Product development capabilities-based export channel selection and export performance

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Abstract

Purpose: Drawing on the resource-based view and institutional theory, this study explores how firms select export channels to realise the value of their product development capabilities (PDC) and improve export performance by aligning PDC, entrepreneurial orientation (EO), cultural-cognitive institutional distance (CCID), and channel selection.

Design/methodology/approach: This study adopted a quantitative design and used data collected from multiple respondents in 294 Chinese exporting ventures. Hypotheses were tested using logistic regression analysis and multiple regression analysis.

Findings: The results suggest that PDC plays a vital role in export channel decisions. Our results also show that there is a three-way interaction between PDC, EO, and CCID regarding export channel selection. More importantly, our study suggests that firms using export channels that align with PDC, contingent on EO and CCID, generate superior export performance.

Originality: This study extends the export channel literature by looking at the different roles of important organisational capabilities (i.e., PDC and EO) on export channel selection. Further, it shows that firms need to align the exploitation of their PDC with the export channel selection, along with EO capabilities, and CCID to achieve better performance in the export market.

Keywords: export; product development capabilities; export channel selection; export performance; resource-based view; institutional theory

1. Introduction

Exporting is a common means for firms to explore business opportunities for their products abroad. Product development capabilities (PDC) refer to a firm's ability to design, develop, and launch new products or modify and improve existing ones to meet customer needs, effectively and efficiently (Morgan *et al.*, 2004; Kaleka, 2011; Kaleka, 2012). Capitalising on PDC requires particular strategic actions that take advantage of opportunities to achieve higher performance. The resource-strategy-performance framework of the resource-based view (RBV) states that firms need to find appropriate strategies to support the value creation of their valuable resources/capabilities to enhance performance (Ketchen *et al.*, 2007). We argue that export channel selection offers firms such a value-enhancing strategy to support the exploitation of their PDC in export markets. An export channel is the organisational structure that a firm uses to arrange the marketing, sales, and distribution of its products in foreign markets (Li *et al.*, 2017), the selection of which represents a key strategy that contributes to the success of firms' operations in export markets (He *et al.*, 2013).

Previous studies have explored the antecedents and outcomes of export channel selection using a number of different theoretical bases, including transaction cost analysis (TCA), RBV, and institutional theory (Li *et al.*, 2017). However, there are still significant gaps in the literature. First, the roles of a firm's key organisational capabilities are under-researched in the export channel selection literature. RBV argues that firms can achieve superior performance by capitalising on the value of resources through an appropriate strategy (Ketchen *et al.*, 2007; D'Oria *et al.*, 2021). However, the role of organisational capabilities in influencing channel selection, including the direct impact of and interactions between different capabilities, has been overlooked. While prior studies have shown that capabilities such as PDC, entrepreneurial orientation (EO), and export channels can influence export performance, respectively (e.g., Chen *et al.*, 2016; Hoque *et al.*, 2022b; Kalinic and Brouthers, 2022), little is known about

whether firms can use export channels to create value from these capabilities and boost export performance (Li *et al.*, 2017). As a result, the question of how organisational capabilities such as PDC and EO affect a firm's export channel selection remains unclear.

Second, the application of institutional theory in export channel selection, especially the impact of specific pillars of institutions such as cultural-cognitive institutions on resource-based export channel selection, has not been fully explored, resulting in a serious gap in this line of enquiry (Li *et al.*, 2017). RBV demonstrates that the heterogeneity of firms comes from the possession of firm-specific resources/capabilities, which create sustainable competitive advantages (Barney, 1991; Barney *et al.*, 2021). Accordingly, firms can achieve better performance by taking strategic actions (Ketchen *et al.*, 2007; D'Oria *et al.*, 2021). However, RBV fails to consider the social context, which includes cultural-cognitive institutions, in which the resources/capabilities are embedded and the influence of this context on the sustainable competitive advantages brought by the resources/capabilities (Oliver, 1997). Cultural-cognitive institutions reflect the attitudes and beliefs of individuals/organisations, and they can significantly impact the strategic behaviours that organisations display (Xu *et al.*, 2021). Exporting firms often face pressure to conform in at least two cultural-cognitive institutional environments (i.e., the home country and the host county) (Xu *et al.*, 2004). Previous resource-based studies have ignored this important aspect (He *et al.*, 2013; Kalinic and Brouthers, 2022). Given the cultural-cognitive institutional differences, how firms make resource-based channel selections when entering export markets remains largely unanswered.

Third, previous channel selection studies have largely ignored how the channel decision is linked to the outcome of export operation (Li *et al.*, 2017). According to the resource-strategy-performance perspective (Ketchen *et al.*, 2007; D'Oria *et al.*, 2021), performance is enhanced when the strategy applied fits the resources and institutional requirements. This gives rise to a

third question: how does the fit between PDC, EO, cultural-cognitive institutional distance (CCID), and channel selection affect export performance?

By addressing these three research questions, this study offers the following contributions. First, we extend the export channel literature by looking at the different roles of important organisational capabilities (i.e., PDC and EO) in export channel selection. By proposing the use of export channel selection to manage the value creation of the important PDC, we advance existing knowledge by revealing how firms can use different types of export channels to support the exploitation of this capability. Moreover, by proposing that EO helps firms garner value from their PDC through alignment with a particular channel structure, we contribute new insights to current entrepreneurship studies by looking at the moderating role of EO in resource-based export channel selection.

Second, this study enriches the application of institutional theory in export channel selection research by exploring the individual role of CCID on resource-based export channel selection in response to calls for more research that takes account of the influence of specific institutions, such as cultural-cognitive institutions' impact on firms' international strategies (Kostova *et al.*, 2020). By incorporating institutional theory and looking at the impact of the individual pillar of informal institutional differences, we argue that CCID moderates resource-based considerations in export channel selection.

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

2. Theoretical Background

2.1. Export Channel

Export channel selection is an important strategy influencing firms' performance in export markets. According to the degree of involvement and control in marketing, sales, and distribution, as well as interaction with export market customers, export channels can be divided into hierarchical modes (using company-owned operations either from the domestic office or via overseas salesforce/office/subsidiary) and non-hierarchical modes (cooperating with foreign agents/intermediaries/partners to share control of the exporting activities or using title-taking distributors to perform export functions) (Klein and Roth, 1990; Li *et al.*, 2017; Oliveira *et al.*, 2018). Previous export channel studies have applied different theoretical bases to explain the selection mechanism, including TCA (e.g., Klein *et al.*, 1990; Lau, 2008; Parente *et al.*, 2010), RBV (e.g., He *et al.*, 2013; Fernández-Olmos and Díez-Vial, 2015; Ishii, 2021), and institutional theory (e.g., He *et al.*, 2013; Oliveira *et al.*, 2018; Kalinic and Brouthers, 2022).

