (Jusoh & Parnell, 2008; Shoham, 1998). Cavusgil and Zou (1994) further classify export performance measures into economic/financial and strategic. Exporting firm often establish their export business with a number of objectives, which can be strategic (e.g., market expansion and competitive response), or economic (e.g., sales, profit and cost). Chris (1998) divided performance measures into *hard* and *soft* measurements, with hard including sales, market share and profit, whereas soft measurements examine self-perceptions. Based on the above analysis, it is decided to adopt an economic export performance measurement in this thesis. This adoption is mainly due to its easy understanding and implementation by export managers and also its common usage among exporting firms located in New Zealand (Chung, 2003).

2.4 Market Environment

The environment consists of both external and internal factors, which pose possible opportunities and threats for companies, and their influences on competitive strategy formulation and export performance need to be considered (Baldauf, Cravens, & Wagner, 2000). A group of control variables are outlined in the previous literature as being shown to affect export performance and international marketing strategy. These include both internal factors (firm size and international market experience) and external factors (e.g., export market environmental factors). Past researchers have suggested that both internal and external factors have significant influence on export performance and firm strategy (Chung, 2003; Lages, Jap, & Griffith, 2008). It is vital for companies to consider the general environment along with the sociocultural and political environments. These factors are part of industry structures and represent entry barriers for exporting firms (Baldauf et al., 2000).

Most New Zealand trading partners such as the *Four Asian Dragons* face relatively more complex and turbulent external environments than that in New Zealand. For example, although China has achieved phenomenal success in economic development in the last 30 years, it is still recognised as having a relatively undeveloped legal system, with government and financial situations leading to environmental turbulence and dysfunctional competition (Li & Atuahene-Gima, 2001). Environmental turbulence refers to the level of change and unpredictability in the market environment. It has a positive impact on the relation between the level of organisational learning and new product competitive strategy (Kim & Atuahene-Gima, 2010). Li and Atuahene-Gima (2001) also indicated that environmental turbulence mediates the relation between product innovation and performance in the Chinese market. Woo and Cooper (1981) found that the level of market share and business effectiveness is dependent on different environments. Dysfunctional competition means that companies' competitive behaviour is opportunistic, unfair and, sometimes, not even legal. The inadequate legal framework often grants a lack of protection to patents and copyrights, violations of contracts and agreements and unfair competitive practice (Li & Atuahene-Gima, 2001).

The export market environment refers to the overall living standards in the export market, often regarded as the level of economic development and political development (Lages, Jap, & Griffith, 2008). Thus, we measure the level of market development in economic and political terms. Export market competition includes the number of competitors, price competitiveness and service delivery (Lages, Jap, & Griffith, 2008). Research shows that the level of competition increases in the export market, with a firm needing to engage in marketing strategy adoption, or differentiation, in order to outperform other competitors (Cavusgil & Zou, 1994). Katsikeas et al. (1996) suggested that price and the export environment context is antecedent to determining export performance, where price refers to the competitive price level and the contextual environment includes culture differences, trade barriers such as political/legislative measures and economic development. The relationship between the external market environment and export performance is, however, still a controversial issue. Although some researchers report that economic development has a positive impact on export performance, others find a negative, or insignificant, relation (Kaynak & Kuan, 1993; Zou & Stan, 1998). Madsen (1987) found that overseas market barriers (political/economic/cultural) are not significantly related to export performance, and that firms can overcome these barriers by implementing effective marketing strategies.

2.5 Firm-Related Factors

Export experience refers to the degree to which the company's management has overseas experience, having worked aboard, as well as their accumulated skills and abilities that are used to achieve the company's export objectives and goals (Lages, Jap, & Griffith, 2008). It has been conceptualised that experience and knowledge in regards to overseas markets and activities is a pivotal factor in the internationalisation of a firm. For example, international experience is very important for Greek firms exporting to the EU, because competitive practices are more sophisticated in the EU than in the domestic market (Katsikeas, Piercy, & Ioannidis, 1996). Cavusgil and Zou (1994) and Dougals and Craig (2000) found that international marketing experience will help managers learn the specific contingencies of each market and also assist them in implementing more suitable market strategy in different markets. In addition, because the experience will promote organisational learning, especially exploitative

learning, it will lead the organisation to achieve better goals and performance (Lages, Jap, & Griffith, 2008). Export performance is, however, argued to be negatively related to the length of international experience, because younger companies are forced to go overseas due to cost disadvantages and limited access to domestic resources and funds. Firms with less experience often experience higher pressure, which pushes them to better performances in overseas markets (Baldauf et al., 2000).

Firm size refers to the number of worldwide employees (Brouthers et al., 2009). Axinn (1995) and Nakos, Hadjimarcou, and Brouthers (2009) found that the number of employees influences SME export performance. Over the last two decades, size has always been considered to be one of most important firm-related factors affecting performance (Brouthers et al., 2009; Schike, Reimann, & Thomas, 2009). Cavusgil and Naor (1987) and Baldauf, Cravens, and Wagner (2000) concluded that firm size is positively related to export activities, with large firms more inclined to export. Reid (1983) found that firm size plays a very important role when a firm decides to enter a new international market. Past researchers have argued that the relation between firm size and export performance is a controversial topic. Moen (1999) identified over ten pieces of literature that examined firm size and performance; 50% of these identified no relation between firm size and performance, 20% of these found weak negative relations, and 30% of these found a positive relation.

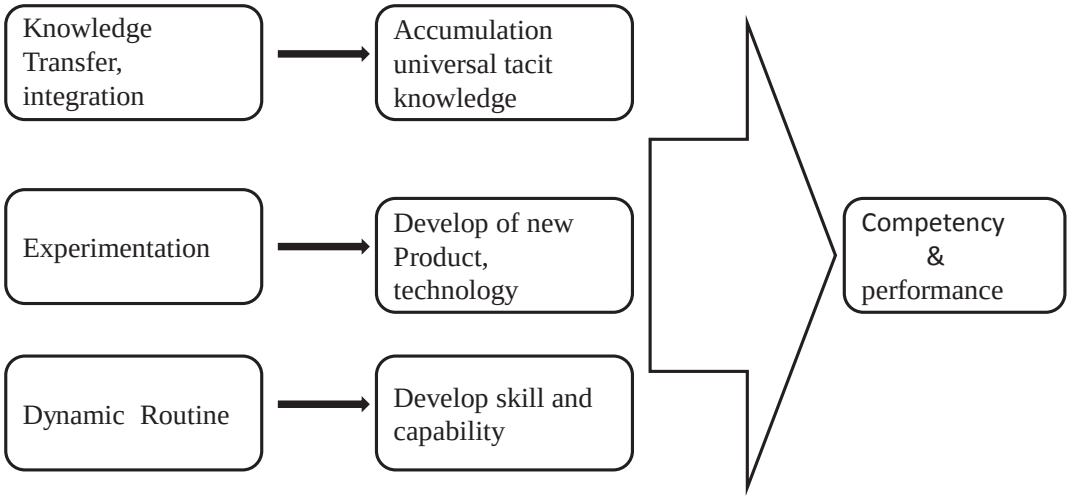
To summarise, in this thesis, the environmental and firm factors are used as control variables on export performance and competitive strategy.

3.0 Research Hypotheses

3.1 Organisational Learning and Performance

Organisational learning emphasises the development of new organisational knowledge in order to improve organisational performance. The concept of knowledge is central to learning theory, as organisational learning is concerned with acquiring, utilising, and assimilating internal and external knowledge to enhance organisational performance (Pemberton et al., 2001).

Figure 2: The Process of Learning



Sources: Hitt, Ireland & Lee, 2000; Lei, Hitt & Bettis, 1996

Hitt, Ireland, and Lee (2000) and Lei, Hitt, and Bettis (1996) suggested that learning is antecedent to helping firms build up their competency, with the research depicting three important processes to help firms gain competency (see Figure 2). First, it relates to information acquired, transferred, stored and retrieved, which is often referred to as *learning by doing*, and often occurs throughout the internal environment of the

organisation. The acquiring, storing, transference and retrieval of information become the foundation of the firm's tacit knowledge base, however, it is not enough to gain competency, as this relies on knowledge transference and integration. Second, firms engaging in experimentation will make continuous improvements and redefine existing skills and knowledge. Experimentation with new technology will enable firms to develop new products, services and brands in current and/or future markets. Last, nurturing new skills and knowledge is highly dependent on the development of dynamic organisational routines, which is dependent on training, and the sharing of knowledge and experience.

William (1992) examined competency and found that firms always undergo dynamic changes, whether driven by external, or internal, environments. Therefore, this creates a consistent pressure on firms to improve the quality of their products and services in order to maintain, or enhance, the value they offer to their customers. The ability to learn faster than their competitors may be their only competitive advantage. Organisational learning builds links between the organisation and its environment, encouraging proactive, rather than reactive, behaviour. Knowledge is derived from learning, which indicates an improvement in response to a broader understanding of the environment. Organisational learning is paramount to customers, because it focuses on understanding and satisfying them through new products and services, which will result in superior outcomes, such as a higher rate of customer retention, the success of new products and services, and profit and sales growth (Slater & Narver, 1995). Day (1994) and Slater and Narver (1995) proposed that a strong learning ability is vital to an organisation, because of the dynamic nature of markets and technology. It closely matches the requirements of a competitive advantage, because it is well positioned and delivers superior value to customers. Furthermore, it is complex to develop and difficult to imitate.

Based on these literature reviews, organisational learning through knowledge management and understanding the changing environment will result in an improvement in performance. Studies on the theories of organisational learning have suggested learning is an important source of advantage (Lopez, Peon, & Ordas, 2005). Lages, Jap, and Griffith (2008) stated that small firms tend to accumulate knowledge in international markets and, as a result, develop a competitive advantage in order to

perform better in these overseas markets. Dunphy, Turner, and Crawford (1997) and Lopez, Peon, and Ordas (2005) proposed that learning is valuable to organisations in the corporate world in developing their competency. Therefore, it helps them to outperform their competitors. Hurley and Hult (1998) shared the view that learning orientation improves its capacity to innovate, therefore, enhancing competitive advantage and performance. Yeoh (2004) classified organisational learning into three different types; technology, market learning, and social learning; which are all positively related to firm performance. Organisational learning has a positive effect on financial performance; it explains that firms are capable of learning from competitors and customers, standing a better chance and opportunities in the marketplace. Market learning will achieve better customer satisfaction and new product success, which in turn will create superior profitability (Slater & Narver, 1995). Customer retention is related to market learning, as the firm is able to learn exactly what potential customers need and want, which will lead to higher levels of customer satisfaction and sales growth.

