

# Chapter 14

## The Role Of Strategic Orientation In Export Performance Of China Automobile Industry

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### **ABSTRACT**

*During the last four years, the China automobile industry experienced a 49% drop in sales in the domestic and international markets. Company owners and the Government of China are exploring factors which could help them overcome the issues relating to sale, reputation, and brand image. Nonetheless, the investigation of company export performance factors in the automobile sector of China has largely been ignored. However, authors of this chapter conducted a literature review on factors of firm export performance. Therefore, the conceptual framework has found the factors of firm export performance such as total quality management (TQM), entrepreneurial orientation (EO), export market orientation (EMO), and brand orientation (BO) based on resource-based theory. This research believes that the proposed factors can increase the firm export performance of China automobile industry. The future studies should validate the proposed research framework empirically in the context of the Chinese automobile industry.*

### **INTRODUCTION**

Considering the social and industrial changes mainly caused by the technological revolution, a number of industries have reshaped their operational activities (Shahzad et al., 2019). The automobile industry is among the rapidly growing industries in the world and plays a significant role in economic development,

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such as the creation of employment, export etc. (Thun, 2018). During the last two decades, China has dominated all countries with respect to economic growth (Habib, Abbas, & Noman, 2019). Because of its cheap labour and manufacturing cost, most companies have relocated their production units in China. According to Sachon (2016), until 1999, the Chinese automobile industry was producing less than two million vehicles. However, this industry has experienced a significant boom in the 20th century and, in 2015, this industry produced more than 24.5 million vehicles (Sachon, 2016). According to Bloomfield (2017), in 2010, China surpassed the United States and Japan in the automobile industry and become the biggest producer of automobiles in the world. The automobile industry has contributed more than seven percent to GDP of China (Chen, Lawell, & Wang, 2017).

Although China is the leading producer of the automobile's units, it exports only 3% of its total production (Huo, Gu, & Jiang, 2018). Moreover, during the last four years, this industry experienced a 49% drop in sale in the domestic and international market (Xie & Li, 2018). Considering this situation, it is imperative for Chinese automobile industrialists to investigate the factors which could help them to overcome the issues relating to sale, reputation and brand image. According to Knoke (2018) and Chaston (2017) quality and trade barriers are the two principal factors hindering the Chinese auto industry to expand further. According to De-Clercq and Zhou (2014), entrepreneurial orientation (EO), export market orientation (EMO) and brand orientation (BO) are the other possible factors which could significantly impact on the export performance of any country.

This study conceptualizes that quality management, EO, EMO and BO could enhance the export performance of the China automobile firm. To understand the link between these factors and their potential role in export performance resource-based View (RBV) theory is used. According to RBV, firms can create a competitive advantage by formulating strategies and capitalizing on resources which cannot be followed by any competitors (Barney, 1991). The success of an organization is primarily determined by internal resources (assets and capabilities) that owned by the firms as well as external resources (Abbas & Sağsan, 2019). These resources could be tangible as well as intangible, such as human resource, technological infrastructure etc. (Abbas et al., 2014).

Weerawardena and Coote (2001) stated that firm intangible resources that categorized in RBV element would lead to higher export performance. The RBV theory also anticipated a firm as an embodiment of distinctive packaged, concrete, and intangible resources (Li, 2018) that lead to higher performance. TQM, EO, EMO, and BO which are considered as internal capabilities or strategic resources of the firms would be the factors that trigger the firm performance. Therefore, TQM, EO, EMO, and BO are taken into account as a firm's resources which can lead to higher firm export performance. The remainder of this article discusses the literature pertaining to the study's variables, followed by a methodological overview and concluding remarks.

## **LITERATURE REVIEW**

The advancement of technology, especially the internet, has turned the world into a global village (Abbas, Mahmood, & Hussain, 2015). Because of globalization, the geographical boundaries have been eliminated (Mahmood et al., 2014) and businesses are facing global competition. The globalization has also provided customers with more options to select the product, thus forcing firms to be more innovative and creative. In the present business atmosphere international business has become a key factor for the economic development of any country (ALI, 2017). According to Hennart, Majocchi, and Forlani (2017),

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