TCA has been criticised for its narrow consideration of cost reduction and failure to consider the outcomes of selection. Since export channel selection should not be viewed solely as a cost-reducing process, scholars argue that the selection should, instead, be considered in light of the firm's overall strategic posture, namely the performance implication of the selection (Peng, 2001). Compared with TCA, RBV and institutional theory extend our view from simply a cost-reduction process to value creation and legitimacy enhancement, thus offering additional insights into the mechanisms behind channel selection.

Current RBV- and institutional theory-based export channel selection remains at a relatively early stage of development and has many gaps to fill (Li *et al.*, 2017). For example, in the application of RBV, more efforts would be worthwhile in exploring the role of more important

resources/capabilities in firms' channel selection. More attention should also be given to the interactions between different resources/capabilities in affecting channel selection to improve our understanding of the value creation role of export channel selection. As for institutional theory, previous studies tend to regard institutions as one congregated factor while ignoring the individual impact of different pillars of institutions (He *et al.*, 2013; He *et al.*, 2018; Bustamante *et al.*, 2021). Among institutions, cultural-cognitive institutions play a critical role in shaping organisations' and individuals' behaviour, and they also serve as a base for the development of other institutions, such as regulative and normative institutions (Suchman, 1995; Schwartz, 1999; Hofstede, 2001). The differences between the cultural-cognitive institutional environments of the home and host countries can increase the uncertainty for foreign operations (Beugelsdijk *et al.*, 2018) and affect exporting firms' ability to obtain local market knowledge and engage with foreign markets effectively (Reus and Lamont, 2009).

Although previous export channel selection studies have explored how similar concepts such as cultural distance directly affect firms' export channel selection (Eriksson *et al.*, 2006; Parente *et al.*, 2010), few have examined the conditioning impact of CCID on the resource exploitation mechanism in exporting. According to institutional theory, exporting firms' behaviour such as exploiting resources/capabilities should conform to the host country's institutions such as cultural-cognitive institutions (Brouthers *et al.*, 2008). Therefore, this study aims to extend the current channel research by exploring organisational capabilities and CCID's role in export channel selection.

2.2. Conceptual Model

RBV maintains that firms can achieve competitive advantages and superior performance by leveraging their resources/capabilities (Barney *et al.*, 2021). Accordingly, an appropriate

organisational structure should be selected to garner the value created by firm-specific resources/capabilities (Barney *et al.*, 2001; Brouthers *et al.*, 2008). In exporting, export channels provide such a structure for firms to exploit their resources/capabilities and create value in their international operations. Therefore, firms should select a channel according to the requirements of the resources/capabilities they own and maximise the value of these resources/capabilities through the operation of an export channel.

Previous RBV research investigates how resources/capabilities such as business experience (Ekeledo and Sivakumar, 2004), international experience, technological resources (Fernández-Olmos and Díez-Vial, 2014; Fernández-Olmos and Díez-Vial, 2015), intermediary resources (Ishii, 2021), and market orientation (He *et al.*, 2013) affect export channel decisions. However, the above resources/capabilities only focus on either external market knowledge or internal R&D assets. To seize the opportunities in export markets, it is important for firms to have a well-developed product that fits the target customers, which is reflected through product development efforts that integrate both market knowledge and R&D strength (Bodlaj and Čater, 2022). Although product-related factors such as product differentiation (Campa and Guillén, 1999; Rialp *et al.*, 2002), product complexity (Peng *et al.*, 2006; Parente *et al.*, 2010), and product quality (Fernández-Olmos and Díez-Vial, 2014) have been explored as determinants of export channel selection, the skills or capabilities of product development, as an important contributor to export performance and success (Sousa *et al.*, 2008; Sousa and Tan, 2015; Bodlaj and Čater, 2022), have been overlooked in the export channel literature.

Product development capabilities (PDC) is an important type of organisational capability that enables firms to manage and develop new products as well as make modifications to existing products to exploit R&D and innovation investment effectively, ensuring that the development efforts of products/services are able to meet export customers' needs and that new products/services are launched successfully (Kaleka, 2011; Rubera *et al.*, 2016). In addition,

PDC allows firms to foresee market opportunities for new products or product designs/features, thereby enabling them to speedily develop and launch new products to meet dynamic customers' preferences (Tan and Sousa, 2015; Colombo *et al.*, 2021). However, according to RBV, PDC only has potential value, as the possession of PDC is necessary but not sufficient for value delivery (Barney, 2001). To capitalise on PDC in order to gain competitive advantage and obtain desirable performance, firms need to select an appropriate channel structure.

Although valuable resources/capabilities can offer firms competitive advantages, their value is not constant and might increase or decrease under certain contexts (Barney *et al.*, 2001). RBV indicates that other resources/capabilities owned by the firm can affect the utilisation of particular resources/capabilities (Homburg and Wielgos, 2022; Zahoor *et al.*, 2022). A key differentiator is EO, which captures how a firm intends to compete (Hughes and Morgan, 2007). Entrepreneurial-oriented firms tend to innovate boldly and have a greater willingness for risk-taking and proactive market leadership compared with non-innovative firms. In this context, product development in entrepreneurial firms for export markets will be more aggressive and proactive. In line with entrepreneurial-oriented firms' tendency to be innovative, they will actively introduce new products to satisfy consumer needs and preferences (Ferreras-Méndez *et al.*, 2022). In addition, since these firms are often among the first to take advantage of new and underexploited opportunities, they are able to seize opportunities to exploit their PDC quickly (Ferreras-Méndez *et al.*, 2021). Moreover, as these firms are more willing to pursue projects with high risk, they expect greater returns from their high-risk investments in product development (Mehrabi *et al.*, 2019). As a result, exploitation of PDC through export channels will be affected by a firm's EO level. Thus, by looking at the moderating effect of EO on PDC-based channel selection, we can understand how EO helps firms make better resource-based channel selection.

Firms' export channel selection is also subject to institutional factors (He *et al.*, 2013; Kalinic and Brouthers, 2022). Institutions play an important role in restricting and affecting the behaviour of individuals/organisations (Scott, 1995). Therefore, firms need to make particular strategic choices to conform to institutional requirements, which will help enhance their legitimacy and chances of survival (Oliver, 1991; Scott, 1995). Compared with other pillars of institutions (e.g., regulative or normative institutions) that may be understood and overcome more easily through legal and contractual agreements or by adapting to local norms (Gaur and Lu, 2007), cultural-cognitive institutions represent the cultural values held by the society and are more deeply ingrained and difficult to change (Scott, 1995). This implies that cultural-cognitive institutions are difficult to identify, interpret, and understand for foreign entrants.