March (1991) and March and Levitt (1988) distinguished organisational learning into explorative and exploitative learning. Yalcinkaya, Calantone, and Griffith (2007) proposed that explorative learning will improve firm performance, because the firm should develop new technology and structural system to adapt to new market opportunities, as explorative learning involves inherent risk taking and experimentation, and is often considered to be the acquisition of new knowledge and information. This is consistent with the findings of Garcia, Calantone, and Levine (2003), who stated that firms can capture organisational capabilities by learning new knowledge through their explorative capabilities, thereby enhancing new product development and firm performance. Exploitative learning is referred to as using existing resources and product market domains under limited resources, which will improve firm efficiency because operations and production are built on previous technologies and market knowledge. Therefore, exploitative learning will reduce errors and help to avoid mistakes (Shane, 1996). This is consistent with Yalcinkaya et al. (2007), who argued that exploitative capability enables firms to leverage their existing resources and improve value delivery within the current market domain, which will enhance firm performance.

Therefore, it is proposed that:

H1a: Exploitative learning is positively related to performance; and

H1b: Explorative learning is positively related to performance.

3.2 Organisational Learning and Competitive Strategies

Competitive advantage can be viewed as having a superior market position to acquire customers, or social value. It is defined as the ability of a firm to derive large profits in a competitive marketplace through a reliance on value creating strategies that other competitors are unable to implement at the same time (Weerawardena, 2003; Weerawardena & Sullivan-Mort, 2001). Organisational learning theory involves knowledge assimilation and integration, which are very effective tools in developing competitive advantage (Hitt et al., 2000; Lei, Hitt, & Bettis, 1996; Pemberton et al., 2001). One example of this is clearly shown in the case of Japanese firms. Japanese firms not only learn from inside their organisation membership, but also from outside through inter-organisational membership. This strong learning ability explains the success of Japanese firms in producing high quality and inexpensive products (Dodgson, 1993). Hurley and Hult (1998) noted that market learning orientation is an antecedent of innovation, therefore, enhancing competitive advantage and performance. Srivastaa, Fahey, and Christensen (2001) shared the view that market based knowledge can be leveraged by organisational learning, thereby improving competitive advantage. The definition of competitive strategy is that a firm achieves a competitive advantage over its competitors, and includes the use of cost efficiency, differentiation and innovation. Therefore, we can presume that organisational learning may develop one of these three advantages (cost, differentiation and innovation) through the acquisition and integration of new technology and knowledge.

3.2.1 Exploitative learning and cost efficiency strategy

According to the learning effect, cost will start to decline once certain output levels are reached (Amit, 1986; Hill, 1988). Hall and Howell (1985) argued that learning by doing is normally associated with economies of scale, in that the experience curve is positive correlated with cost and accumulated output. Porter (1980) proposed that an

increase in the economies of scale and product output will enable firms to exploit cost advantages. March (1991) and March and Levitt (1988) stated that exploitative learning is learning by doing, because it mainly focuses on existing information and routines. According to the learning effect an increase in experience will also enhance labour efficiency, which will result in an improvement in production output and a downwards movement of the cost curve. Past studies suggest that direct experience learning will significantly improve labour productivity. Moreover, the improvement in productivity will lead to a reduction in per unit costs (Baloff, 1966; Levitt & March, 1988). For example, the improvement of experience in traditional industries, such as aircraft repairer *Airframe*, will result in a decline in the labour production costs per unit.

Exploitative learning focuses on learning and processing market information and knowledge, which has already been obtained and is currently available in the market (Levitt & March, 1988; March, 1991). Exploitative learning will help exporting firms to allocate their resource in the best possible ways. It emphasises the improvement of short-term tasks and the benefits this will have for firms (Kim & Atuahene-Gima, 2010; Lages, Jap, & Griffith, 2008; March, 1991). Therefore, by emphasising the best utilisation of current knowledge and information within the existing domain of the market and experience, this will lead to cost savings and improved performance (Kim & Atuahene-Gima, 2010). This kind of learning will focus on transactional and operational efficiency, which will enhance cost efficiency. One study of new product development stated that exploitative learning is positively related to cost efficiency of new products, but does not impair its differentiation (Kim & Atuahene-Gima, 2010). Another study of new product development implied that exploitative learning concentrates on well-defined technology and information, which is related to existing experience; enhancing firm performance through improved efficiency in new product development (Li, Chu, & Lin, 2010). Katila and Ahuja (2002) stated that an increase in familiarity within existing routines and operational systems can enhance the capability of company employees who apply cost effective ways to solve new product development problems.

Therefore, it is proposed that:

H2: Exploitative learning is positively related to cost efficiency.

3.2.2 Explorative learning and differentiation strategy

A point of differentiation can be built on many dimensions, including design, quality, brand image, technology and networks, however, successful differentiation should be based on features that competitors find difficult to imitate (Amoako-Gyampah & Acquaah, 2008; Kim, Nam, & Stimpert, 2004). A firm that achieves a differentiation strategy may base it on the creation of a unique image in customers mind that the firm and its products are better than the market rivals. The firm creates these perceptions through the use of advertising, technology, market changes and charging customers premium prices (Amoako-Gyampah & Acquaah, 2008). Differentiation strategy requires the firm to create a product or service, that is recognised as unique, therein allowing the firm to charge a higher price (Salavou & Halikias, 2008). It fulfils a customer need and involves tailoring the product, or service, to the customer (Allen, 2002). To efficiently implement a differentiation strategy, the firm must offer a unique aspect, which competitors cannot offer. When using differentiation, a firm must be prepared to add a premium to the cost (Allen & Helms, 2006).

Explorative learning theory indicates a positive relation to differentiation. According to Levinthal and March (1993), explorative learning always needs the firm to engage in pursuing a very few, and radical, pieces of market information and knowledge that are beyond their current competitors and consumer boundaries. Explorative market learning provides a firm with an opportunity to outperform its competitors by searching for new information and solutions in the new product development process, resulting in products with distinctive and unique characteristics (Kim & Atuahene-Gima, 2010). This kind of utility is not obtainable from existing products, or processes, which will enhance the differentiation of the new product (Kim & Atuahene-Gima, 2010). Kim and Atuahene-Gima's (2010) empirical results suggested that explorative learning is positively correlated with new product differentiation. One study of new product development in the export orientated industry indicates that explorative learning is focused on technological and market information, which is far beyond existing experience (Li, Chu, & Lin, 2010). The pursuit of radical and technological information will eventually increase the cost of production and operations, which will force the firm to compete on product quality and features, rather than price. More importantly, the technological information and knowledge is

difficult for competitors to imitate, which will enable firms to produce distinctive and unique products to fulfil customer needs.

Therefore, it is proposed that:

H3: Explorative learning is positively related to product differentiation.

3.2.3 Explorative learning and innovation strategy

Innovation refers to the capacity to introduce new processes, products and concepts in an organisation; that is, innovation can be a new product, new service, new structure, or new administrative system (Hult, Hurley, & Knight, 2003). The past literature has indicated that market learning (explorative learning) is an important source of innovation (Day, 1994). The theory of *market pull* and *need pull* in innovation indicates that organisations need to constantly be in search of new opportunities and ideas to satisfy their customers. Damapour (1981) distinguished between technical and administrative innovation. Technical innovation includes new services, products and processes, whereas administrative innovation refers to new procedures, policies and organisational forms (Damanpour, 1991; Dewar & Dutton, 1986). Innovation helps companies to overcome turbulence in the external environment and is vital to the long-term success of a firm (Jimenez-Jimenez & Sanz-Valle, 2011).

Knowledge is an antecedent of innovation. The basic assumption is that learning enables firms to achieve speed and flexibility within the innovation process (Jimenez-Jimenez & Sanz-Valle, 2011). Explorative learning is associated with long-term issues, such as risk taking, radical innovation/dissimulation and discovery, and is the capacity to capture, assimilate and integrate new knowledge and information, helping the firm to achieve a competitive advantage (March, 1991). Innovation capability helps firms to identify novel technology when new technology assets are developed (Guan & Ma, 2003).

Some studies have shown that organisational learning enhances innovation. For instance, Forester (2000) found that there is a positive relation between organisational learning and innovation through a comparison of two manufacturers that use team learning to provide innovation for cost reduction purposes. Weerawardena (2003)

proposed that explorative learning enables exporting firm to create innovation based competitive advantage. Firms that possess superior explorative learning skills are more capable of monitoring changing customer needs, which enables them to create more superior value for their customers in comparison to their competitors. Jimenez-Jimenez and Sanz-Valle (2011) showed that the positive effect of organisational learning on innovation is stronger than that of performance, which indicates that organisational learning influences performance mainly by mediating innovation. Appelbaum and Goransson (1997) found that transformation learning (explorative learning) leads to significant change involving the development of complex rules and associations regarding new actions. This innovative learning always affects the entire organisation. The degree of innovation refers to the extent of new product offerings by exporters (Galbraith, 1973). Exploration learning involves searching, variation and risk taking (March, 1991). It is very difficult for exporters to build sustainable competitive advantage in a foreign market, because of market competitiveness, however, innovation is one of few factors that help firms build and maintain their sustainable advantage (Yalcinkaya et al., 2007). Therefore, by improving explorative learning capability, exporters can increase their degree of new product introduction; introducing products and services to foreign markets, overcoming market competition, enhancing the value of product delivery for current customers, and extending products and services to new customers (Yalcinkaya et al., 2007).

Therefore, it is proposed that:

H4: Explorative learning is positively related to innovation strategy.

3.3 Competitive Strategy and Performance

The existing literature has widely explained the positive effect of competitive advantage on performance, as competitive advantage provides firms with price, or quality, advantages in order to outperform their competitors. Julien and Ramangalahy (2003) indicated that competitive strategy plays a determining role in explaining the improvement of business performance, according to tenets of resource based theory. Researchers have suggested that failing to develop a competitive strategy will result in

inferior performance (Dess & Davis, 1984). Competitive strategy can lead to high organisational performance, customer satisfaction and an increase in competitive advantage in relation to competitors (Allen & Helm, 2006; Demirbag & Tatoglu, 2008; Jonsson & Devonish, 2009). Differentiation and innovation are often regarded as the most important factors for success.

3.3.1 Differentiation strategy and export performance

A differentiation strategy consists of brand image, quality of service, product features and design, however, a successful differentiation must rely on features that are difficult to copy. Therefore, companies can achieve better performance through the creation of differentiation strategy (Rivard, Raymond, & Verreault, 2006). The creation of differentiation enables companies to achieve a high level of customer loyalty. Therefore, it assists companies to avoid *price war.* Phillip, Chang, and Buzzell (1983) found that relative product quality and relative market position were significantly related to each other; that is, enhancing differentiation will result in companies capturing a greater amount of market share.

Firms using differentiation strategy attempt to develop improved output through R&D efforts. They also concentrate on advertising in order to achieve a unique reputation and brand recognition. Differentiation strategy is based on quality improvement in tandem with a premium pricing strategy in order to outperform their rivals (Wright, Kroll, Tu, & Helms, 1991). Kim & Lim (1988) and Hambrick (1983) proposed that differentiation strategy is best for volatile market environments, as it creates products and services that customers perceive as unique and often entails the use of new technology, unforeseen customers and rival's reactions.

