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EXPORT MARKETING RESPONSIBILITY: DOING MORE, GETTING WHAT? THE EVIDENCE FROM VIETNAM WOOD FURNITURE INDUSTRY

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Abstract

The question whether developing country producers are better off by "sticking to their knitting" in continuing to specialize in upstream activities including manufacturing, while leaving the downstream activities - such as marketing and sales – in the hands of its international partners; or, alternatively, by involving themselves in the downstream activities as an add-on to their own manufacturing has been theoretically debated among different literature streams. This research examines, both theoretically and empirically, whether taking *marketing responsibility* strengthens export performance of developing country firms. The hypothesis testing based on large scale primary data collected in wooden furniture industry in Vietnam confirm that more involving in export marketing activities except for distribution and after sale in final market significantly relate to better export performance.

Key words: export marketing responsibility, export performance, upgrading

1.INTRODUCTION

In an increasingly globalizing economy, due to the increasing accession of firms from developing countries as a result from their governments' export oriented strategy, competition in markets of traditional manufactured products becomes highly competitive. In response to this wave, firms from high income economies tend to consolidate core competence and delegate labor-intensive activities to partners in developing countries where labor cost is much lower. This sourcing trend, in turn, pulls in an increasing number of producers from developing countries to work as suppliers for sourcing firms. These industrial niches have become more and more intensified, raising the fear of immiserising industrial growth (Kaplinsky, 1998).

Kaplinsky and Readman (2000) find the existence of immiserising growth in a furniture sector where there are a number of countries that have experienced growing export volumes and falling aggregate receipts. Too many enterprises from low labor cost economies are compressing into the manufacturing stage, leading to the price and profit squeeze in manufacturing. Schmitz (2006, p. 563) summarized that there have been too limited information on whether other nodes of the value chain (such as logistics, design, marketing) offer higher returns than manufacturing.

The question whether developing country producers are better off by involving themselves in the downstream activities as an add-on to their own manufacturing has been theoretically debated among different literature streams.

Competitive advantage theory suggests that a firm should focus on what it does well and give away activities in which it has a less competitive advantage. The argument for international specialization is based on the comparative advantage of nations which recommends that firms in labor abundance countries should focus on producing labor intensive products. Compared to sourcing firms from high income countries, developing country firms have more advantage in producing labor- intensive product due to low labor cost while they also are not as advantaged in marketing since there is a lack of managerial skills, marketing knowledge as well as the capacity to brand in consuming markets. According to this reasoning, for economic efficiency, developing country firms should specialize in producing and delegating export marketing responsibility to foreign partners.

On the contrary, value chain literatures recommend a move toward a design and marketing function. A typical global value chain literature - Gereffi (1999) argues that to get higher income, a developing country firm needs to move to more value added activities including marketing and design. Gereffi (1999) names the process in which a firm moves beyond the manufacturing function to other functions in the downstream and upstream end as a functional upgrading. Later global value chain studies (Gereffi,2001; Kaplinsky et.al, 2001; Humphrey and Schmitz, 2004) have brought to the debate their arguments on functional upgrading as a determinant of a firm's sustainable development. But these literatures lack the empirical support of larger- scale observations. Most of them are based on a small number of observations.

Notably, the recent GVC studies (Bazan and Navas-Aleman, 2003, 2004, Schmitz, 2006) begin their query by asking whether functional upgrading really makes developing country firms better off. In an empirical study on the Brazilian shoe industry, Bazan and Navas-Aleman (2003, 2004) find that the profitability of manufacturers who embarked on selling their own design and established their own marketing channel is not higher than the profitability of those who kept to manufacturing only.