Although cultural distance has been identified as a main factor affecting or conditioning a firm's strategic choice when entering a foreign market, many studies, especially in export channel research, explore the impact of the distance between the cultures of the home and host countries using the transaction cost analysis mechanism (e.g., Rialp, 2000; Merino and Salas, 2002; Parente *et al.*, 2010) or as a proxy of psychic distance (Eriksson *et al.*, 2006). These studies either look at cultural distance as a source of external uncertainty or highlight the disadvantages brought by the liability of foreignness. However, the cultural distance between the home and host countries determines the firm's familiarity with the host country's cultural environment (Beugelsdijk *et al.*, 2018; Sousa and Bradley, 2006) and its difficulties in understanding how the host country works, especially how to behave and conform to cultural-cognitive institutional requirements. As a result, the CCID between the home and host countries could affect the legitimacy of exporting firms and the exploitation of firm-specific resources. To be legitimated and to better realise the value of firm-specific resources/capabilities in export markets, firms need to update how they exploit their resources/capabilities to respond appropriately to the different cultural-cognitive institutional environment. Accordingly, firms

should select appropriate channel structures in export markets to conform to the different cultural-cognitive institutional requirements and to enhance their chances of survival (He *et al.*, 2013; Kalinic and Brouthers, 2022).

Even though EO differentiates firms, its influence on the exploitation of PDC varies, as the differences between the cultural-cognitive institutions of the home and host countries are not constant. According to institutional theory, having a proper understanding of the host country's cultural-cognitive institutions helps firms navigate the relevant challenges of entering foreign markets (Yang *et al.*, 2012). The similarity or dissimilarity between cultural-cognitive institutions can increase or reduce the difficulties in gaining access to the corresponding cultural-cognitive, information-related product development for export markets. Accordingly, the efficiency of EO's innovativeness, risk-taking, and proactiveness in influencing firms' exploitation of PDC will be reduced or enhanced depending on the CCID between the home country and export markets. Thus, to deepen the understanding of EO's impact on PDC-based channel selection, we posit that CCID affects the moderating impact of EO on PDC-based channel selection.

Using RBV and institutional theory as our theoretical foundations, we theorise and develop a conceptual framework of the influence of PDC on export channel selection contingent on EO and CCID and how this PDC-based channel selection leads to superior export performance (see Figure 1).

(Insert Figure 1 here)

3. Hypotheses

3.1. PDC and Export Channel Selection

To better exploit their PDC, firms can choose either a hierarchical channel by using their own staff in export operations or a non-hierarchical channel that complements scarce resources from external parties (e.g., agents, local partners, or distributors), depending on the level of PDC they own. For firms with strong PDC, the hierarchical channel will be more preferable. First, these firms are often capable of generating knowledge about customers and markets and linking such knowledge with their technology and R&D strength to benefit product design (Tan and Sousa, 2015). In the hierarchical channel, firms can communicate with customers and markets directly to ensure valuable knowledge is learned and transferred into product development effectively without many biases, enabling firms to develop products that suit customers' needs efficiently.

Second, firms with strong PDC are capable of monitoring innovation and R&D progress (Saranga *et al.*, 2018; Hoque *et al.*, 2022b). They are thus able to adjust and modify product development when facing changes in customers' needs and can predict future trends in foreign markets (Mayer and Salomon, 2006). To maximise the value of their superior PDC, firms need to timely modify their products according to changes in customers' needs and market trends. Using a fully-controlled channel operated by an exporting firm's own staff allows the firm to take full control of the modification process and to guarantee that customer feedback is effectively adapted in product modification (Cui and Wu, 2017).

Furthermore, PDC is composed of a large amount of specific knowledge (Vicente *et al.*, 2015). A hierarchical channel that uses a firm's own employees in channel operations provides the firm with maximised control over product development and guarantees returns on the firm's

superior PDC without the cost of sharing in non-hierarchical channels. Therefore, strong PDC firms are more likely to choose a hierarchical channel.

In contrast, for firms with weak PDC, selecting a non-hierarchical channel (i.e., to cooperate with local agents/distributors) can help them supplement their weak PDC. Information can be expensive to collect in export markets (Vicente *et al.*, 2015; Boehe and Becerra, 2022). By choosing the non-hierarchical channel, these firms can spare themselves the pressure of gathering customer and market information. As local partners/distributors are often familiar with the local market, they can provide important suggestions for the firm about aspects such as innovation and product design (Ishii, 2021). The knowledge and information contributed by external partners/distributors can improve weak PDC firms' understanding of export markets, thus enhancing the accuracy of developing and launching products to satisfy customers' needs. In addition, since weak PDC firms do not especially need to safeguard their PDC, such firms are less concerned about sharing control, as doing so is less likely to create a future competitor. Therefore, for firms with weak PDC, the non-hierarchical channel is more preferable compared with the hierarchical channel. Based on the above discussion, we propose:

H1: Firms with stronger PDC are more likely to use a hierarchical channel, while firms with weaker PDC are more likely to use a non-hierarchical channel.

3.2. The Moderating Role of Entrepreneurial Orientation

We argue that firms with strong PDC are more likely to select a non-hierarchical channel when they possess high entrepreneurial orientation (EO). EO, consisting of innovativeness, risk-taking, and proactiveness, equips firms with the ability to use their internal resources effectively and seek resources from outside sources to discover and exploit new opportunities (Brouthers *et al.*, 2015). Innovativeness reflects a firm's tendency to support new and creative

ideas and experiment with new products/services/processes (Yu *et al.*, 2021; Gala and Kashmiri, 2022). Risk-taking refers to a firm's willingness to commit a large amount of resources to projects where the likelihood and cost of failure may be high (Lumpkin and Dess, 2001; Yu *et al.*, 2021). Proactiveness reflects a firm's posture of anticipating and acting on the future wants and needs of the market (Lumpkin and Dess, 1996; Chen *et al.*, 2020). Hence, entrepreneurial-oriented firms tend to be more likely to introduce new products, diversify their activities, and learn how to survive and become competitive in an uncertain international environment (Bachmann *et al.*, 2016; Purkayastha *et al.*, 2021). When these firms possess strong PDC, they seek to develop their products to satisfy export markets' needs and to quickly take advantage of new and underexploited opportunities. To seize such opportunities, timely and sufficient information about export markets is essential for them to deploy their superior PDC. A non-hierarchical channel, either agents or distributors, suits these firms better by offering them existing resources, such as export market information, customers, distribution networks, marketing, and sales, to help them understand the export market and clarify uncertainties (Ipsmiller *et al.*, 2021). This allows these firms to transform export market opportunities into the exploitation of their PDC more quickly and to offer products that are better adapted to the demands of the export market.

In addition, entrepreneurial-oriented firms are more proactive in exploiting new and underexploited opportunities (Chen *et al.*, 2020; Calabrò *et al.*, 2021). They are also more aggressive when exploiting their superior PDC in export markets. Compared with a self-managed hierarchical channel, partnering with experienced external organisations in a non-hierarchical channel allows them to understand and analyse the export market more quickly, enabling a more proactive response to future wants and needs.

In contrast, the likelihood of firms with strong PDC choosing a hierarchical channel increases when they possess lower EO. Firms with lower EO are more conservative (Titus Jr *et al.*, 2020;

Ferreras-Méndez *et al.*, 2022) and tend to react and respond passively when environmental challenges and instabilities are present (Covin and Lumpkin, 2011). For such firms, establishing a wholly-controlled hierarchical channel is more effective for the value creation of their PDC because it allows them to take full control of the exploitation of their superior PDC without the risk of value leaking or rent sharing with an external partner. Moreover, fully controlled export operations can guarantee the quality of the information gathered in the export market for further product development. Therefore, we propose:

H2: Firms' EO negatively moderates the relationship between PDC and export channel selection such that the likelihood of firms with strong PDC selecting a hierarchical channel decreases when they have higher EO.