Zhou, Brown, and Dev (2009) revealed that a firm specialising in market innovation and differentiation can achieve high financial performance. Kang (2008) identified product differentiation as the key driver of international trade and economics. By studying export firms in Japan, Korea and China, the Chinese economy was found to experience the most rapid growth in product differentiation since 1984, whereas Japan exported the most highly differentiated products in all industries, indicating that product differentiation has a large positive impact on trade performance (Kang, 2008). Yamin et al. (1999) indicated that both high and medium levels of differentiation

achieve higher organisational performance in contrast with lower levels of differentiation. Their finding also suggested that high differentiation plays a significant and important role in all aspects of organisational performance (Yamin et al., 1999).

Therefore, it is proposed that:

H5: Differentiation strategy is positively related to export performance.

3.3.2 Cost efficiency and performance

Firms attempt to reduce the cost of R&D to achieve cost leadership strategies in order to compete in international markets. They also focus on low cost promotion, production and high capacity utilisation. Cost reduction allows them to underprice their competitors. Successfully achieving a low cost strategy may result in an improvement in competitive advantage (Wright et al., 1991). Cost leadership is most efficient in a stable environment. It is difficult for firms to pursue a cost leadership strategy since unpredictable environments will create severe diseconomies (Martin, Hoffman, & Lamont, 1994). Porter (1980) stated that companies pursue low cost positions by focusing on *aggressive* construction of efficient scale facilities, achieving cost reduction from experience, reducing costs and overhead controls, and minimising costs in R&D, advertising and the sales force. A capability for cost reduction enables companies to maintain strong positions in the market place and achieve higher sales and other margins. Cost leadership strategy often attracts firms in transition, or in emerging economies, such as China and India, as well as most developing countries experiencing growth. China has become *the world's factory* by delivering relatively low cost products around the world. A study of Ghana's economy suggests that Chinese low cost products appeal to low income earners because they are price sensitive. The empirical results suggest that in a transition economy, the implementation of cost leadership strategy will result in significant returns on performance, especially financial performance (Acquaah & Yasai-Ardekani, 2008).

International markets have been characterised as fast moving and intensively competitive markets in terms of frequent promotions and price wars (Li & Calantone, 1998). In regards to this, cost benefit learning will be more cost-saving and financially

oriented, which can contribute more to cost efficiency under international competition (Kim & Atuahene-Gima, 2010). A firm can successfully pursue a cost efficient strategy by concentrating on the "aggressive construction of efficient scale facilities, vigorous pursuit of cost reduction from experience, tight cost, overhead cost, avoidance of marginal customer account and cost minimization in areas like R&D, service, sales force, advertising, and so on" (Porter, 1980, p. 35). Therefore, a company can enhance its competitive advantage over its competitors by having significantly lower costs (Amoako-Gyampah & Acquaah, 2008).

A study of Malaysian exporting firms reveals that low costs and efficient production are positively related to financial performance. In their study of international firm's operations, Schike, Reimann, and Thomas (2009) stated that low cost, as a competitive strategy, often uses standardisation to improve performance. Yamin et al. (1999) found that higher and medium cost leadership strategies achieve higher scores than lower cost leadership on all aspects of organisational financial performance, and that higher cost leadership is also more important in its effect on financial performance than are medium and low strategies.

In contrast, Ge and Ding (2005) found that cost leadership has a negative relation with performance. This can be explained in that the extra attention paid to cost saving may result in a lack of spending on new product development, technological improvements and quality control, which may affect new product success, customer satisfaction and market share. Wright, Kroll, Tu, and Helms (1991) stated that limiting expenditure on R&D and advertising may lead to inefficient business operations, resulting in them underperforming in comparison with their competitors. In summary, though previous results on the relation between cost efficient and export performance is not entirely conclusive, the majority of empirical evidence suggests a positive relationship between two factors.

Therefore, it is proposed that:

H6: Cost efficiency is positively related to export performance.

3.3.3 Innovation and performance

Innovation is an efficient strategy through which firms can gain a competitive advantage. From the resource based view, a company acquires a competitive strategy through channelling new products and processes (Wernerfelt, 1984). Innovation is a key factor determining firm export performance, and this is the case not only for R&D companies. The adoption of innovation will contribute to an improvement in organisational performance and effectiveness (Damanpour, 1991). Wakelin (1998) noted that innovation is perceived as a characteristic that fundamentally changes the firm and its performance, including its export performance.

Cassiman and Martínez-Ros (2003) proposed that innovation is comprised of inputs (expenditure on R&D) and outputs (the number of innovations). It plays an important role in explaining export performance. Ito and Puick (1993) was one of the first researches to examine the relation between R&D expenditure and export performance, both in firms and at the industry level. It found that firm size and export expenditure is positively related to export performance in Japan. Basile (2001) examined Italian export firms and found that innovation is achieved by either R&D activities, or investment in new equipment and devices, which they are more willing to export. R&D and innovation entails the introduction of new products and services into the market and improvements of existing products and services. It is a key factor in enhancing and sustaining market position for a company (Roper & Love, 2002). The relation between innovation (which is often perceived as non-price competitiveness) and export success is an important explanation of export performance. Anderton (1999) found that innovation and product quality determine export volumes in the UK and Germany. Greenhalgh, Taylor, and Wilson (1994) found that the level of investment in R&D plays a determining role on UK trade performance.

Several other studies have indicated a consistent relation between innovation and export performance. Sterlacchini (1999) found that innovation efforts of small firms do matter for export performance, even when their focus activity is not that of the R&D. Export performance is positively related to non-R&D innovation inputs. Yalcinkaya et al. (2007) suggested that the introduction of new products and services is a vital element in a firm’s continuous success, it can improve a firm’s performance

by fulfilling customer needs and wants more effectively than the existing offering. A study of the Chinese market has suggested that competitive strategy improves performance mainly through innovation, and that the most important factor is to create superior value for companies in emerging markets (Ge & Ding, 2005). According to Damanpour et al. (1989), technical innovation is a primary source of improvement in organisational effectiveness, with the influence of technical innovation being more immediate than administrative innovation on performance. Roper and Love (2002) found that innovation is significantly correlated with export profitability in the UK and Germany.

Therefore, it is proposed that:

H7: Innovation strategy is positively related to export performance.

4.0 Methodology

4.1 Justification for the Research

The objective of this study is to examine the relation among organisational learning, competitive strategy and export performance. A well-structured framework has been development (objective-literature review-hypothesis). A quantitative research method is best for testing the hypotheses.

Quantitative research is defined as marketing research, with research objectives being achieved through an empirical examination involving numerical measurement and analysis. It is used to test hypotheses and always involves a large sample of data, or specific research questions (Zikmund & Babin, 2010). It can help us to achieve high levels of reliability in the data gathered due to controlled observations, experiments, mass surveys and other forms of research manipulation (Aaker, Kumar, Day, & Lawley, 2005). Qualitative research is used to address market objectives without the need for numerical measurement, and is less structured. It often used to gain preliminary insight into research topics (Zikmund & Babin, 2010). Quantitative research often includes surveys and, secondary or historical data. A tradition mail survey will be adopted in this research; a mail survey is a self-administered questionnaire posted to participants. There are three main reasons to choose a mail survey for this research. The first is geographic flexibility, as our target population is scattered all over New Zealand, so that it would be difficult to interview each company through face-to-face methods. A mail survey enables us to send questionnaires to everyone one, or two, times, as necessary. The second reason for using a mail survey is that it is convenient for participants to respond to, with respondents given adequate time to answer the questions completely. For example, for question regarding sales and profit return ratios, it is very difficult for respondents to recall the appropriate figures on the spot. The last reason for the use of a mail survey is that it involves less ambiguity than some methods; the questionnaire is standardised and well structured, with most of the questions being straightforward. When using some other methods, such as focus groups and telephone interviews, the data collected are different and can be ambiguous (Zikmund & Babin, 2010).

4.2 Measurement

Table 3: Research Measurements and Results

Factors	Items	Factor loading	T-Statistic
Explorative †	Focus on acquiring knowledge of product strategies that involved experimentation and high market risk	0.686	6.424
	Collect information with no identifiable strategic market needs to ensure experimentation in the product	0.476	3.008
	Acquire knowledge to develop a product that led us into new areas of learning, such as new markets and technological experience	0.750	10.230
	Collect novel information and ideas that went beyond our current market and technological experience	0.836	20.419
	Collect new information that forced us to learn new things in the product development	0.882	36.527
Exploitative †	Search for information to refine common methods and ideas in solving problems in the product development	0.868	17.186
	Search for ideas and information that we can implement well to ensure productivity, rather than those ideas that could lead to implementation mistakes in the product development and in the marketplace	0.859	17.266
	Search for the usual and generally proven methods and solutions to product development problems	0.793	11.684
	Use information acquisition methods (e.g., survey of current customers and competitors) that helped us understand and Update the firm's current product and market experiences	0.835	22.733
	Emphasise the use of knowledge related to our existing product experience	0.795	10.964
Innovation†	*Product innovation*		
	Have a large number of new product/service introduced	0.764	18.150
	A pioneer in introducing new product/service	0.837	32.908
	Effectively develop new product/service in term of hours/persons, teams and training involved	0.854	30.543
	Process innovation		
	Have a large number of changes in process introduced	0.698	8.913
	Are a pioneer in introducing new processes	0.749	16.699
	Cleverly respond to new processes introduced by others firms in the same sector	0.705	9.521
Differentiation†	Build a strong brand name	0.749	11.836
	Differentiation by advertising and promotion	0.700	13.441
	Offer superior benefits to customers	0.855	23.917
	Product/service are unique; nobody else can offer them	0.610	7.605
	Continuously improve our existing product	0.724	9.877
	Our product/service quality is higher	0.767	11.540
Low cost†	Manufacturing costs are lower than those of our competitors	0.740	8.536
	International operation system has decreased the cost	0.731	5.837
	Economies of scale enables us to achieve a cost advantage	0.871	13.510
	Cost leadership position in the industry	0.733	9.277
Performance	Profitability (1=high level of loss; 7=high level of profit)	0.801	6.804
	Sales growth (%)	0.641	2.890
	Market share (%)	0.511	2.373
Environment‡	Economic	0.846	12.650
	Regulatory	0.762	8.251
	Customs and traditions	0.896	15.789
	Customer	0.828	10.759
	Marketing infrastructure	0.926	9.526
	Competitive	0.823	7.188
Firm	Number of employees	0.718	2.813
	Number of years in international business	0.686	2.781
	Number of countries operating in	0.828	2.765

†: measured by 7-point scale (1=strongly disagree; 7= strongly agree).
‡: measured by 7-point scale (1 = very different; 7 = very similar).

4.2.1 Organisational learning

The basic organisational learning model in PLS Graph is a structural equation model with latent variables. The model links competitive strategies to its determinants and, on the other hand, to its consequence, which is performance. Organisational learning is referred to as explorative and exploitative (Crossan et al., 1999; Levitt & March, 1988). March (1991) defined explorative learning as external market learning, involving experimentation and risk taking, and moving beyond the current boundary. Exploitative learning involves refining, whereas exploitative involves current knowledge and existing routines and systems. Atuahene-Gima and Murray (2007) and Kim and Atuahene-Gima (2010) identified five elements related to explorative learning and another five elements related to exploitative learning (see Table 3 & Appendix A). Based on the extant literature reviewed above, a 7-point scale is adopted in this thesis; where 1 represents *strongly disagree* (learning process in the course of formulating your product's operation in the host market) and 7 represents *strongly agree* (learning process in the course of formulating your product's operation in the host market). As discussed in the "Sample Frame" selection, this study has adopted the product-market approach in its research framework exploration. All measurement items are related the subject exporting firm's current operation in their most important host market with respect to their most important product/service that is marketed in the host market.