In fact, the debate is two sides of the same coin which motivates this research to develop a further theoretical discussion and then test such theoretical hypothesis built. This research will examine, both theoretically and empirically, whether taking *marketing responsibility* strengthens export performance of developing country firms. The population of firms selected for the empirical study is in Vietnam's wooden furniture industry. The wood furniture industry is a traditional manufacturing sector and employs large amounts of labor. The study of such an industry has wide sectoral significance. Moreover, we believe that by focusing on Vietnam, an emerging economy, we can shed light on the development pathway for firms in other developing economies with a similar institutional context.

The remaining parts of this research will present key concepts used in the research, theoretical discussion and hypotheses on the relationships between marketing responsibilities and export performance, research methodology, data analysis, discussion of the research outcomes and a conclusion.

2. THEORETICAL BACKGROUND AND HYPOTHESIS

The competition in markets of traditionally manufactured products has become more and more intensified. Moving beyond a manufacturing function to other functions that are less competitive and of high value is a current trend in international business. The question is, then, which functions along the value chain are high value added, bringing high returns. Kaplinsky (2000) argues that design, marketing and R&D often require intangible knowledge that is difficult to learn, imitate and hence have the potential to generate higher return. Mudambi (2007) depicted the pattern of value-added along the value chain by the "smiling curve of value creation" in which high value added activities are located at two ends of the value chain: high value includes R&D and marketing while low value added activities are located at the manufacturing stage. Mudambi (2008, p.12) explains this pattern more clearly: "Mechanization and standardization have reduced the costs of manufacturing and logistics processes. Processes supporting mass customization have become widely available and subject to rapid imitation. This, in turn, has reduced the scope for the use of such processes to generate the differentiation required to support value creation. It is difficult for firms to extract high value added from manufacturing of tangible and standardized products". In contrast, marketing demands more tacit and experiential knowledge, create un-standardized and intangible value, providing room for generating differentiation and thereby enabling high value added extraction, and yielding higher economic returns than manufacturing function. Marketing function, more importantly, is a mechanism helping firm to achieve financial success. Mizik & Jacobson (2003) argue that a firm's ability to create value like producing or design is necessary but insufficient to achieve financial success. They argue that marketing factors such as reputation, brand effects, and advertising are necessary isolating mechanisms, enabling a firm to appropriate more of the value it creates. Marketing, therefore, plays key role in the process of extracting profit.

When a firm joins a global value creation system, the amount of value it appropriates depends on its bargaining power, which in turn is subject to not only the firm's value creation and appropriation ability but also its position in the global value chain. The more monopoly position a firm holds, the more bargaining power the firm has, and thereby the higher return it appropriates. For example, Chiu and Wong (2002) provide the case in which powerful buyers force the Hong Kong electronics suppliers to take the buyers' orders even at low economic returns. They argue that "The weakness of local suppliers in marketing and the tight control of overseas buyers in distribution are just two sides of the same coin. Underlying this business arrangement is such power asymmetry that a buyer's approval is always prior to anything done on the part of a supplier, leaving most suppliers with few choices but to take buyers' orders" (Chiu and Wong, 2002, p. 11). Gereffi (1994, p.4) explains the distribution of wealth within a chain as an outcome of the relative intensity of competition within different nodes. Kaplinsky (1998, p14) argues further "Sustainable income growth can only be assured by developing the capacity to identify and then appropriate areas of value accretion that are protected to some extent from competition. These protected spheres are characterised by economic rents." Thus, it is necessary for firms to locate their resources to the activities which provide a favourable position in the chain, protected to some extent from competition, and thus enabling high value appropriation.

Thanks to the advantages of first comers in the global market, firms from advanced market economies tend to retain control over the activities that can create and appropriate the most value and outsource low value added activities to developing countries (Mudambi, 2008).