3.3. The Moderating Role of Cultural-cognitive Institutional Distance and Entrepreneurial Orientation

We have indicated that firms' EO reduces the likelihood of strong PDC firms selecting a hierarchical channel (H2). We further argue that cultural-cognitive institutional distance (CCID) exacerbates the negative moderating effect of EO on the PDC–channel selection relationship. Institutional theory suggests that institutional distance gives rise to legitimacy pressure and market ambiguity (Scott, 2008; Yang *et al.*, 2012). CCID represents the perceived differences between the cultural-cognitive institutions of the host and home countries in customer preferences, market trends, and competition patterns. Due to these differences, firms can find it difficult to understand local consumer behaviour, interpret market information correctly, and achieve conformance with local cultural-cognitive institutions (Kim and Jensen, 2014; Swoboda and Sinning, 2022). As a result, the value of organisational resources/capabilities may be limited in certain markets (Brouthers *et al.*, 2008), and the cost of applying particular channel structures will change (Campa and Guillén, 1999). Therefore, it is an important task

for firms to respond strategically to, and overcome, CCID in order to gain legitimacy and maintain competitiveness. Since EO is particularly useful when firms face a highly ambiguous and uncertain external environment (Brouthers *et al.*, 2015), we propose that the negative moderating effect of EO on the relationship between PDC and export channel selection will be strengthened when CCID is large.

Firms with high EO are often more proactive, have innovative skills, and are willing to take risks when competing in exporting to exploit their PDC-based advantage (Wang *et al.*, 2020). When entering a foreign market, a firm will find it more challenging to understand the host market, predict trends, and compete effectively when the CCID is large (Bruyaka and Prange, 2020). The firm can supplement resource restrictions by partnering with external channel members, such as a local agent or distributor, to access the necessary knowledge and detailed information about the local cultural-cognitive institutions, such as behavioural information about export customers, and to develop effective responses in advance (Parente *et al.*, 2010). By gaining this key knowledge, innovative and proactive EO firms can better utilise their PDC in R&D and their market information management as well as develop and launch new or modified products to better match the export market. Therefore, by using a non-hierarchical channel, firms with greater EO and PDC can gain access to intangible cultural-cognitive institutional information, which can place them in a better position to take advantage of their EO and PDC capabilities, thus compensating for the lack of knowledge about legitimate means of doing business and developing products in the export market.

On the other hand, less effort needs to be expended by firms to obtain knowledge about the export market when the CCID between the host and home countries is small. Moreover, when the host country is culturally similar to the home country, existing resources, such as information about customers, can be exploited in product development for competitive advantages without losing value. Hence, the benefits of partnering with an external channel

member are reduced. Therefore, in entering a country that is culturally and cognitively similar to the home country, firms with greater EO and PDC capabilities will be less likely to use cooperative export channels.

H3: The negative moderating effect of EO on the PDC–export channel selection relationship becomes greater as the CCID between the home country and the export market becomes larger.

3.4. Capabilities, Cultural-cognitive Institutional Distance, and Export Performance

According to the resource-strategy-performance perspective of RBV, firms that align their unique resources/capabilities with their organisational structure will achieve superior export performance (He *et al.*, 2018; Kalinic and Brouthers, 2022). The concept of fit, or alignment/match, is central to RBV, which holds that the value firm's special resources/capabilities will be enhanced or exploited through an appropriate organisational structure (Barney *et al.*, 2001). The channel structure an exporting firm chooses will affect the efficiency of its capabilities such as PDC in providing value for the outcome of exporting. For firms that want to gain an advantage from their superior PDC, selecting a hierarchical export channel allows them to learn from the export market directly and improve their product development effectively, which can facilitate their export performance, as the product/offering fits the market better and the product development-based advantages can be correctly delivered (Tan and Sousa, 2015).

The value of firm-specific capabilities can be conditioned by other forces (Homburg and Wielgos, 2022). EO can affect the relationship between the PDC that the firm possesses and the way it structures its export channel. Further, IB studies based on institutional theory argue that the differences in institutions between the home and host countries can affect the value created by the firm's capabilities (Brouthers *et al.*, 2008; Bustamante *et al.*, 2021). An export

channel offers firms an ideal platform to deploy and garner the value of their organisational capabilities in different environments. Firms that select an appropriate export structure, that is, one that maximises the exploitation of their organisational capabilities in an institutionally distant market, will be more likely to maintain or enhance the competitive advantages they have in their overseas markets (Yeoh and Jeong, 1995). As the competitive advantages created can greatly affect the performance of firms' export operations, the alignment of an export channel structure with their capabilities and institutional distances will play an important role in the development of export operations (He *et al.*, 2018; Kalinic and Brouthers, 2022). Channel selection decisions based on the RBV and institutional theory approach enable exporting firms to exploit their valuable PDC appropriately, providing more favourable outcomes. We propose:

H4: Firms that align their export channels with their PDC, contingent on their EO capabilities and the CCID between the home country and the export market, will achieve better export performance.

4. Methodology

4.1. Sampling and Data Collection

This research uses data collected from Chinese exporters. Emerging countries are largely overlooked in export channel selection research (Li *et al.*, 2017), and China is one of the most active players in international trade (United Nations, 2021). We drew the sample from the Exporting Firms Directory provided by the Customs Authorities of Fujian Province, one of the most active trading provinces in China (Ministry of Commerce of PRC, 2022). A random sample was taken of 1,000 exporting firms. A pre-test was carried out to assess the accuracy and face validity of the measurements.

We focused on the export channel selection of ventures. Exporting firms may contain a number of ventures for a line of products for a particular foreign market (Sousa *et al.*, 2008); hence, using ventures as the analysis unit helps to deepen our insights into more "concrete and manageable key success factors" (Sousa *et al.*, 2008, p.350) in exporting and also helps to reveal the determinants of a specific strategy for a specific product/market in the same firm. This research used two respondents (managers) in each venture to answer different parts of the questionnaire. Multiple telephone calls and e-mails were made to contact the firms to confirm their qualifications and willingness to participate in the research before questionnaires were sent to the selected firms via e-mails.

We received a total of 294 valid responses, representing an effective response rate of 29.4%. The representativeness of the sample was assessed on the coverage of the sampling frame, the absence of non-response bias, and the consistency of the sample with the population on key distributional characteristics. To assess potential non-response bias, we followed Armstrong and Overton (1977) and compared early and late respondents on various firm characteristics and construct measures. The t-statistics suggested that there were no significant differences between these two groups, ruling out non-response bias. We also compared the characteristics of our population of exporting firms to the respondent firms, which demonstrated no significant differences in key factors such as export experience, export sales, export scope, and firm size ($p>0.05$). Overall, the analysis tended to indicate that our respondent firms are representative of Chinese exporting firms.