4.2.2 Competitive strategy

Competitive strategy is studied using three dimensions in this research, which are differentiation, cost efficiency and innovation.

Differentiation has been addressed by Porter's (1980) strategy. When employing this strategy, the firm focuses its efforts on providing unique products, or services (Allen & Helms, 2006). Porter (1980) and Amoako-Gyampah and Acquaah (2008) have specified differentiation in ten different items, such as the improvement and refinement of an existing product, the development of a new product/service, and brand improvement and firm identification. Furthermore, based on the previous literature, Allen and Helms (2006), Demirbag and Tatoglu (2008) and Jusoh and

Parnell (2008) have summarised the six most important elements in relation to differentiation (see Table 3 & Appendix A).

The purpose of low cost strategy is to achieve low manufacturing and distribution costs (Schilke et al., 2009). Yamin et al. (1999) measured cost efficiency using 19 items, including distribution and inventory management, and improvements in technology. Acquaah and Yasai-Ardekani (2008) defined cost leadership into 7 different items, covering operating efficiency, operating size and cost control, on the basis of past researchers' scales on cost leadership. Based on the previous literature, 7 elements are used to measure low cost strategy (Allen & Helms, 2006; Demirbag & Tatoglu, 2008; Jusoh & Parnell, 2008) (see Table 3 & Appendix A).

The previous literature has measured innovation in various ways, such as offering innovative and creative services and products to export markets (Demirbag & Tatoglu, 2008), new product development (Allen & Helms, 2006) and R&D (Jusoh & Parnell, 2008). Damanpour and Evan (1984) and Damanpour et al. (1989) divide innovation into two different types; technical and administrative innovation. As previously discussed, technical innovation can be the adoption of new ideas involving new products, services and processes. Jimenez-Jimenez and Sanz-Valle (2011) have further divided innovation into product and process innovation which forms this study's innovation measurement (see Table 3 & Appendix A).

This thesis adopts a 7-point scale to measure competitive strategy, with 1 representing *strongly disagree* and 7 representing *strongly agree*.

4.2.3 Export performance

As discussed, there is no uniform measurement and conceptualisation of export performance (Baldauf et al., 2000; Chris, 1998). Earlier research used a single indicator to capture export performance (Baldauf et al., 2000), however, there is increasing evidence that export performance is better measured using multiple constructs rather than single ones (Cavusgil & Zou, 1994). As explained previously, the economic performance measurement is used in this thesis due to it being easy to understand and implement. It includes export sales growth, annual profit and export product market share. Annual profit is measured using a 7-point scale, with 1

representing a high level of loss and 7 representing a high level of profit. This thesis employs ratio measurement to gauge export sales growth and market share (see Table 3 & Appendix A).

4.2.4 External environment and firm-related factors

This study introduces several control variables that may affect export performance and the competitive strategy of export firms. It includes external environment and firm related factors. The external environment factors include political/economic, culture and market factors (see Table 3 & Appendix A). A 7-point scale is adopted to measure the similarity of each factor between New Zealand and the host countries, with 1 representing *very different* and 7 representing *very similar* (Cavusgil & Zou, 1994; Lages, Jap, & Griffith, 2008; Li & Atuahene-Gima, 2001).

Firm related factors include firm size and international business experience (Cavusgil & Zou, 1994; Lages, Jap, & Griffith, 2008; Li & Atuahene-Gima, 2001). The measurement of firm related factors is clearly presented in Table 3 and Appendix A.

4.3 Sampling Frame

The purpose of this research is to estimate the effect of organisational learning on competitive strategy and export performance, based on the New Zealand exporting industry domain. Therefore, choosing an appropriate sample is very important for this research. It will ensure that our results are reliable and relevant to the research objectives. In marketing research, the term *population* refers to the whole group that is represented by the sample (Zikmund, 2003). To identify an accurate target population some criteria need to be considered.

The data for this study are collected from Kompass, which is a primary data resource provided by Massey University. Most of New Zealand exporting firms is included in this database. More importantly, this access provides accurate and updated company details, such as address, telephone number, exporting countries, exporting product and the number of employees.

In total, five-hundred New Zealand export companies were be randomly selected from the database (Kompass). Survey questionnaires were mailed to the export manager of each firm with a letter asking that the manager in charge of exporting within the company should complete it. By adopting the product-market approach as suggested by well know research in the exporting literature (e.g., Cavusgil and Zou, 1994), respondents were requested to complete the survey questionnaire regarding their most important product/service in their most important foreign host market (Chung 2003; Katsikeas, Samiee, & Theodosiou, 2006). The product-market export venture practice is considered as the most adequate approach for research on exporting firms and their business ventures (Chung, Wang, & Huang, 2012; Morgan, Kaleka, & Katsikeas, 2004). Most of the firms in the sample frame are manufacturers; 60% of them export industrial products, 30% export consumer products, and the remaining firms export service products. As expected, most of the firms are small to medium sized. Overall, 105 questionnaires have been returned, therefore, the response rate is 20%.

4.4 Data Collection Procedure

There are many methods for collecting data; however, choosing the best method is crucial for research as data is the foundation of all research. The mail survey method will be adopted in this research to collect the data, because it is an inexpensive and convenience method for gathering a large data sample in a short timeframe.

There are number of procedures in this research to ensure that we collect accurate and up-to-date data. The first step is to determine the characteristics of the data. This research examines the relation among organisational learning, competitive strategy and export performance. Therefore, the information we need will be related to these three factors; organisational learning (explorative and exploitative), competitive strategy (cost efficiency, innovation and differentiation), and export performance (financial and strategic).

A structured questionnaire will be developed to collect the data, with all questions being stated in the form of a 7-point scale; ranging from strongly disagree to strongly agree (Jonsson & Devonish, 2009). The statements used in the survey were adopted and compiled from previous literature on organisational learning and competitive

strategy. A review of the previous literature indicates that many variables have previously been reported to be related to organisational learning and competitive strategy. The items used to examine exploitative and explorative learning in exporting markets are based on Kim and Atuahene-Gima (2010). For differentiation, innovation and cost efficiency, each construct was measured using three, or four, items, which were derived from the extant literature (Allen & Helms, 2006; Demirbag & Tatoglu, 2008; Jusoh & Parnell, 2008). Export performance was measured both in financial and strategic terms (Allen & Helms, 2006).

The third step was to administer the survey, which was posted to the respondents. A well-presented cover letter and prepaid return envelope was enclosed in order to minimise the non-response rate.

The fourth step was to pre-test the survey. Approximately 50 surveys were sent out to respondents. There are two purposes of conducting a pre-test. The first is to test how clear and straightforward the questionnaire is and the second is to identify the response rate.

4.5 Ethical and Cultural Issues

Ethical issues also need to be carefully considered at the data collection stage. The questionnaire was reviewed by Dr Henry Chung, following which an ethics approval application needed to be approved by Massey University. This research has been evaluated and approved by Massey University as being of *Low Risk* (Appendix B). The protection of privacy and confidentially for the respondents will be a top priority in our research, with the information and data captured from the mail survey not being shared with any third party. All data collected from the mail survey will be stored in a safe place, so that the names and positions of respondents will remain anonymous. No individual details will be revealed anywhere in the thesis report.

4.6 Statistical Analysis Method

Due to its exploratory nature, this study uses Partial Least Squares (PLS) as its main statistical analysis tool (Chin, 2010). This tool is employed to test the research hypotheses. It is also a statistical tool that has been developed specifically to clarify

multiple regression problems where the number of observations is limited (Graber, Czellar, & Denis, 2002). The PLS model was first introduced by Wold (1975), then referred to as nonlinear iterative partial least squares. It consists of structure parts, which weigh the relation between latent variables and measure the components (Haenlein & Kaplan, 2004). For each firm in the sample, the Partial Least Squares estimate indices for three variables (organisational learning, competitive strategies and export performance). Moreover, the PLS model tests the relation within the entire model; for example, the influence between explorative learning and differentiation.

Bonties, Crossan, and Hulland (2002) noted that "PLS is similar to LISREL and other covariance analysis techniques is that it combines data and theory estimate paths and loading at same time" (p. 19). PLS does, however, tend to maximise the variance explained in a model's endogeneity. The reason we employ PLS is that it can achieve better results when applies to a small sample population, and it is also more suitable for an exploratory study than some other methods (Bonties, Crossan, & Hulland, 2002).

4.7 Reliability and Validity

Reliability refers to consistency, or repeatability. If this research is very reliable, then the results of the research can be applies to other studies. Validity is the extent to which a test measures what it claims to measure. In other words, it refers to the accuracy of a claim and a study (Aaker et al., 2005). It is vital for a test to be valid in order for the result to be accurately applied and interpreted.

To ensure that this research is valid, the measurement must be both accurate and useful. There are some steps which can improve our measurement:

1. Carefully select the sample population, making sure that the representative sample can be generalised to the whole population;

2. Each hypothesis should contain at least two questions in order to gauge reliability. For example, for differentiation and innovation, it will involve at least three, or four, similar questions; and

3. The use of partial least squares analysis will help researchers to delete redundant variables and measure what we are aiming to measure.

Table 4: Structural Model and Latent Variables Correlation Matrix

AVE	CR	Latent Variable (LV)	A	B	C	D	E	F	G	H	I	J
0.54	0.85	Explorative(A)	.74**									
0.69	0.91	Exploitative(B)	0.49	0.83								
0.59	0.89	Innovation(C)*	0.46	0.39	0.77							
0.66	0.85	Product Innovation(D)	0.43	0.42	0.72	0.81						
0.77	0.91	Process Innovation(E)	0.47	0.41	0.82	0.54	0.87					
0.54	0.87	Differentiation(F)	0.43	0.45	0.41	0.38	0.43	0.73				
0.59	0.85	Low cost(G)	0.36	0.32	0.42	0.38	0.38	0.39	0.77			
0.43	0.69	Performance(H)	0.32	0.33	0.28	0.23	0.28	0.39	0.41	0.66		
0.72	0.93	Environment(I)	0.26	0.23	0.19	0.14	0.23	0.18	0.26	0.27	0.85	
0.55	0.79	Firm(J)	0.09	0.16	0.23	0.20	0.20	0.10	0.23	0.10	0.13	0.74

*: Second order factors are product innovation and process innovation. The high correlation between product innovation and process innovation indicates a good fit of the second order factors.
**: SQRT(AVE) on diagonal and AVE>0.50 sufficient discriminant validity, CR > 0.70 indicates sufficient reliability.