They keep design and marketing function while delegating manufacturing functions to firms in developing countries. Acting as chain leaders, such first comers coordinate value creation activities along the chain, deciding from whom to outsource and at which price. This governing power enables chain leaders to appropriate a large amount of value, even gaining more value than what they create. The gap between their value appropriation and value creation is what chain leaders seize from other members of the chain, e.g., from their suppliers in developing countries. Improving production capability enables developing country producers to create more value, but such improvement does not guarantee that the producers will capture the whole value they create. Instead, the bargaining power of chain members decides the amount of value which they can appropriate. Improving production capability is necessary but not sufficient for firms in developing countries to appropriate more value. Meanwhile, moving into more skilled activities like marketing enables developing country firms to reach high value added positions and thereby catch more value. Appropriating more value provides a firm with positive cash flow that can be used for expanding its export business, gaining more profit due to economics of scale, thereby sustaining export development. In other words, value creation capability strengthens a firm's value appropriation capability, which in turn facilitates a firm's export success in long run. In short term, there may be a downturn in export turnover when a firm's moving toward marketing function is blocked by its customers as reported in Bazan and Navas-Aleman (2003, 2004). This downturn will disappear in a long run because producers with good marketing capability can approach other types of buyers rather than the captive chain buyer. A firm can overcome powerful buyers' blockage against its involvement in marketing function with a multi chain strategy. Buyers in captive chains may block producer's moving toward marketing, but it does not mean that buyers in market-based chains can also obstruct a producer's undertaking marketing. Though undertaking marketing function, firms can improve its bargaining powers in market-based chains to gain higher economic returns.

In conclusion, if a producer can move from a pure manufacturing function toward a marketing function, he can acquire new capabilities, breaking out of the captive relationship, obtaining a more favorable position to claim more economic returns. In other words, if *a developing country producer undertaking more marketing responsibility in export business, it has better export performance.*

In fact, marketing is a broad concept, including many activities. It will be more meaningful if specific marketing activities are investigated in relationship with export performance because marketing activities do not hold the same effect on export performance. For example, order searching activities may positively impact on export turnover immediately while after sale service activities that foster customer satisfaction do not boost export sales immediately but promote turnover in the long term. *Therefore, for more precise prediction on how each marketing responsibility influences export performance, we decompose marketing function into sets of activities along an export marketing process.*

Based on the definition that marketing is the business function that identifies customer needs and wants, determines which target markets the organization can serve best, and determines the appropriate products, services, and programs to serve these markets (Kotler and Armstrong, 2005), the marketing process can be said to consist of such activities as market research or market intelligence, product development, promotion, pricing, distribution, and after sale service. In international marketing, the key determining factor affecting marketing strategy includes the decision to standardize or adapt to the conditions of foreign markets (Cavusgil and Zou, 1994). Hence, the export marketing process can be divided into six main groups of activities: export market intelligence, export product adaptation; export promotion; pricing for export product; distribution in export market; after export sale service.

Market intelligence includes market researching activities such as market forecasting, competitor analysis, order searching, etc. It is difficult for a firm to increase turnover if it passively waits for customers to knock on their door. Moreover, market forecasting and competitor analysis provide a firm with knowledge of market conditions, thus helping the firm better understand market demand, supply, and price; thereby, the firm does not miss chances to appropriate high returns, leading to better performance in international markets. Cavusgil (1984) suggests that market intelligence is one among various organizational capabilities that are determinants of export performance. Madsen (1987) reviews that a firm's use of international marketing research positively affects export sales, growth, and composite measures of export performance. Aaby and Slater (1989) affirm that export market intelligence is a "critical success factor," discriminating successful from unsuccessful SME exporters. Therefore, the research hypothesizes that the greater extent that the firm conducts export market intelligence, the better export performance the firm demonstrates or in other words:

H1a- Export market intelligence responsibility positively affects export performance