4.2. Measures

Dependent Variables

There are two dependent variables in the study. Export channel is the dependent variable for the export channel selection analysis (H1–3), while export performance is the dependent variable for the export performance analysis (H4).

For export channel selection, this study integrated the most commonly used data collection units by focusing on the channel used for the most important market a firm had recently entered over the last five years. Although there are many categorisations of export channel in the literature (Li *et al.*, 2017), RBV-based export channel studies tend to divide the channel structure into the channel run by the company-owned sales force/office/subsidiary (i.e., hierarchical channels) and the channel structure that uses external channel intermediaries such as distributors, agents, or local partners (i.e., non-hierarchical channels) (e.g., He *et al.*, 2013; Fernández-Olmos and Díez-Vial, 2015; Ishii, 2021). Similarly, we also divided the channel structure into hierarchical and non-hierarchical channels.

To capture the export channels used by the firms accurately, respondents were provided with five different channel structures based on the categorisations of export channels proposed by previous export channel studies (e.g., Klein and Roth, 1990; Oliveira *et al.*, 2018). These structures included the following: 'We have a wholly-owned sales subsidiary in the foreign market' (hierarchical channel 1); 'We serve the market directly from China, using company personnel' (hierarchical channel 2); 'We are involved in a joint venture with another company to handle sales of this product in this market' (non-hierarchical channel 1); 'We use commission agents' (non-hierarchical channel 2); and 'We sell to a merchant distributor who takes title of our product and contacts buyers directly' (non-hierarchical channel 3). Following the practice of previous entry mode selection (e.g., Brouthers and Nakos, 2004; Amankwah-Amoah *et al.*, 2022) and export channel selection (e.g., He *et al.*, 2013; Kalinic and Brouthers, 2022) studies when coding the binary dependent variable, the channel selection variable took

a value of 1 if the channel selected was a hierarchical channel and a value of 0 if the channel selected was a non-hierarchical channel.

Export performance was measured for performance in the most important market the firm had recently entered over the last five years. Due to Chinese managers' unwillingness to offer objective data and the unavailability of updated and comprehensive official data, we followed Katsikeas *et al.* (2016) in using subjective indicators to measure export performance, similar to recent export studies (e.g., Kim, 2020; Kalinic and Brouthers, 2022). In measuring export performance, we included in the questionnaire four questions about the level of satisfaction over the last five years.

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

Independent and Moderating Variables

The independent variable PDC was measured, following Kaleka (2012) and Tan and Sousa (2015), with five seven-point Likert-scale items.

Following recent studies (Hughes *et al.*, 2022; Kalinic and Brouthers, 2022), EO was measured with nine seven-point Likert-scale items. The values for these items were summed and averaged to create a single EO construct.

For CCID, this study integrated the subjective and objective measures. Previous studies have mainly drawn measurements from secondary data, focusing on general country-level data. However, as decision-makers, managers' perceptions of the differences are more subjective (Cui and Jiang, 2012). Therefore, this study makes an advancement in measuring CCID by using the perceptions of managers. We derived items from GLOBE since the items are more related to practice and more concise (House *et al.*, 2004). Respondents were asked to indicate their perceptions of nine aspects of cultural-cognitive institution differences between their home and host countries.

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

Control Variables

We included a number of control variables that may influence export channel selection and/or export performance. This study included transaction cost variables. Following Shervani *et al.* (2007), we measured asset specificity with a four-item scale. This study measured internal uncertainties using a single-item seven-point Likert scale, following recent studies (e.g., Ipsmiller *et al.*, 2021). For external uncertainties, the four-item scale used was from Shervani *et al.* (2007). Frequency was proxied by channel volume, following prior studies (e.g., McNaughton, 1996; He *et al.*, 2013).

We further controlled for firm factors. Firm size was measured as the number of people employed in the firm. Following He *et al.* (2013), this study created four ownership dummy variables: state-owned enterprises, foreign firms, Sino–foreign joint ventures, and private firms. Export experience was measured by the number of markets to which the firm has exported

(Kalinic and Brouthers, 2022). To control for the industry effect, this study created 11 dummy variables for firms representing the primary industries in our sample: *Agricultural Products, Chemical Engineering, Energy, Food, Information Electronics, Machinery Manufacturing, Metallurgy, Non-metallic Mineral, Textile and Apparel, Transportation, and other industries*, based on the categorisation of industry used by General Administration of Customs of the People's Republic of China (GACC) (2022). Following Nakos *et al.* (2019), for each of these industry dummy variables, a value of 1 means the firm is in the industry, while a value of 0 indicates the firm is not in the specific industry. International experience was measured by the number of years that the firm has been exporting (Lafuente *et al.*, 2021). Finally, following previous upper echelons research (e.g., Hutzschenreuter and Horstkotte, 2013), managerial international experience was captured as the experiences of managers in international contexts, such as growing up abroad or studying or working outside of his/her own country.

Since we are examining the performance implication of export channel selection, it is important to control for the empirical problem of endogeneity. Endogeneity refers to the problem of self-selection, where firms will make strategic choices based on their own attributes, such as capabilities (Shaver, 1998; Hamilton and Nickerson, 2003). Failing to account for this self-selection leads to biased estimates of the relationship between strategy choices (e.g., export channel selection) and performance. Hult *et al.* (2008) suggest that Heckman two-step regression is appropriate to control for this problem. To capture the potential endogeneity effects of unobserved variables on performance, we followed previous export channel studies (e.g., He *et al.*, 2013; Kalinic and Brouthers, 2022) to create a variable called Self-selection Correction by computing the inverse Mills ratio for each of the four selection equations using Probit regression analysis. These self-selection correction variables were then used in the export performance regression models, respectively, as a control for endogeneity.

4.3. Common Method Variance (CMV)

According to Podsakoff *et al.* (2003), one of the best ways to avoid or minimise any potential common method bias is the ex-ante method, that is, to collect measures for different constructs from different sources. It is suggested that the dependent variables should be collected from a different source than the independent variables (Podsakoff *et al.*, 2003; Chang *et al.*, 2010). Accordingly, for each firm being surveyed, the research team asked two respondents (export managers) to answer different questionnaire versions. We asked questions about the channel selection and export performance (i.e., the dependent variables) from one manager, while the other manager addressed the questions on independent, moderator, and control variables (including PDC, EO, CCID, and control variables). Moreover, the order of the questionnaire items was manipulated to ensure that the respondents' cognitive observations of the correlation between items was reduced (Chang *et al.*, 2010).