We have used the guidance of the extant literature to evaluate our PLS model's validity and reliability (Chin, 2010; Chung, 2010). The convergent validity is determined by the t value (whether or not it is greater than 1.96), and the discriminative validity is determined by item loading, construct correlation and composite reliability (Chung, 2009). According to Chung (2009) and Nunnally and Bernstein (1994), AVE and CR are key figures in deciding discriminative validity and reliability. Fornell and Larcker (1981) first introduced AVE theory, which "refers to the square root of the average variance being extracted with correlations among the constructs" (Bonties et al., 2002, p. 37). "It attempts to measure the amount of variance that an LV components captures from its indicators relative to the amount due to measurement error" (Chin, 2010, p. 670). This indicator can be interpreted as a measure of reliability for the LV score. The AVE should be bigger than 0.5, which indicates that 50% or more of the variance of the indicators should be accounted for (Chin, 2010; Chung, 2010). It requires CR to be bigger than 0.7 and AVE to be bigger than 0.5. This research has met all of these requirements, apart from the AVE and CR value of performance, which is slightly lower than the requirements (AVE = 0.43, CR = 0.69). Furthermore, the square root of the average variance extracted (SQRT(AVE)),

as shown on the diagonal of Table 4, exceeds all other correlations of each LV factor, with every other LV factor. This indicates good discriminant validity (Chin, 2010). The convergent validity was explored by the evaluation procedure as outlined by Gefen and Straub (2005) by examining the correlation between each indicator variable (question items) and each factor variable. All indicators are correlated more highly and significantly with the factor they were designed to measure, than with all other factors. This result suggests good convergent validity.

Factor loading is the correlation between a factor and the individual variable being studied. Each factor will have a loading for all of the variables being analysed. If the absolute value of the loaded variable is greater than .50 this means that the loading is high, and this should be identified by the factors. If the absolute value of the loaded variable is less than .50 it is usually ignored in interpreting the research (Sudman & Blair, 1998). According to the statistical results presented in Table 3, we can conclude that each of the variables is highly representative of their measurement construct, because all of the absolute values are greater than .50.

Based on the above analysis, it is concluded that the proposed PLS model has high validity and reliability.

4.8 Common Method Bias Assessment

Common method bias often arisen from the use of a common rater (source), measurement context or the characteristics of the items. To reduce the potential for common method bias in this thesis, respondents were first assured of research anonymity and evaluation apprehension reduction (Podsakoff, MacKenzie, Lee, & Podsakoff, 2003). This was conducted in the cover letters to respondents in which we emphasised that our study had been approved by a university ethics committee and that participation in this study was completely voluntary and no firm’s or individual’s identity would be revealed in the thesis. Then respondents were required to answer the survey questions with their best knowledge as there are no right or wrong answers to the survey questionnaire. Furthermore we have only adopted the measurement items that were previously validated with a simple seven point scale. This practice keeps our survey questionnaire to be simple, specific, concise and easy to be understood

(Tourangeau, Rips, & Rasinski, 2000). Lastly we have adopted the Harman's (1967) one factor testing method for revealing possible common method bias by entering both the dependent and independent variables in one factor analysis. The results show that the first unrotated factor only accounts for 23% of the variance, while the ten factors identified account for about 76% of the variance. This result indicates that this study's analysis is not explained by one single factor. This outcome indicates that the study does not suffer from a common bias issue. Based on these analyses it is concluded that this study is free from the common method bias issue.

5.0 Results

5.1 Descriptive Statistics

Table 5: Firm Characteristics

	Employee numbers	International experience	Number of countries exported to
Mean	147.60	22.74	17.29
Std. Deviation	253.99	15.80	21.29
Minimum	0.00	0.00	0.00
Maximum	1300.00	100.00	100.00

Table 5 reveals the average number of company employees is approximate 147, however, 70% of the companies are small and medium sized, with employees numbering between 2 and 90. The average time that New Zealand companies have been engaging in international business is 22.74 years, with the longest being 120 years and the shortest being none. The average number of countries exported to is 17, with 70% of New Zealand companies exporting to between 2 and 30 different countries.

Table 6: Host Market Profile

	North America (USA, Canada, Mexico)	Europe (UK/Ireland, EU)	Asia (China, Australia, Japan, Korea, Taiwan, Hong Kong)
Percentage	22%	22%	56%

Table 6 reveals the host market profile. As shown, exporting firms have been operating in a variety of host markets including North America, Europe and Asia. More than 50% have indicated that Asia is their most important host market and about 22% of the respondents indicated that North America and Europe are their most important host markets. This result is consistent with the export market profiles as listed in *Statistics New Zealand (2012).* Australian, China, USA, Japan, Korea, UK, Taiwan, Hong Kong, Europe and Canada were listed as the most important trading partners of New Zealand.

Table 7: Performance Indicators

	Profitability	Sales growth	Product market share
Mean	4.56	21.61	19.72
Std. Deviation	1.15	40.40	23.28
Minimum	1.00	-80.00	0.05
Maximum	7.00	200.00	80.00

Financial performance is shown in Table 7. The average response for profitability is 4.56, which refers to the annual profitability of the current financial year (1 equals a high level of loss, 7 equals a high level of profit). The average sales growth is 21%, with around 10% of companies having negative sales growth in the current financial year, and most experiencing steady sales growth in the current year. The average of product market share is 17%, with 63% of companies' market share being under this average rate.

Table 8: External Environment

	Economic	Regulatory	Customs/ Traditions	Customer	Marketing Infrastructure	Competitive
Mean	3.58	3.71	3.79	4.0	3.83	3.84
Std. Deviation	1.82	1.79	1.80	1.71	1.73	1.82
Minimum	1.00	1.00	1.00	1.00	1.00	1.00
Maximum	7.00	7.00	7.00	7.00	7.00	7.00

Table 8 states the difference market factors between New Zealand and the export market countries. The 6 factors have similar figures, between 3.5 and 4 (1 equals very different, 7 equals very similar). This result indicates that, on average, respondents have indicated a medium level of similarity of the environments between the host markets and New Zealand. This result might relate the convergent of the world markets (Chung, 2003).

Table 9: Explorative Organisational Learning

	Experimentation, high risk	Information with no identifiable market needs	New markets, technological experience	Novel information and ideas	Learning new things in product development
Mean	3.34	3.21	4.01	3.87	4.26
Std. Deviation	1.61	1.45	1.42	1.47	1.60
Minimum	1.00	1.00	1.00	1.00	1.00
Maximum	7.00	7.00	7.00	7.00	7.00

Table 10: Exploitative Organisational Learning

	Information to refine common methods and ideas	Information to ensure productivity	Proven methods and solutions	Information acquisition methods	Knowledge related to existing experience
Mean	4.14	4.47	4.32	4.23	4.89
Std. Deviation	1.39	1.47	1.54	1.77	1.51
Minimum	1.00	1.00	1.00	1.00	1.00
Maximum	7.00	7.00	7.00	7.00	7.00

Organisational learning consists of exploitation and exploration (Crossan et al., 1999; Levitt & March, 1988). Tables 9 and 10 details the specific learning behaviour used in the course of formulating companies' product operations. Exploitation learning behaviour achieves higher scores than does explorative learning in the course of formulating product operations (1 equals strongly disagree, 7 equals strongly agree). The use of existing knowledge is highest, whereas experimentation is lowest. This is consistent with previous research, which found that many firms tend to use exploitative learning methods (Schildt, Maula, & Helsinki, 2003). Compared to exploitative learning, the return on explorative learning is considered to be systematically less certain, unstable and more remote in time (March, 1991).

Table 11: Differentiation Competitive Strategy

	Strong brand name	Differentiation via promotion	Superior benefit to customer	Unique and not replaceable	Continuous improvement of existing product	Higher product and service quality
Mean	4.87	4.03	5.13	4.01	4.94	5.35
Std. Deviation	1.52	1.76	1.20	1.68	1.40	1.37
Minimum	1.00	1.00	1.00	1.00	1.00	1.00
Maximum	7.00	7.00	7.00	7.00	7.00	7.00

Table 12: Low Cost Competitive Strategy

	Lower manufacturing costs	International operating system efficiency	Economies of scale	Cost leadership position
Mean	3.72	4.26	4.07	3.48
Std. Deviation	1.712	1.68	1.76	1.53
Minimum	1.00	1.00	1.00	1.00
Maximum	7.00	7.00	7.00	7.00

Tables 11 and 12 indicate details of competitive strategy concerning New Zealand exporting firms. The differentiation strategy achieves higher scores than low cost strategy, which is between 4.0 and 4.9; compare to the cost efficient strategy of between 3.5 and 4.0 (1 equals strongly disagree, 7 equals strongly agree). This is because the respondents are mainly small to medium firms, so it is difficult for them to achieve cost advantages due to lacking economies scale and market power. Therefore, differentiation strategy may be more appropriate for them, as it can more effectively penetrate overseas markets by delivering quality and innovative products.

Table 13: Innovation Competitive Strategy

Product Innovation

	Have a large number of new products/services introduced	A pioneer in introducing new products/services	Effectively develop new product/services in term of hours/persons, teams and training involved
Mean	3.34	4.03	3.72
Std. Deviation	1.65	1.73	1.60
Minimum	1.00	1.00	1.00
Maximum	7.00	7.00	7.00