Product adaptation is defined in terms of the degree to which the firm's actual and augmented product elements are adapted for export markets to accommodate differences in environmental forces, consumer behavior, usage patterns, and competitive situations (Leonidou et.al, 2002). Product adaptation involves modifying products to be suitable for the habits and tastes of consumers in export markets. It includes such activities as identification and specification of product modifications needed to serve export market customers. Zou & Stan (1998) review that product adaptation is concluded by several studies to be a significant determinant of export sales, profits, and growth, but some studies found insignificant effects of product adaptation while a few studies reported negative effects. He recommends that product adaptation deserves further research attention, though their overall effects seem to be positive. This research explains the few negative correlations reviewed in Zou &Stan (1998) by the cost of adaptation. This research argues that if there exists negative correlations between export product adaptation and export performance, it happens in a short time, at the beginning process of modifying the product for being suitable with consumers in export markets. In the long term, the initial cost of adaptation may diminish because fixed costs often depreciate over time while turnover may increase because of customer satisfaction with the adapted products, leading to improvement in not only export revenue but also profit. The later review of export performance literature by Leonidou et al. (2002) deals with the un-finalized issue relating to the negative correlation raised by Zou & Stan (1998) by confirmation that the product adaptation is positively linked to export performance. Going in line with Leonidou et al.'s (2002) confirmation, this research further argues that an adapted product can satisfy foreign consumers' needs and preference better and that a strong product allows a firm to transfer it more easily to the foreign markets. If a producer can supply products that better meet customer demand, this can lead to greater profitability because a better product–market match can result in greater customer satisfaction, which can give greater pricing freedom vis a vis competitors. Therefore, the more responsibility a firm takes in respect to export product adaptation, the better export outcome the firm yields. It then can be proposed that:

H1b- Export product adaptation responsibility positively affects export performance

Export promotion consists of such activities as advertising, personal visits and calls to potential customers, emailing, website communication, trade fair participation, etc. The promotional activities make a firm and its product known to customers and distinguish it from other products. Promotion activities create image and brand and thereby strengthen bargaining power, leading to more value appropriation.

Zou and Stan (1998) review that promotion intensity seems to positively affect export sales, export profits, and satisfaction with export. Leonidou et.al (2002) confirms that all six promotion-related variables including advertising, sales promotion, personal selling, trade fairs, personal visits, and promotion adaptation, were empirically confirmed for their effects on export performance. The more extent that a firm conducts export promotion activities, the better firm perform in international market. It is hereby hypothesized that:

H1c- Export promotion positively responsibility positively affects export performance

Pricing as the only marketing mix variable that generates revenue. It is a mean to appropriate value or to earn profit. Zou & Stan (1998) assess that price adaptation seems to positively influence export sales, export profits, and export growth in some studies, but appears as insignificant in others. They suggest that the weak and uncertain findings on pricing require more research to be done on the effect of price-related factors. Leonidou et al. (2002) review studies that show that among six pricing-related activities including price setting method, pricing strategy, sales terms, credit policy, currency strategy, and price adaptation, which were examined by export literatures for their potential influence on a firm's export performance, only sales terms and currency strategy are not empirically supported to positively associate with any export performance measures. This research argues that pricing, including such activities as price setting, quantity discounts, provision of export financing, is only a means to appropriate value or to earn profit. It directly affects export turnover and profit. The greater the extent that a firm can do pricing, the higher price the firm gains, leading to a better export outcome. The research, therefore, proposes that:

H1d- Export pricing responsibility positively affects export performance

Distribution in the export market comprises such activities as operating sales outlets, communicating with local distributors in the export market, and employing logistics in the export market. These efforts may generate negative cash-flow in the short run because resources are withdrawn from low margin contract manufacturing and assembly to build distribution channels in developed country markets; this requires a huge effort and financial investment, often beyond a developing country firms' resources and capability (Mudambi, 2008). The effort of developing country firms to create their own brands and distribution channels in advanced economies may also be blocked or retaliated by lead firms who control the distribution in the export market (as in Bazan and Navas-Aleman, 2003; 2004), causing a downturn in export turnover and profit. However, these short run downturns can be considered investments in developing crucial competences and sustaining the competitive advantage. Directly dealing with distribution channels in the export market reduces the commission cost paid for agents, enabling developing country firms to capture more value, thus increasing profit. Leonidou et al.'s (2002) review found that the use of an export sales representative/office and direct buying were empirically found to be related positively to export sales intensity, while the adoption of overseas distributors/agents and merchants showed weak associations with this performance measure. Zhang et al. (2003) argued that exporting manufacturers' strong relationships with their foreign distributors are an enduring source of advantage because in an increasingly competitive global economy, classical marketing tools such as price and product quality are susceptible to competition by rivals. Strong channel relationships enhance international venture performance through reduced transaction costs, a rich market, and process information exchange (Zhang et.al, 2003). Therefore, the research proposes that the greater the extent that a firm conducts distribution activities in the export market, the better export outcome the firm gains, or in other words:

H1e- Export distribution responsibility positively affects export performance

After-sales services including such activities as customer servicing, warranty service, spare part delivery service, etc, bring about customer satisfaction. After sale services are value creation activities. Improving this value creation ability positively affects the firm's image and brand, thereby improving bargaining power which enables for more value appropriation. The provision of a warranty has been postulated to augment the value of the product exported, since this can offset foreign customers' reservations regarding product performance and reduce their risk perceptions pertaining to the purchase of such goods. This element is particularly important when a firm enters a new overseas market or exports to geographically distant markets. International customers are particularly concerned about the exporter's ability to offer the necessary services (Terpstra and Sarathy, 1997). Leonidou et al. (2002) note that customer service (i.e., provisions for pre- and after-sales services) has been cited as a critical success factor in international markets. Therefore, the research theorizes that the greater the extent that a firm conducts after-sales service, the better the firm performs in international markets, or in other words:

H1f- After-sales service responsibility positively affects export performance

3. RESEARCH METHODOLOGY

3.1.Empirical model

Recent reviews of literature on the determinants of export performance (Leonidou,1995a; 1995b; Zou and Stan,1998; Leonidou et.al, 1998, 2002; Katsikeas et.al 2000; Balabanis et.al, 2004) converge to two distinct sets of predictors for export performance. The background group includes variables relating to managerial, organizational, and environmental factors that serve as background or antecedent forces since they indirectly affect export performance.

Variables relating to organizational factors such as firm size, international experience, ownership or relations to environmental factors, such as a firm's location, are background variables which potentially influence a firm's export performance.

Firm size is traditionally used as a proxy for organizational resource availability (Pedersen and Petersen 1998). It is widely accepted in export literature as a determinant of international expansion (Cavusgil 1984, Johanson and Vahlne 1977). Large firms are believed to have a greater ability to expand resources and absorb risks than smaller ones (Erramilli and Rao, 1993; White *et al.*, 1998). They are thought to possess an above-average ability to seize profit, to leverage in a lower cost of capital, and to diversify their operation portfolios and internationalize more easily (Cavusgil 1984; Calof 1994).

Export experience is popularly cited in export performance literature as a determinant of export performance (Madsen, 1989). According to the stage internationalization theory (Johanson and Vahlne 1977), the more international experience a firm has, the better the firm grows in international markets. Therefore, firm's export experience can be a predictor of export performance and should be used as a control variable in the research model.

Ownership has rarely been cited as control variable in export literature. However, cooperate governance literature (Demsetz and Leln, 1985; Hermlin and Weisbach, 1991; Zhou, 2001) argues that managerial ownership incentives are important for firm performance. Upon this reasoning, it can be argued that the different ownership structure impacts on a firm's behaviour and performance in the export business.

A firm's location seems to have not been used as one of the control variables in export literature. However, location of the firm closely links to environmental factors such as infrastructures, business atmosphere, and government policy, which were reviewed as background variables influencing export performance by Leonidou (1995a; 1995b), Zou and

Stan (1998), Leonidou et al., (1998, 2002), Katsikeas et.al, (2000), Balabanis et.al (2004). Location therefore is potentially a predictor of export performance. A firm located in a good business environment with a good infrastructure, available materials, and supporting industries certainly is in a more favourable condition to develop than a firm in a worse business environment.