Two tests were conducted to ascertain whether CMV exists. First, for Harman's one-factor test (Podsakoff *et al.*, 2003), the results showed a 16-factor solution in which the largest factor explained only 22.513% of the variance. Second, we employed the partial correlation adjustment test of Lindell and Whitney (2001), which is another recognised effective tool for accounting for CMV (Malhotra *et al.*, 2006; Baumgartner and Weijters, 2021). As suggested by previous research (Lindell and Whitney, 2001; Richardson *et al.*, 2009), a marker variable, customer relationship (CR), which had little theoretical link to at least one of the variables, was added as a proxy CMV. To estimate CMV, we identified the lowest positive correlation between the marker variable CR and one of the criterion variables ($r = 0.010$). We then partialled out this correlation from other zero-order correlations and created a partial correlation-adjusted matrix (see Table 1). The results of the partial correlation adjustment showed that most of the significant zero-order correlations of the other variables maintained their statistical significance. Therefore, CMV does not appear to be a concern of this research.

(Insert Table 1 here)

4.4. Reliability and validity

Table 2 shows the results of the validity analysis. The significant standardised loading (>0.50) of each item on its prespecified construct shows convergent validity. Composite reliabilities (CR) figures are greater than the usual benchmark of 0.70. Average variance extracted (AVE) indices for all constructs are greater than the 0.50 cut-off. For discriminant validity, we calculated the shared variance between all possible pairs of constructs to determine whether they are lower than the AVE for the individual constructs. The results showed that all constructs' AVE was much higher than its highest shared variance (HSV) with other constructs thereby supporting the model's discriminant validity. Finally, the goodness-of-fit indices indicate that the model fit is acceptable (see Table 2).

(Insert Table 2)

5. Empirical findings

All variance inflation factors (VIF values) in our regression tests were less than 10 (the highest VIF equalled 1.900), indicating that multicollinearity is not an issue (Hair *et al.*, 2019). On average, our respondent firms had around 1,042 employees, over 13 years of export experience, and exported to over 20 different countries.

5.1. Export Channel Selection Results

Table 3 shows four logit models to explore our hypotheses concerning export channel selection. Model 1 in Table 3 is the base model and was insignificant. The control variables explain 12.8% of the variance of the dependent variable, export channel selection.

Models 2-3 test the resource-based model. In Model 2 we added our primary independent variable, PDC. Model 2 was significant ($p<0.1$); The increase in explanatory power over Model 1 was significant ($p< 0.01$). Model 2 explained about 16.1% of the variance in export channel selection. Additionally, the PDC coefficient was significant and positive ($p<0.01$), supporting H1.

Model 3 examines the effect of the moderator, EO. It increases the explanatory power over Model 2 significantly ($p<0.05$) and explained about 19.4% of the variance in the dependent variable, export channel selection. The interaction variable PDC*EO is also related to export channel significantly and negatively ($p<0.05$), supporting H2.

Model 4 is testing the institutional effect. We added CCID for its impact on the interaction between PDC and EO on export channel selection. Model 4 was significant ($p<0.01$). The increase in explanatory power over Model 2 was significantly ($p< 0.05$). Model 4 explained about 24% of the variance in export channel selection. The interaction variable PDC*EO*CCID is significantly and positively related to export channel ($p<0.05$), in line with H3.

(Insert Table 3 here)

5.2. Export Performance Results

We developed four models to test H4 (see Table 4). Model 1 is the base model and contains transaction cost and other control variables, the inverse Mills ratio variable (self-selection correction), and our Fit-controls variable. Fit-Basic model takes a value of one if the firm's export channel is predicted by the base model (Model 1 in Table 3); otherwise, it takes a value of zero. The results show that Model 1 (Table 4) is significant ($p<0.05$) as well as the Fit-Base model variable ($p<0.1$).

Model 2 contains the same control variables, a new inverse Mills ratio variable, and our Fit-PDC model variable. Fit-PDC model variable takes a value of one if the firm's channel selection is predicted by Model 2 in Table 3, otherwise a value of zero. The results indicate that Model 2 (Table 4) is significant ($p<0.05$), and our Fit-PDC model variable is also significant ($p<0.1$).

In Model 3 (Table 4), we included the control variables, a new inverse Mills ratio variable, and the Fit-PDC*EO model variable. Fit-PDC*EO model variable takes a value of one if the predicted export channel (Model 3 in Table 3) is the one used by the firm; otherwise, it takes a value of zero. Model 3 is significant ($p<0.05$) and the variable Fit-PDC*EO model is significantly (and positively) associated with export performance ($p<0.05$).

In Model 4 (Table 4), we included the control variables, a new inverse Mills ratio variable, and the Fit-PDC*EO*CCID model variable. Fit-PDC*EO*CCID model variable takes a value of one if the predicted export channel (Model 4 in Table 3) is the one used by the firm; otherwise, it takes a value of zero. Model 4 (Table 4) is significant ($p<0.01$) and the variable Fit-PDC*EO*CCID model is significantly (and positively) associated with export performance ($p<0.01$), supporting H4.

(Insert Table 4 here)

6. Discussion

6.1. Theoretical Implications

In addressing the role of PDC in export channel selection in both the product development and export channel literature, this study contributes to the literature by developing and empirically testing the theoretical framework informed by RBV and institutional theory. Research on export channel selection has mainly focused on transaction cost minimisation (Li *et al.*, 2017). However, this perspective does not consider how a firm's differences in resources/capabilities can lead to improved value creation through exporting. Hence, when firms look to use their organisational capabilities to achieve better value creation through superior product development, they may not be able to find the best channel. Drawing on the resource-strategy-performance perspective in RBV, we found that, although transaction cost factors are important, firms also need to consider the role of the PDC they possess when making an export channel selection decision in order to realise the value of their product development efforts correctly and garner better performance in export markets. In addition, RBV research argues that the value created by resources/capabilities can be affected by other resources/capabilities owned by the firm (e.g., Homburg and Wielgos, 2022; Zahoor *et al.*, 2022). Therefore, it is important to explore whether firms' existing capabilities, such as EO, can have an impact on resource-based channel selection. By looking at the moderating role of EO on PDC-based channel selection, this study found that the interaction between EO and PDC significantly impacts PDC-based channel selection. Therefore, we make an important contribution by improving the understanding of the role of organisational capabilities in firms' export channel selection.

In addition, we contribute to the literature by integrating institutional theory with resource-based channel selection mechanism in exporting. Institutional theory is very useful in

explaining the strategic decisions made by firms in international expansion as a result of the differences between institutional environments (Peng *et al.*, 2008). As an important pillar of institutions, cultural-cognitive institutions affect peoples' perceptions, dispositions, and behaviour as well as the strategic behaviours of organisations (Xu *et al.*, 2021). Ignorance of the role of CCID in firms' resource-based export channel selection has resulted in a serious gap in the knowledge base. Since exporting firms may encounter very different cultural-cognitive institutional pressures from what they face at home, the CCID between the home country and the export market, therefore, can significantly affect a firm's ability to maintain sustainable competitive advantages through exploiting their valuable resources/capabilities (Oliver, 1997).