Table 14: Innovation Competitive Strategy

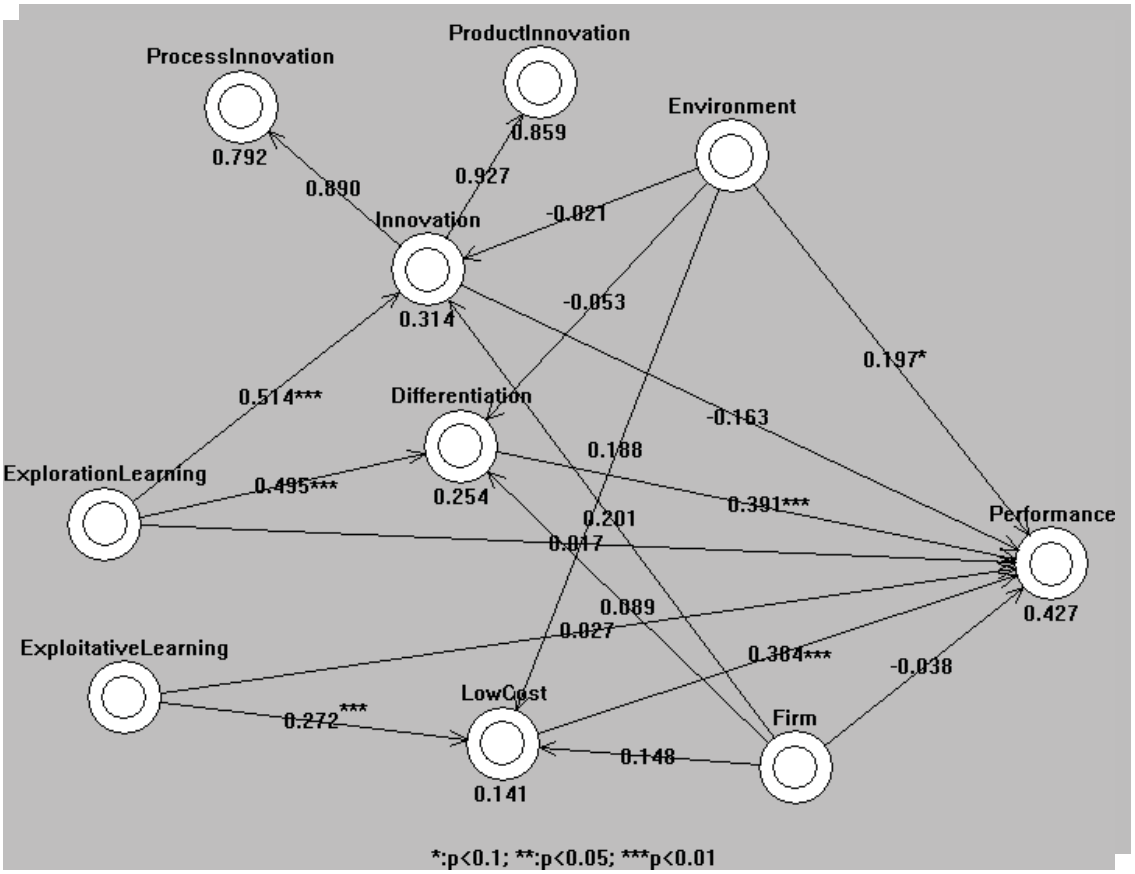
Process Innovation

	Have a large number of changes in process introduced	Are a pioneer in introducing new processes	Cleverly respond to new process introduced by others firms in the same sector
Mean	3.34	4.03	3.72
Std. Deviation	1.65	1.73	1.60
Minimum	1.00	1.00	1.00
Maximum	7.00	7.00	7.00

Table 13 and 14 list the details of innovation competitive strategy concerning New Zealand exporting firms. On average firms adopt a medium level of product and process innovation. This result indicates that exporting firms have adopted a moderate approach for their innovation development. Innovation is a long-term and on-going investment which requires a large commitment from exporting firms.

5.2 Statistical Findings

Figure 3: Significant Paths in the Model



The statistical results (Figure 3) show that there is a significant relation between each of the factors. A * indicates that the relation is significant at $p < 0.1$. A ** indicates that the relation is significant at $p < 0.05$. A *** indicates that the relation is significant at $p < 0.01$.

Table 15: Hypothesis Results

Hypotheses	Description	Path coefficient (Beta)	T Value	Results	Hypothesis confirmation
H1a	Exploitative-performance	0.017	0.127	Not Significant	Not Supported
H1b	Explorative-performance	0.027	0.153	Not Significant	Not Supported
H2	Exploitative-cost efficient	0.272	2.312	Significant	Supported
H3	Explorative - differentiation	0.495	5.907	Significant	Supported
H4	Explorative - innovation	0.514	5.974	Significant	Supported
H5	Differentiation-performance	0.391	3.013	Significant	Supported
H6	Cost Efficient-performance	0.384	2.957	Significant	Supported
H7	Innovation-performance	-0.163	1.211	Not Significant	Not Supported

The results of the PLS analysis from testing the hypotheses are presented in Table 15. H1a and H1b are not supported, with the results indicating that organisational learning does not have a direct impact on export performance (the t values are 0.127 and 0.153, respectively).

H2 proposed a relation between exploitative learning and cost efficiency. The findings provide support for H2 (t = 2.312, Beta = 0.272), indicating that exploitative learning is positively related to cost efficiency strategy.

H3 concerned the relationship between explorative learning and differentiation. The finding regarding H3 (t = 5.907, Beta = 0.495) provides support for H3, implying that explorative learning will positively affect differentiation strategy.

H4 concerned the relation between explorative learning and innovation. The empirical results (t = 5.974, Beta= 0.514) show that explorative learning has a positive effect on innovation.

H5 and H6 concerned the relation between differentiation, cost efficiency and export performance. The findings regarding H5 (t = 3.013, Beta = 0.391) and H6 (t = 2.95, Beta = 0.384) reveal that differentiation and cost efficiency have a positive and significant effect on performance.

H7 concerned the relation between innovation and export performance, however, the finding suggests there is no direct relation between innovation and performance (t = 1.211). This result suggests that innovation has no direct effect on export performance.

The statistical results indicate that the external environment control variable has a positive impact on performance, however, the firm-related factors, such as firm size and export experience, have no direct impact on export performance, or on the three types of competitive strategy. Environment factors also have no significant impact on competitive strategies.

Table 15 shows the intensity of the relation among the variables. Our results show that the relation among organisational learning, competitive strategies and performance are all positive, apart from that between innovation and performance (Beta = -0.163).; that is, an improvement in organisational learning will enhance competitive strategies, as well as increase the level of company performance. This is consistent with our previous studies. Moreover, the findings indicate that the relation between explorative learning and innovation (Beta = 0.514) and differentiation (Beta = 0.495) is stronger than the relation between exploitative learning and low cost (Beta = 0.272). The relation between differentiation and performance (Beta = 0.391) is similar to that between low cost and performance (Beta = 0.384).

6.0 Discussion

6.1 Theoretical Contributions

According to the research findings, this study shows a significant relation among organisational learning, competitive strategies and performance, with competitive strategy acting as a mediating variable between organisational learning and performance. This research is consistent with previous findings, which reveal that organisational learning is positively related to competitive strategy, and that competitive strategy positively affects firm performance (Allen & Helm, 2006; Demirbag & Tatoglu, 2008; Forester, 2000; Jimenez-Jimenez & Sanz-Valle, 2011; Jonsson & Devonish, 2009). The outcomes of this research have made a number of contributions to the literature that is related to organisational learning, competitive strategy and export performance.

The first contribution of this research is that it presents an overall and comprehensive framework of organisational learning, competitive strategy and performance. Existing researchers have only explored the relations between organisational learning and performance, or between competitive strategy and performance (Hurley & Hult, 1998; Ussahawanitchakit, 2008; Weerawardena, 2003). This research provides a clear pathway of how organisational learning affects competitive strategy and export performance. Therefore, this thesis has made a considerable contribution to the development of organisational learning theory and competitive strategy theory as both theories are now integrated. The second contribution of this study is that this research analyses the differential effects of explorative and exploitative learning, while previous researchers mainly studied overall learning effects. Most of the literature considers learning as an overall effect, rather than as two different learning paths. For example, Darroch and McNaughton (2002) regarded learning as knowledge management, while Bonties et al. (2002) considered organisational learning as information transfer and integration. Thus, the findings of this thesis have offered new insight into the development of organisational learning theory. The functions of organisational learning have been significantly widened. The third contribution of this

study is to translate the two different types of learning into specific competitive advantage, as this will differentiate the implications of exploratory and exploitative market learning in international markets. By identifying the importance of learning contingency, our finding reduces ambiguity as to how learning enhances competitive advantage. Specifically, our research provides empirical evidence on the contingency of learning effects, by providing evidence that organisational learning can allow a firm to achieve a specific competitive advantage (low cost, differentiation and innovation). These findings have advanced the existing development of both the organisational learning and competitive strategy theories (Atuahene-Gima & Murray, 2007; March, 1991).

6.2 Organisational Learning and Performance

Hypotheses 1a and 1b examine the relation between organisational learning and export performance. The result (t values of 0.127 and 0.153, respectively) suggest that there is no relation between organisational learning and performance. This finding is contradictory to those of most other researchers, which imply that organisational learning has a direct impact on performance. Bonties et al. (2002) stated that organisational level learning is more close related to performance than is individual learning. Darroch and McNaughton (2003) suggested that firms with higher levels of knowledge management orientation (information knowledge acquisition and retention) are always able to achieve better performance. A study of Thai accounting firms implies that intra-organisational knowledge sharing is a key source of sustainable competitive advantage and has a direct impact on the effectiveness of firm (Ussahawanitchakit, 2008).

Several reasons might have attributed to the insignificant results between organisational learning and export performance. The first explanation is that explorative learning does not always have a positive effect on performance. Bunderson and Sutcliffe (2003) and Levinthal and March (1993) indicated that organisational performance will be harmed if the firm pursues an extremely high level of explorative learning, because explorative learning is associated with knowledge integration, which pertains to high risk and cost. Excessive explorative learning may generate negative effects such that knowledge and information cannot be effectively

assimilated. For example, it is very difficult for firms to coordinate a large amount of acquired information and ideas. The relation between explorative learning and new product development performance is depicted as being U-shaped, with the effect of learning being positive at a low level of learning, and becoming negative when the level is high (Gupta, Smith, & Shalley, 2006; Li, Chu, & Lin, 2010). Exploitative learning has also been depicted as being U-shaped as well, with performance improved at low levels of learning, and decreased at high levels of learning. Excessive exploitative learning may impede, or hinder, the adoption of new ideas and technology. Active learning may lead the inability to respond to radical changes in the environment and customer requirements (Li, Chu, & Lin, 2010). Therefore, performance may not improve with an increased level of learning.

Another explanation of this might be that export performance is indirectly influenced by organisational learning, and that it enhances performance through its influence on international competitive strategy. The direct influence on export performance may be overtaken by the competitive strategy mediation effects. Kim and Atuahene-Gima (2010) found that cost leadership and differentiation mediate the relation between organisational learning and new product performance. Jimenez-Jimenez and Cegarra-Navarro (2007) found a significant indirect relation between learning orientation and financial performance. Keskin (2006) indicated that learning orientation influences performance by enhancing innovation. Baker and Sinkula (1999) indicated that the linkage between learning and performance is not linear, but instead is a very complex web of relations.

6.3 Organisational Learning and Competitive Strategy

Based upon the empirical results from the PLS graph, we have revealed three points that are worth highlighting. The first is that the findings support that explorative learning enhances differentiation of export products. The second is that the findings support that explorative learning affects innovation of export products. The last is that the findings support that exploitative learning has a positive effect on cost efficiency. These findings are consistent with most of the previous literature. The learning has been divided into two different types; internal and external learning (March, 1991; Weerawardena, 2003). Market focused learning is one type of externally focused

learning, and is a key source of enhanced innovation (Weerawardena, 2003). Lopez, Montes and Ordas (2005) implied that organisational learning has a positive impact on innovation and competitiveness. As we predict, explorative learning requires the firm to pursue only a few and radical pieces of market information, which provides firms with a better chance of outperforming their competitors (Kim & Atuahene-Gima, 2010; Levinthal & March, 1993; March, 1991). The finding is also supported by the proposition of Jimenez-Jimenez and Sanz-Valle (2011), that organisational learning has a positive effect on innovation. Furthermore, this empirical result specifies that explorative learning enhances innovation in overseas markets, as the previous literature has proposed, as these researches have usually considered organisational learning as a whole concept, rather than separating it into explorative and exploitative learning (Jimenez-Jimenez & Sanz-Valle, 2011; Yalcinkaya et al., 2007). The finding of explorative learning and differentiation is consistent with past studies. As previously discussed, Kim and Atuahene-Gima (2010) and March (1991) implied that explorative learning leads products to be distinctive and have unique features that is hard to copy. Burpitt and Rondinelli (1998) noted that explorative learning focuses on changing, innovating and creating new objectives, forms and routines.