Taken into account above discussion, this research takes firm size, export experience, ownership, and location as its control variables. The empirical model should take the form of linear multiple regression models with four control variables and six independent variables.

3.2. Measurement Scales

Export Marketing Responsibilities

This research develops ***export market intelligence responsibility*** as a single item scale which indicates the extent at which the firm handled export market intelligence activities (including export order searching, competitor analysis, export sales forecasts, etc). ***Export product adaptation responsibility*** is operationalized as a single item scale which describes the extent at which the firm conducts design functions which include the modifications and developments for the firm's export products. ***Export promotion responsibility*** is represented as a single item scale which indicates the extent at which the firm conducts export promotion activities – including personnel visits and calls to potential customers, emailing, website communication, trade fair participation, etc. ***Export pricing responsibility*** is also represented as a single item scale, measuring the extent at which the firm conducts export pricing (including price setting, quantity discounts, provision of export financing, debt collection, etc.) ***Export distribution responsibility*** is operationalized as a single item scale, measuring the extent at which the firm conducts distribution activities in the export market (including operating sales outlets, communication with local distributors in export market, logistics in export market). ***After export sale service responsibility*** is represented as a single item scale that indicates the extent at which the firm handles after-sales service activities including customer service, warranty service, spare part delivery service, etc.

All the above single item scales will be measured on 5-point Likert - scale, ranging from 0 to 4, with 4 defined as completely done by the firm and 0 as completely done by its business partners.

Export performance

Reviews of the export performance literature (Cavusgil and Zou 1994, Zou and Stan,1998; Leonidou et.al, 1998, 2002; Katsikeas et.al 2000; Balabanis et.al, 2004) summarize two principal ways of measuring export performance: economic (financial measures such as sales, profits, and market share) and non-economic (non-financial measures relating to product, market, experience elements, etc.). Most of the background and intervening variables were associated with economic measures of performance, particularly export sales intensity (export-to-total sales ratio), export sales growth, and export profitability (Katsikeas et.al, 2000).

Export sale intensity

Previous researches popularly use the export-to-total sales ratio as an indicator of export performance. However, when applied in this research, this indicator is in need of modification. In a developing country like Vietnam, export turnover is calculated in the foreign currency while domestic turnover is calculated in the domestic currency. Respondents may be confused when asked to generate the export-to-total sales turnover ratio. However, for accounting purposes, profits from all business activities are always calculated in domestic currency. It is easier for respondents to figure out the export to domestic sales profit ration than the ratio of export-to-total sale. ***Therefore, the indicator on export sale intensity is modified in this research as the relative export profit per domestic profit.***

Export profitability

Financial outcomes can be measured objectively as well as subjectively. Objective financial data may provide exact values but this data is not easily revealed. Subjective managerial perception may not provide exact value but this data is more accessible and also important because it affects future strategies. Cavusgil and Nevin (1981) and Sehlegelmilch (1986) indicate that managerial aspirations about export profit and export profit relative to domestic will directly affect a firm's decision to further involve themselves in export. The use of this subjective variable encourages more firms to respond because respondents need not provide confidential export profitability figures (White *et al*, 1998).

The direct question regarding absolute dollar figures on sales or profits will lower response rates to an unacceptably low level. A number of previous empirical studies have not used direct financial performance measures (e.g Kundu and Renko 2005, Koh, 1991) but asked questions that refer to the firm's profit growth rate. ***Therefore, in this research, profitability is to be measured by subjective managerial perception which is export profitability aspiration level.***

Export growth.

Export growth is often measured by the ratio of the export turnover or profit of the existing year to that of the previous year. ***In this research, export growth is measured with the ratio of the export profit of the existing year to that of the previous year as an exact figure and normalized into a 5- point Likert-scale***.