According to institutional theory, firms need to make strategic responses to institutional challenges. Considering that previous studies tend to treat institutions as a congregated factor, the impact of the distance between different individual institutional pillars of the home country and the export market, such as CCID, is overlooked (Li *et al.*, 2017). Therefore, it is important to identify the role of CCID in resource-based export channel selection. By investigating the three-way interactions between PDC, EO, and CCID on export channel selection, this study found that firms can make a better choice in supporting the utilisation of their PDC when the impact of both EO and CCID is taken into consideration. Hence, we make an important contribution to the knowledge base by identifying the important role of CCID in resource-based channel selection.

Finally, this study contributes to the export performance literature by offering a clear picture of how firms can achieve better performance with their superior capabilities in product development. Existing export channel research mainly focuses on the transaction reduction effect of channel selection (e.g., McNaughton and Bell, 2001; Lau, 2008; Parente *et al.*, 2010) while seldom discussing how export channel selection impacts the performance of exporting (Li *et al.*, 2017). Since an export channel is an important strategy in firms' export operations,

the implication of channel selection on export performance deserves more attention, as it can help firms not only reduce costs occurred in transactions but also achieve better performance by appropriately exploiting their valuable PDC in export markets (He *et al.*, 2013; Li *et al.*, 2017; Kalinic and Brouthers, 2022). By integrating the knowledge from product innovation and export channel selection, we explore how firms can better create value by managing their superior product innovation efforts through a particular export channel. In addition, we provide support for the resource-structure-performance perspective by showing that firms using a structure that allows them to exploit their PDC while taking into consideration their EO capabilities and differences in cultural-cognitive institutional environments can achieve better performance results.

6.2. Managerial Implications

Our findings contain several takeaways for exporting managers. First, exporting firms equipped with product development capabilities should consider using a hierarchical export channel (namely developing and using their own channel to organise exports into foreign markets). Our research suggests that such a channel helps firms take advantage of their product development capabilities to realise more value.

Second, managers from exporting firms with strong product development capabilities can better design their export channel strategy by considering their organisation's entrepreneurial orientation. Our findings show that, if the firm is more entrepreneurial oriented, then turning to other channel members for collaboration would place it in a better position, as it can access a wide range of resources (e.g., market information, customers, networks, and marketing), to take advantage of market opportunities, quickly and proactively.

Third, when exporting into culturally distant markets, partnership with external channel members becomes even more useful for firms with strong product development capabilities and a high entrepreneurial orientation, as these partners help to provide useful market insights and access to external resources, which are critical for exporting firms seeking to capitalise on their capabilities.

7. Limitations and Future Research

This study has several limitations that provide opportunities for future research. First, since our study was limited to manufacturing exporting firms in China, the findings might not be generalisable to service industry firms. The current channel selection research for service exporters is mainly based on TCA (McNaughton, 2001; Parente *et al.*, 2010). Because services are quite different from manufactured goods in terms of characteristics and marketing (e.g., 7Ps), the resources required for service success in foreign markets may vary from manufacturing exporters. Therefore, investigating how export channels for services should be designed and what issues need to be considered could provide valuable insights for both academic research and managerial practice. In addition, although SMEs have received research attention from previous export channel selection research, most studies were conducted in developed countries (e.g., McNaughton and Bell, 2001; Gabrielsson and Gabrielsson, 2011; Fernández-Mesa and Alegre, 2015; Kalinic and Brouthers, 2022). Given the fact that emerging economies, notably the BRICS countries, have become a major force in international trade, especially in exporting (Deloitte, 2023), and SMEs are important players in contributing to exports (OECD 2022), future research could explore export channel selection by SMEs from emerging countries and examine service industries.

Second, our study focused only on the main channel decision made in the most important export market over the last five years. In fact, many firms export to multiple markets, and more companies nowadays tend to use multiple types of export channel simultaneously for the same market or across different markets (Hoppner and Griffith, 2015; Oliveira *et al.*, 2018). Moreover, with the development of digital technologies and the advantages provided by the Internet, many companies combine both offline export channels and online channels in exporting. In such cases, the question arises of what factors exporting firms should consider when selecting an online channel or coordinating multiple channels. Future research could explore the mechanism behind the use of multiple channels or the combination of offline and online channels in exporting.

Third, our study focused on the cultural-cognitive pillar of institutions. According to institutional theory, regulative, normative, and cultural-cognitive institutions are quite different, and their characteristics and legitimate requirements differ (Suchman, 1995). Hence, the degree to which they can affect the exploitation of certain resources/capabilities may also vary. Due to the US–China trade war, the Japan–South Korea trade dispute, and the Russia-Ukraine War, international trade has been greatly disrupted. Rising protectionism, unilateralism, and other sanctions and tariffs on the export products of particular countries have given rise to the importance of more formal and visible institutions, such as the regulative and normative pillars. For firms nowadays, it needs to be asked whether regulative and normative institutional distances have become more critical than CCID for their export entry. Future research could expand on our theory by looking at other institutional pillars and the different impacts that such institutional pillars have on export channel selection.

Fourth, our research extended the application of RBV in export channel research by looking at the interaction between PDC and EO and identified the conditioning effect of firms' strategic

orientation on the exploitation of firm-specific marketing capabilities. However, there are important marketing capabilities in addition to PDC, for example, pricing capabilities and customer relationship capabilities. Current export performance research on capabilities, especially marketing capabilities, regards CRC and PDC at the same level in analysing their impact on competitive advantages and export performance (e.g., Kaleka, 2012; Freeman and Styles, 2014; Nagy *et al.*, 2019; Hoque *et al.*, 2022a). According to the research on marketing capabilities in international marketing (Morgan *et al.*, 2018), there are different levels of marketing capabilities, and it should be explored further how they contribute to exporting. Future research could look at the path-dependency or interaction among different marketing capabilities in value creation through export channel selection and towards export performance.

Fifth, our research has provided empirical support for the resource-strategy-performance perspective of RBV by identifying how capabilities-based channel selection leads to varied export performance. However, some RBV research has found that export channel selection may not be an outcome of the resource endowment but rather a facilitator of the link between resources and export performance (He *et al.*, 2018; Ishii, 2021). Future export performance research based on RBV would find it beneficial to explore export channel selection as a conditioner for value creation or as a facilitator of resource exploitation in exporting.

The current study also suggests several research directions. For example, previous export channel selection research has mainly focused on internal firm-specific resources/capabilities as determinants of export channel selection while overlooking the resources available externally to firms, such as intermediary resources (Ishii, 2021), relational resources (Skarmeas *et al.*, 2016), and location advantages in the host country (Freeman and Styles, 2014). It would be beneficial for future export channel research to consider the influence of external resources

on export channel selection using theories such as RBV, resource dependence theory, or network theory.