Again, as hypothesised, the finding also supports that exploitative learning has a positive effect on cost efficiency. As we predicted, exploitative learning is focused on the allocation and utilisation of its best knowledge, information and resources. Such a firm is more likely to focus on cost savings in order to achieve better performance than its competitors (Kim & Atuahene-Gima, 2010; Lages, Jap, & Griffith, 2008; March, 1991). The findings of Kim and Atuahene-Gima (2010) suggested that exploitative learning is positively related to cost efficiency in new product development. March (1991) suggested that exploitative learning is concentrated on the best allocation of resources, based on existing knowledge, market domain and experience. This places emphasis on an improvement of short-term goals, rather than long-term goals. This characteristic of learning implies that it leads to cost savings. Exploitative learning will help exporting firms to allocate their resources in the best way possible, emphasising improvements in short-term tasks and benefits to firms (Kim & Atuahene-Gima, 2010; Lages, Jap, & Griffith, 2008; March, 1991). Burpitt and Rondinelli (1998) note that exploitative learning is focused on operational efficiency, the refinement of activities and gaining the maximum possible economic return.

6.4 Competitive Strategy and Performance

The findings of this study provide empirical support for Hypotheses 5 and 6; that is, differentiation and cost efficiency enhance export performance. These results suggest the importance of competitive strategies in overseas market, in which exporting companies should pursue competitive advantage by achieving either low cost, or differentiation. The research finding is also consistent with Porter's (1980) concept that at least one of these generic strategies will improve performance unless the firm is unsuccessful in developing generic strategies. Low cost and differentiation strategies have been extensively studied, with the finding that it is an antecedent of improvement in competitive advantage and performance (Amoako-Gyampah & Acquaah, 2008; Jusoh & Parnell, 2008; Ussahawanitchakit, 2008). Aulakh, Kotabe, and Teegen (2000) found that cost leadership and differentiation are both positively related to export performance in emerging markets. Kumar, Subramanian, and Yauger (1997) found that differentiation focusing on service will lead to favourable impacts on customer satisfaction and retention. Porter (1980) and Yamin et al. (1999) suggest that low cost strategy is often consistent with larger market share, as it allows firms to achieve cost advantages due to economies of scale. Wal-Mart is a classic example of achieving cost efficiency. Via their global order and distribution system, Wal-Mart achieves price advantages over their rivals. Therefore, New Zealand firms may concentrate on niche, or small, overseas markets, as they can position themselves as small competitors in the international market. Pursuing differentiation strategy will help firms avoid *price wars* in international markets and build higher customer loyalty and retention in their niche market (Yamin et al., 1999).

This study does not, however, support Hypothesis 7, which suggests that innovation does not have a positive impact on performance. This finding is in contrast to most of the previous literature. Sterlacchini (1999) and Yalcinkaya et al., (2007) suggested that the introduction of new products and technologies into vital processes to lead company success in overseas markets. The explanation might be that for small-medium sized exporters, they are probably more likely to use cost leadership, or differentiation, strategy to achieve better performance in overseas markets. This is because innovation often involves new products, new knowledge, new processes and

new administrative systems (Hult et al., 2003) and their effect on performance can only be achieved when investment has reached a certain extent.

This insignificant finding between innovation and export performance is, however consistent with some of the previous literature. Schlegelmilch and Crook (1988) also indicated that there is no direct relation between innovation and performance through their examination of 130 British engineering firms. Acs and Audretsch (1988), Arias-Aranda et al. (2001) and Cohen and Klepper (1996) all indicated that innovation strategy are probably more suitable for larger sized firms due to economies of scale, market power and funding availability.

The insignificant result between innovation and performance might also relate to the performance measurement approached adopted in this thesis. As indicated in this thesis, the performance measurements (sales, profit and market share) used in this research are short-term, rather than long-term benefits, because the data examined only covers the current performance. Past researchers have, however, identified that innovation is a long-term effect, rather than a short-term one. Acs and Audresch (1988) pointed out that innovation activity is a very expensive investment and involves large fixed costs, but returns from innovation usually take a long time. Therefore, firms undertaking innovation find it difficult to improve sales and profits in the short-term, particularly in the case of small firms. Hitt, Hoskisson, and Kim (1997) stated that innovation can help firms to capture opportunities in turbulent environments, attain competitive advantage over competitors, and eventually have an important influence on long-term performance.

6.5 Mediation Role of Competitive Strategy

The results of this study imply that competitive strategies (cost efficiency and differentiation) mediate between organisational learning and performance, because the results indicate that organisational learning does not have a direct influence on export performance. Organisational learning does, however, have an indirect effect on performance through enhancing competitive strategies (cost efficiency and differentiation). Therefore, we can conclude that organisational learning affects export performance by facilitating competitive strategy. The previous literature mainly

focused on the isolated effects of each factor on performance. For instance, Dunphy et al. (1997) suggested that companies achieve higher performance than other competitors by developing their learning skills. Hitt et al. (2000) found that technology learning is an effective way to gain technology knowledge and enhance competitive advantage, thereby improving performance. Yamin et al. (1999) found that cost efficiency and low cost strategy have significant organisational performance effects in their examination of 237 Australian companies. Acquaah and Yasai-Ardekani (2008) found that Ganhan companies will be more effective at improving company performance when they use a combination competitive strategy (low cost vs. differentiation), rather than a single strategy.

It is very important to understand that competitive strategy mediates the relation between organisational learning and performance, as New Zealand as a country is highly dependent on exporting, with success in exporting determining New Zealand's economic development. It is not only sufficient to understand the antecedents of factors of export performance, with researchers having identified cost leadership, quality and innovation as important factors affecting export performance (Cassiman & Martínez-Ros, 2003; Phillip et al., 1983). More importantly, it is useful to determine how organisational learning and knowledge management specifically nurtures and affects competitive strategy. Kim and Atuahene-Gima (2010) was the only extant study to examine how competitive strategy facilitates the relation between market learning and performance in new product development. Some other researchers have recognised the mediating role of competitive strategy in the marketing literature. Julien and Ramangalahy (2003) suggested that competitive strategy plays a mediating role in explaining the impact of information searches on business performance. Ge and Ding (2005) suggested that the competitive strategy mediates the relation between market orientation and performance in the Chinese market. Therefore, the finding regarding competitive strategy is consistent with the previous studies. The mediation role of competitive strategy in the relationship between organisational learning and export performance is highlighted in this research.

6.6 Market Environment and Firm-Related Factors (Control Variables)

The market environment consists of political/legal, economic, competitive, marketing infrastructure, customer and cultural factors. The empirical results suggest that the external environment has no influence on organisational learning and, competitive strategy but has a significant effect on, export performance. This finding is consistent with the research that has proposed that environmental turbulence has a positive and significant relation with organisational learning and performance (Jimenez-Jimenez & Sanz-Valle, 2011; Lages, Jap, & Griffith, 2008). One possible explanation for the non-significant relationship between environmental factors and competitive strategy is that the importance of the impact of competitive strategy (low cost, differentiation and innovation) may overtake the influence of the environmental factors in the organisational learning-competitive strategy-performance paradigm. Madsen (1987) suggested that firms can overcome environmental obstacles by pursuing effective competitive strategies. Due to their high international business experience, exporting firm might have accumulated sound knowledge of the impact of environmental factors on their export operations. This knowledge might have enabled exporting firms to formulate a set of competitive strategy which is not affected by external environmental factors.

This research's finding also indicates that firm size and experience have no significant influence on organisational learning, competitive strategy and export performance. This insignificant result might be due to the fact that competitive strategy is used by both small and large sized firms with different extents of international business experience. Both large and small sized firms, and firms with varied international business experience, can also achieve their export performance goals by using an effective set of competitive strategy.

7.0 Research Implications

The development of a comprehensive model testing the organisational learning and competitive strategy concepts will assist management in decision making. A better understanding of competitive strategy will provide further insight into how firms can achieve successes in international markets. The outcomes of this research have several managerial implications. These are discussed below.

First, the research result indicates that competitive strategy has, as anticipated, a strong relation to export performance. The finding suggests that the selection of where competitive strategy of small-medium sized exporting firms will result in varied type of performance improvement. It is suggested that cost efficiency and differentiation competitive strategy is probably more effective for small-medium sized exporting firms to achieve their short-term financial objectives. In contrast, due to their long term and larger scale of investment, the impact of innovation competitive strategy on short-term financial export performance is probably less evident.

Second, the findings of this research have important implications for overseas market development in terms of organisational learning and its relationship with competitive strategy. Organisational learning and competitive strategy should be two of the most important factors to be considered when a company intends to enhance its export performance. Although the previous literature has already mentioned that organisational learning and competitive strategy might affect organisational performance, their investigation has not focused on exporting firms. In contrast, this study is especially useful for exporting managers' understanding of how learning achieves improvements in export performance in international markets. It is very important for managers to understand that learning is an indirect factor in regards to achieving improvements in export performance, as it influences performance through leverage of different competitive strategies (Lopez, Peon, & Ordas, 2005).

Third, it is also critical for managers to understand the specific relation between organisational learning and competitive strategy. Export mangers should undertake

both explorative and exploitative market learning when they conduct an exporting project, because these two types of market learning influence the three different competitive advantages in different directions. Explorative learning affects differentiation positively, as well as enhancing export performance, while exploitative learning influences cost efficiency and enhances export performance. It is found that explorative learning also influence innovation strategy though this factor's impact on export performance is less evident. Therefore, when it comes to management decisions, it is suggested that managers should take into account a balance of both learning methods and select their most appropriate learning approach in order to outperform their rivals. The findings of this study have provided a complete guidance for export managers to formulate their organisational learning-competitive strategy-export performance framework.

8.0 Research Limitations

Although this research provides useful findings to the understanding of the organisational learning-competitive strategy-export performance relation in New Zealand export firms, several limitations of this research should be addressed.

First, the generalisability of the result is limited by our data. Our data is comprised mostly of small to medium New Zealand export firms, and may not represent all export businesses in New Zealand. Therefore, there may be reliability and validity problems. Brouthers, Nakos, Hadjimarcou, and Brouthers (2009) noted that small-medium sized firms are not only smaller versions of multinational companies, but that they have different management styles, ownership patterns and scope of operations. Small-medium sized firms often have different traits and advantages compared to multinational firms. Therefore, they may use different international strategies to achieve their goals.

Second, the sample size of this research may also affect the results' generalisability. Though a number of techniques were used to obtain a higher degree of return (e.g., follow-up communication, importance of research to New Zealand exporting business, offering research summary/thesis), only 105 useful and questionnaires were returned. The smaller sample size might affect the research outcome, with a large sample often achieving more accurate results.

Third, this study relies mainly on single method to collect the data. Ge and Ding (2005) suggests that research bias might occur if the research bias might occur if the research is based on one information approach to data collection. By, adopting multiple source's (e.g., survey, interviews) of data for both the dependent and independent factors will provide more solid evidence.