The use of a multiple item scale was popular in measuring export performance because different measures of export performance capture different facets of the strategic and operational phenomena that underlie export performance (Katsikeas et.al, 2000). ***Export performance, thus can be operationalized in this research as the scale reflected by three***

reflective indicators: export profit growth, relative export profit, export profit aspiration fulfillment. Items will be measured on 5-point Likert scale.

Firm's size is measured in terms of the number of employees and is normalized as a logarithmic function of the number of employees.

Firm's export experience is measured by the number of years a firm is involved in the export business and is normalized as a logarithmic function of number of exporting years.

Regarding **ownership**, there is an existence of heteroscedasticity in how firms are run in Vietnam's economy. Vietnamese firms belong to one of three groups: state-owned enterprise (SOE), private, and foreign invested enterprises (FDI).

The different governance structure between FDI firms and domestic firms leads to different behaviours in export business activities. Because FDI firms have inherited distribution channel relationships as well as international experience from their foreign stakeholders, FDI firms are in a more favourable condition than domestic firms when performing export business. Therefore, including FDI firms into a sample may cause bias and therefore these firms should be excluded from the testing sample. Different economic incentives exist between the manager of a private firm and that of a SOE and thus affect a firm's decisions in the export business. The manager of a private firm is often an owner, who acts for his own profit while a manager of a SOE is an employee of the State, who acts for his salary. The manager of a SOE is believed to be less enthusiastic and more passive in doing business than a manager of a private firm, a distinction which leads to different performances in the export business. Therefore, this research operationalizes the qualitative variable "ownership" in two categories. A dummy variable (Os) is coded ' 1 ' if a firm is private owned, and '0' if a firm is SOE.

Regarding **location**, Vietnam wood furniture producers are in three main regions: North (in and around Dong Ky), Centre (in and around Quy Nhon), South (in and around Binh duong).

The three regions differ in historical and cultural conditions as well as economic infrastructure. These differences in environmental factors obviously lead to some differences in business performance among firms of different regions. A qualitative variable Location has three categories. Hence, the research introduces two dummy variables Lo1 and Lo2.

3.3. Data collection

One key informant technique was selected in this research because the technique consumes less time and resources than the several informant technique as discussed in Sunde (2007, p.101). To overcome the disadvantage of the one key informant technique, the research obeys the requirements by Campbell (1955) and Phillips (1981) to select informants with specific knowledge regarding the unit of analysis, a capability to describe and communicate phenomenon of interest, and an independence from the phenomenon of interest.

The sampling frame was sorted upon sector, ownership and location from business directories to ask for answers back if they involve in export business regardless direct or indirect export.

Data was collected through a structured questionnaire, which was mailed to one key informant in a selected firm from the sorted list including 1047 firms. A mail survey was selected in this research because of the advantages it offers to the researcher including wider distribution, less distribution bias, better likelihood of thoughtful replies, no interviewer bias, central control, as well as time and cost savings (Erdos, 1974). To overcome the disadvantage of low response rate, we used three methods including monetary premiums, follow-up mailing and phoning to non-respondents. The ***total response rate*** is 28.8% (= 302/ 1047) which can be considered successful given the fact that the mail survey response rates often varied from 10 to 65 percent (Armstrong, 1975).

Reliability of data. To overcome unreliable and biased answers, this research selects key informants as the manager who is in charge of wood furniture export, which satisfies the requirement of knowledgeable informant. Informants' self-benefit is considered independent from the research issues. They would have no interest in not telling the truth to the researcher since they are independent of the researcher and the research. All critical indicators do not involve the informants' self benefit. Therefore informants have no motive of not telling the truth. It can be believed that they provide objective answers. In addition, there is no possibility that informants are encouraged to provide biased answers to obtain financial premiums. Monetary premium of two USD is a small amount money paid in advance without binding of answers back, meaning that there is no motivation for informants to provide answers just because of money. The monetary premium paid in advance aims at offsetting the time which the informant will spend on answering, motivating them to answer in a prudent manner. Moreover, according to Erdos (1974), by using a mail survey, the research will experience less distribution bias, a higher likelihood of thoughtful replies, and no interviewer bias. In sum, the informants are knowledgeable, holding no motive to not telling the truth, and are motivated to provide serious and thoughtful replies. All these empirical settings promise highly reliable data coming out.