In addition, the theories that have been applied in entry mode research could shed more light on export channel selection. For example, the present research included managerial international experience as a control variable to reflect the top management team characteristics. Although no effect was found between this variable and any dependent variable in our study, according to upper echelons theory, organisational decisions are based on managerial demographic characteristics and traits (Tasheva and Nielsen, 2022). It would be productive for future research to pay attention to how managerial capabilities affect export channel selection and the contingency factors or boundary conditions for channel selection based on upper echelons theory (Cuypers *et al.*, 2022). In addition to upper echelons theory, real options theory has recently been adopted in export channel research (Ipsmiller *et al.*, 2021) to explore how firms can generate value by using export channels as real option alternatives, which provides additional insights into the dominating TCA logic on channel efficiency. Future research would find it useful to combine real options theory with other theoretical bases already used in export channel selection research, such as RBV or institutional theory, to gain a more comprehensive understanding of the mechanism behind export channel selection.

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Figure 1 Conceptual model

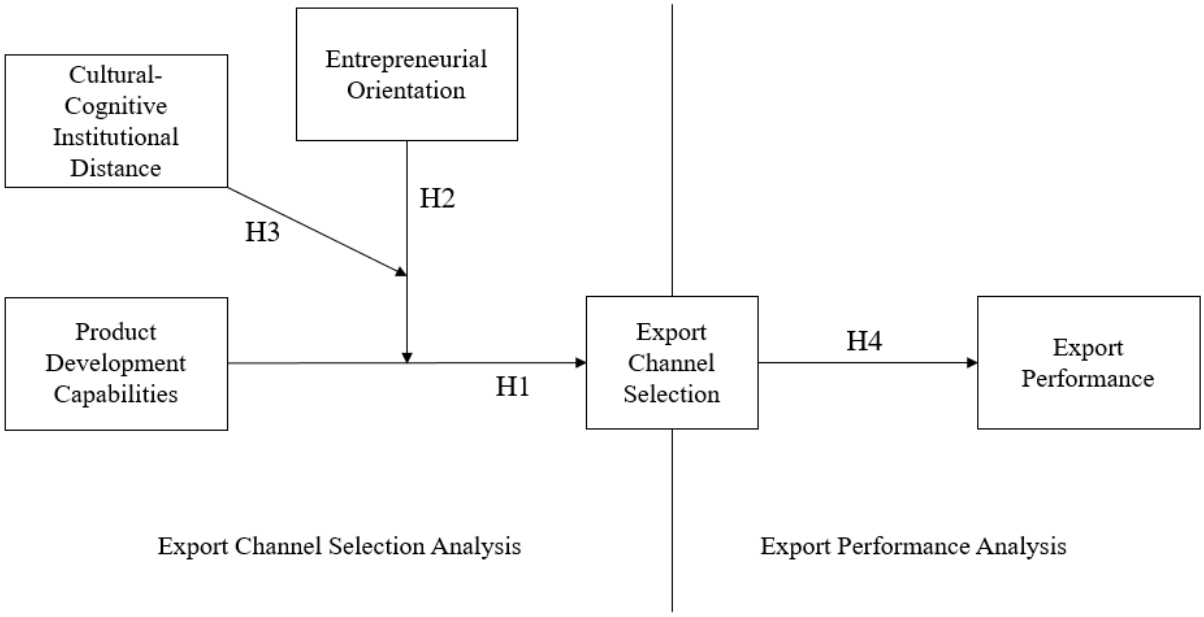

Table 1 Mean, standard deviations, and correlations

Variables	1	2	3	4	5	6	7	8	9	10	11	12	13
1 AS	—	0.444***	0.409***	-0.009	0.015	0.034	0.026	-0.051	0.106*	-0.239***	0.048	-0.006	0.095
2 EU	0.433***	—	0.504***	-0.151***	-0.093	-0.069	-0.117**	-0.002	0.089	-0.104*	-0.078	0.015	-0.043
3 IU	0.405***	0.505***	—	-0.022	0.010	0.054	0.048	-0.062	0.027	-0.035	-0.114*	-0.065	0.054
4 EV	-0.003	-0.158***	-0.025	—	0.026	0.124**	0.577***	0.007	0.063	-0.089	0.032	-0.096	0.111*
5 EE	0.022	-0.103*	0.005	0.034	—	0.192***	0.210***	0.020	0.016	0.088	-0.015	-0.077	-0.016
6 IE	0.042	-0.082	0.048	0.132**	0.202***	—	0.119**	0.022	-0.005	0.030	0.139**	0.085	0.145**
7 FS	0.027	-0.119**	0.047	0.577***	0.211***	0.120**	—	0.105*	0.079	0.019	0.068	-0.113*	0.082
8 MIE	-0.050	-0.003	-0.063	0.008	0.021	0.023	0.105*	—	0.079	-0.071	0.136**	-0.012	0.047
9 EO	0.125**	0.009	-0.003	0.097*	0.075	0.067	0.075	0.070	—	-0.168***	0.472***	-0.006	0.306***
10 CCID	-0.244***	-0.093	-0.031	-0.096	0.077	0.019	0.018	-0.072	-0.190***	—	-0.024	0.063	-0.051
11 PDC	0.076	-0.123**	-0.120**	0.068	0.043	0.181***	0.067	0.121**	0.631***	-0.070	—	0.172***	0.307***
12 ECD	0.002	0.003	-0.070	-0.086	-0.064	0.097*	-0.111*	-0.011	0.058	0.052	0.203***	—	-0.009
13 EP	0.111*	-0.074	0.038	0.129**	0.017	0.173***	0.083	0.048	0.411***	-0.076	0.406***	0.024	—
MV: CR	0.068	-0.109*	-0.044	0.078	0.107*	0.122**	0.018	0.010	0.578***	-0.094	0.523***	0.110***	0.300***
Mean	4.6437	3.9736	4.1500	410.7381	19.9700	12.9320	1041.7310	0.0869	5.0540	3.6153	5.2415	0.6973	4.5459
Std. Deviation	1.2763	1.0507	1.2440	1296.3501	28.5260	7.8620	3831.5936	0.1586	0.9066	1.0340	1.1366	0.4602	1.0155

***. Correlation is significant at the 0.01 level (2-tailed).
**. Correlation is significant at the 0.05 level (2-tailed).
*. Correlation is significant at the 0.10 level (2-tailed).
Notes: N=294. Zero-order correlations appear below the diagonal; adjusted correlations for potential common method variance are above the diagonal.
AS=Asset Specificity, EU=External Uncertainty, IU=Internal Uncertainty, EV=Export Value (in million RMB), EE=Export Experience, IE=International Experience, FS= Firm Size, MIE=Managerial International Experience, EO=Entrepreneurial Orientation, CCID= Cultural-cognitive Institutional Distance, PDC=Product Development Capabilities, EXD=Export Channel Dummy, EP=Export Performance, MV: CR=Marker Variable: Customer Relationship

Table 2 Multi-item measures and validity assessment

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

Table 3 Logistic Regression of Export Channel Selection

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

Note: N=294. Hierarchical channel = 1, Non-hierarchical channel = 0; *$p < 0.10$. **$p < 0.05$. ***$p < 0.01$ (p-values); ^= β (p)

Table 4 Regression Analysis of Export Performance

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

Note: N=294. *p < 0.10. **p < 0.05. ***p < 0.01 (t-values); ^= β (t)