9.0 Future Research

Taking into account these limitations, this research indicates that there is a need to explore new areas of research.

First, future research should consider including a variety of data collection method in their research design. For example, future research can adopt interviews, focus groups and other quality research methods to examine these subjects. Focus group research is often conducted prior to a piece of quantity research (survey). It provides preliminary insights into the target population's feelings, concepts and expectations in regards to the study topic. The information generated from the focus group assists in the following research (survey), as it provides the researcher/s with more detailed information for the questionnaire design. Furthermore, focus group research is a good way to reveal and identify the hidden needs, feelings, behaviours, perceptions and motives regarding organisational learning and competitive strategy. Respondents often try to conceal this kind of information when other research methodology is applied (such as surveys).

Second, the research might be more interesting if we extend the sample population to include large-sized multinational companies. Large organisations are more focused on market learning, as they are more reliant on knowledge development when seeking to improve their performance. Large organisations may balance competitive strategy and organisational learning in order to achieve better performance in international markets, as they have ample resources available to them. Small and medium sized firms, on the other hand, may only concentrate on one of these strategies due to their limited resources. Therefore, a study of large organisations may find more comprehensive results on organisational learning, competitive strategy and export performance.

Third, future research can also examine the mediation effect of international market strategy on the relation between organisational learning and performance. The concept of international market strategy (standardisation/adaption) has been extensively studied in the literatures, being found to have a positive impact on export performance (Cavusgil & Zou, 1994; Chung, 2003; Schilke et al., 2009). Though Lages, Jap, and

Griffith (2008) have studied adaption/standardisation strategy by adopting organisational learning theory, their research has not explored explorative and exploitative learning in their investigation scope. The study of its mediation of international market strategy will provide a more comprehensive understanding of the organisational learning concept and its influence in international markets. By extending this study's research scope to international marketing strategy, the mediation effect of competitive strategy and international market strategy can be compared and contrasted.

The last suggested direction is to incorporate strategic performance indicators into future research. These strategic performance indicators include; gaining foothold in the market, increase product/firm/brand awareness, response to competitive pressure and expansion strategically to other industries or market (Cavusgil & Zou, 1994). The inclusion of strategic performance indicators may provide different insights regarding the relation between independent variables and performance. Strategic and financial performance are complementary to each other, as the strategic indicator focuses on non-economic aspects and the financial indicator focuses on economic factors; innovation may have a direct impact on strategic performance, because it concentrates on long-term benefits.

10.0 Conclusion

The relation among explorative/exploitative learning, competitive strategy and export performance has, to date, received very little attention from researchers. This is particular the case in regards to the relation between organisational learning and competitive strategy, for which we can find very little existing literature that has explored these two variables in any depth. This thesis has developed a comprehensive path framework (organisational learning-competitive strategy-export performance) by utilising organisational learning and competitive strategies' theories.

The results of the PLS analysis support most of these hypothesised relations. The first support is that explorative learning has a direct impact on differentiation and innovation strategies. The second support is that exploitative learning enhances cost efficiency strategy. The third support is that low cost and differentiation strategies have a direct impact on performance improvement. These findings suggest that though organisational learning does not have a direct impact on export performance, it has an indirect effect on export performance via cost efficiency and differentiation strategy. This finding suggests a proper match between organisational learning and competitive strategy can still yield a positive export outcome.

Furthermore although this research does not find empirical support of a relation between organisational learning and performance, competitive strategy has been justified as playing an important role in mediating between learning and performance. This is consistent with Julien and Ramangalahy (2003), who noted that competitive strategies mediate between information search and business performance. Organisational learning is an important source of development of competencies, which influences performance through enhancing firms' competitive advantages (Dunphy et al., 1997; Lages, Jap, & Griffith, 2008; Lopez, Peon, & Ordas, 2005).

The findings regarding the influence of explorative and exploitative learning provide a strong support for the key conceptualisation that explorative and exploitative learning have separate effects on competitive strategies. For instance, the improvement of

exploitative learning will lead a firm to improve its operational and production efficiency. Therefore, it is suggested that export managers focus on different knowledge learning to create competitive advantages in international markets, because competitive strategy may be varied through the use of different knowledge learning. In our study, all three competitive strategies (cost efficiency, innovation and differentiation) significantly mediate the relation between organisational learning and performance, with the exception that innovation has very little effect on performance. In future, it is expected that researchers will examine the role of explorative and exploitative learning on competitive strategy and strategic performance in large firms in greater detail.

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Appendices

Appendix A
Questionnaire

All information is related to the firm's current export operation

1. How many employees does your firm have? How many years has your firm been operating?

   ……. (entire firm) ……. (years)

2. How many years has your firm been involved in international business? .....years

3. How many other foreign countries apart from the host country does your company have on-going operations in? .....

4. In what industry, or field of business, does your company operate?

   .....

5. To what extent would you rate the product's ***financial performance*** in this country?

	1= High levels of loss						*7 = High levels of profit*
Annual profitability	1	2	3	4	5	6	7

6. To what extent would you rate the product's ***financial performance*** in this country? - continued

The product's ***annual sales growth*** in this country: .....%

Approximate ***market share*** of the product in this country: .....%

7. How different or similar are the following current marketing factors between NZ and this country?

	1=Very different						*7=Very similar*
Economic environment (e.g., GNP, buying power, level of development, cost of labour/law material, infrastructure)	1	2	3	4	5	6	7
Regulatory environment (e.g., law/regulation on company/customer protection, technical standards)	1	2	3	4	5	6	7
Customs/traditions (e.g., value, belief, aesthetic, education level, usage pattern)	1	2	3	4	5	6	7
Customer characteristics (e.g., requirement, buying habit, price sensitivity, target market segment)	1	2	3	4	5	6	7
Marketing infrastructure (e.g., Competencies of marketing research agency, distribution firm, middlemen, suitability of media)	1	2	3	4	5	6	7
Competitive environment (e.g., level of competition, promotion war, pace of new competitive force)	1	2	3	4	5	6	7

8. To what extent would you rate the following business strategies concerning your product's operation in this country?

	1=Strongly disagree						*7=Strongly agree*
We take great efforts to build a strong brand name – nobody can easily copy that.	1	2	3	4	5	6	7
We successfully differentiate ourselves from others through effective advertising and promotion campaigns.	1	2	3	4	5	6	7
Compared to competing product/service, ours offer superior benefits to customers.	1	2	3	4	5	6	7
Our product/service are unique and nobody other than our company can offer them.	1	2	3	4	5	6	7
We continuously improve our existing product.	1	2	3	4	5	6	7
Compared to competing product/service, our product/service quality is higher.	1	2	3	4	5	6	7
Our manufacturing costs are lower than those of our competitors.	1	2	3	4	5	6	7
Our efficient international operation system has decreased the cost of our product.	1	2	3	4	5	6	7
Our economies of scale enable us to achieve a cost advantage.	1	2	3	4	5	6	7
We have achieved a cost leadership position in the industry.	1	2	3	4	5	6	7
We continuously improve our process in order to keep costs low.	1	2	3	4	5	6	7
Our distribution costs are lower than our competitors.	1	2	3	4	5	6	7

9. To what extent would you agree/disagree the following learning process in the course of formulating your product's operation (product development) in the host market?

	1= Strongly disagree						*7=Strongly agree*
Exploration learning							
In information search, we focus on acquiring knowledge of product strategies that involved experimentation and high market risks	1	2	3	4	5	6	7
We prefer to collect information with no identifiable strategic market needs to ensure experimentation in the product	1	2	3	4	5	6	7
Our aim is to acquire knowledge to develop a product that led us into new areas of learning such as new markets and technological experience	1	2	3	4	5	6	7
We collect novel information and ideas that went beyond our current market and technological experience	1	2	3	4	5	6	7
Our aim is to collect new information that forced us to learn new things in the product development	1	2	3	4	5	6	7
Exploitative learning							
Our aim is to search for information to refine common methods and ideas in solving problem in the product development	1	2	3	4	5	6	7
Our aim is to search for ideas and information that we can implement well to ensure productivity rather than those ideas that could lead implementation mistakes in the product development and in the marketplace	1	2	3	4	5	6	7
We search for the usual and generally proven methods and solutions to product development problems	1	2	3	4	5	6	7
We use information acquisition methods (e.g., survey of current customers and competitors) that helped us understand and update the firm's current product and market experiences	1	2	3	4	5	6	7
We emphasise the use of knowledge related to our existing product experience	1	2	3	4	5	6	7

10. To what extent would you agree/disagree the following innovation items, concerning your product's operation in the host market?

	1= Strongly disagree 7= Strongly agree						
Product innovation							
We have a large number of new product/service introduced	1	2	3	4	5	6	7
We are a pioneer in introducing new product/service	1	2	3	4	5	6	7
We effectively develop new product/service in terms of hours/persons, teams and training involved	1	2	3	4	5	6	7
Process innovation							
We have a large number of changes in process introduced	1	2	3	4	5	6	7
We are a pioneer in introducing new process	1	2	3	4	5	6	7
We cleverly respond to new process introduced by other firms in the same sector	1	2	3	4	5	6	7

Appendix B
Ethical Application (Approved)

MASSEY UNIVERSITY

7 December 2010

Kai Chen
102 Harmel Road
Glendene
AUCKLAND 0602

Dear Kai

Re: Organisational Learning, Competitive Strategy and Firm Performance

Thank you for your Low Risk Notification which was received on 6 December 2010.

Your project has been recorded on the Low Risk Database which is reported in the Annual Report of the Massey University Human Ethics Committees.

The low risk notification for this project is valid for a maximum of three years.

Please notify me if situations subsequently occur which cause you to reconsider your initial ethical analysis that it is safe to proceed without approval by one of the University's Human Ethics Committees.

Please note that travel undertaken by students must be approved by the supervisor and the relevant Pro Vice-Chancellor and be in accordance with the Policy and Procedures for Course-Related Student Travel Overseas. In addition, the supervisor must advise the University's Insurance Officer.

A reminder to include the following statement on all public documents:

> *"This project has been evaluated by peer review and judged to be low risk. Consequently, it has not been reviewed by one of the University's Human Ethics Committees. The researcher(s) named above are responsible for the ethical conduct of this research.*
>
> *If you have any concerns about the conduct of this research that you wish to raise with someone other than the researcher(s), please contact Professor John O'Neill, Director (Research Ethics), telephone 06 350 5249, e-mail humanethics@massey.ac.nz".*

Please note that if a sponsoring organisation, funding authority or a journal in which you wish to publish requires evidence of committee approval (with an approval number), you will have to provide a full application to one of the University's Human Ethics Committees. You should also note that such an approval can only be provided prior to the commencement of the research.

Yours sincerely

J. O'Neill

John G O'Neill (Professor)
Chair, Human Ethics Chairs' Committee and
Director (Research Ethics)

cc Dr Henry Chung
School of Communication, Journalism and Marketing
Albany

Assoc Prof Chris Freyberg, Acting HoS
School of Communication, Journalism and Marketing
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