Chapter 13
Export Performance:
Exploring the Linkage With Absorptive Capabilities

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ABSTRACT

The purpose of this chapter is to analyze the influence of absorptive capabilities on export performance. The author uses a quantitative research approach by conducting a study based on a survey data from 247 Portuguese small and medium-sized enterprises (SMEs) from the textile industry. Findings suggest that absorptive capabilities have a positive and significant influence on export performance. This chapter presents further evidences of the strategies that SMEs managers should pursue and policy makers should promote. This study deepens our understanding and provides novel insights into strategic management literature, since it combines multiple factors and has obtained the importance of each construct in SMEs business growth.

INTRODUCTION

The Resource-Based View (RBV) emphasizes that the ownership of strategic resources enables companies to gain competitive advantage (Monteiro, Soares & Rua, 2017). Recent studies have shifted the focus on tangible resources to intangible resources, which are deemed more important from a strategic viewpoint and more relevant for business performance and success (Bakar and Ahmad, 2010; Morgan *et al.*, 2006). Barney (1995, p. 66) developed the VRIO model (Valuable, Rare, Imitable, Organisation) and suggested that, in order to create sustained competitive advantage and discover unique resources and capabilities, "managers must look inside their firm for valuable, rare and costly-to-imitate resources, and then exploit these resources through their organization". This theory is based on the assumption that the source of competitive advantage is obtained from firms' resources based on two assumptions: 1) strategic resources are heterogeneously distributed across firms; and 2) these differences are stable overtime (Barney, 1991).

DOI: 10.4018/978-1-5225-8906-8.ch013

Several strategic management scholars argue that RBV has basically “in-ward” orientation. Although this theory recognizes that “the value of the firm’s resources and capabilities is determined by the market context within which the firm is operating” (Barney, 2001, p. 645), it does not address the processes of converting resources and capabilities into customer value (Möller, 2006).

Resource-based scholars argue that resources form the basis of firm strategies (Barney, 1991) and intangible resources are more likely than tangible resources to produce a competitive advantage, since they are often rare and socially complex, thereby making them difficult to imitate (Hitt, Bierman, Shimizu, & Kochhar, 2001). Thus, intangible assets are considered strategic variables (Amit & Schoemaker, 1993) and can consequently create sustainable value. Firms with valuable, scarce, and nonsubstitutable resources can gain at least temporary advantages by using those resources to develop and implement product-market strategies (Hsu & Ziedonis, 2013).

Another body of literature in the field of strategic management has focused on dynamic capabilities (Barreto, 2010). The firms’ success depends not only on its’ resources and capabilities, but also the ability to adapt itself to the industry contingencies and markets in which operates. Firms may possess resources but must display dynamic capabilities otherwise shareholder value will be destroyed (Bowman & Ambrosini, 2003). It is in this context that emerges the Dynamic Capabilities View (DCV) (Amit & Schoemaker, 1993; Teece et al., 1997) to support the adjustment to environmental change. DCV is not divergent but rather an important stream of RBV to gain competitive advantage in increasingly demanding environments (Ambrosini & Bowman, 2009; Barreto, 2010; Eisenhardt & Martin, 2000; Wang & Ahmed, 2007). Monteiro, Soares and Rua (2017) defend that in versatile markets, firms’ capabilities should be dynamic and managers must display the ability to ensure consistency between business environment and strategy in order to continuously renew skills.

Firms may possess resources but must display dynamic capabilities otherwise shareholder value will be destroyed (Bowman & Ambrosini, 2003). It is in this context that emerges the DCV (Amit & Schoemaker, 1993; Teece, Pisano & Shuen, 1997) to support the adjustment to environmental change. The literature suggests that resources and capabilities are related to each other (Dhanaraj & Beamish, 2003; Morgan, Kaleka & Katsikeas, 2004). Integration, reconfiguration and learning resources only become significant when resources are abundant (Wu & Wang, 2007), thus improving firms’ dynamic capabilities. Monteiro, Soares and Rua (2017) defend that in versatile markets, firms’ capabilities should be dynamic and managers must display the ability to ensure consistency between business environment and strategy in order to continuously renew skills.

Our study is responsive to the call of Sousa, Martínez-López and Coelho (2008) which suggests that, in the context of international markets, firms’ survival and expansion, and consequent economic growth of many countries, is strongly dependent on a better understanding of the determinants that influence export performance. In fact, the factors that set off SME growth (including exporting) are still in need of research (Stouraitis et al., 2017). So, the purpose of this paper is to broad the boundaries of strategic management literature and test the following research question: —— *Does absorptive capabilities positively influence small business export performance?*

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