Statistic technique. The multiple regression method is employed in this research. In addition, one variable (EP) in this study are latent variables which are measured only through multiple indicators, hence confirmative factor analysis (CFA) are conducted to check the validity of the latent constructs. SPSS 14 and AMOS version 6.0 are used for data analysis.

4. RESULT ANALYSIS

Testing for the non response bias

After the data being screened, tested for the linear assumptions and passing, a standard test of non response bias was made to detect and exclude non bias problem if any. In the sample, 54

% of respondents are willing to answer in the first phase while 46% obtained after several efforts. It is popularly assumed in empirical studies that late respondents are similar to non respondents because both of them do not feel interested in the survey and tend to decline to respond (Amstrong and Overton 1977).Therefore, the group of late responds was tested against the early responds group with respect to means equality. The test is t test of null hypothesis that there is no mean difference between two groups. Based on the significant level of two tail t- test, the results of Independent Samples Test for equality of Means between the early response group and the late response group show that at 95% confident there is no difference between the two groups. Hence, non response bias does not appear a problem in this sample.

Testing for the validity of measurements

Construct validity: Conducting CFA (confirmative factor analysis) for EP, only item EP3 has factor loadings lower than 0.5. To get convergent validity, EP3 with the factor loading lower than 0.5 is excluded. The statistical result that EP3 has factor loadings lower than 0.5, indicates that EP3 is not good enough to represent for the construct export performance. This can be explained by the fact that some firms could not provide answer for Question 9 because their company did not serve domestic market. Therefore, indicator EP3 will be no longer used to measure export performance. EP scale is finalized with two indicators EP1, EP2 with all factor loadings greater than 0.5; VE equal 0.576 and Cronbach alpha equal 0.734, meeting all requirements for convergent validity. EP is validity measured by two indicators EP1, EP2. *It is therefore computed as a summated scale of these two items.*

5.4. Hypothesis testing results

Multiple-regression analysis was used to test the hypotheses, as suggested by Aiken and West (1991). The control variables (lgIE, lgSi) and dummy variables (Os, Lo1 and Lo2) were entered in step 1. The independent variables (Proad, MI, Pro, Pri, Dis, Ass) were included in step 2. Analysis of testing result must be based on significances of coefficients of independent variables and model fit.

In the multiple regression model, model fit can be assessed upon five indexes including R square, adjusted R square, standard error of estimate, F ratio and its significant level (Gujarati 2004; Hair et al.2005) of which adjusted R square is critical index which should be at least 0.5.

Coefficients of Proad, MI, Pro, Pri, on EP are significant at 0.01 (see table 2), indicating that the effects of Proad, MI, Pro, Pri, on EP are confirmed. Moreover, these coefficients are all positive, implying that hypothesis H1a, H1b, H1c, H1d, H2 are supported.

Coefficients of Dis and Ass on EP are not significant even at 0.05 (see table 2), indicating that hypothesis H1e, H1f are not supported.

Table 1: Model 's fitness

Model Summary

R	R Square	Adjusted R Square	Std. Error of the Estimate
.797(a)	.636	.622	.57527

a Predictors: (Constant), lgIE, Os, lgsize,Lo1, Lo2, MI, Pro, Pri, Proad, Ass, Dis

Table 2: Model's coefficients

	Unstandardized Coefficients	Standardized Coefficients	t	Sig.

	B	Std. Error	Beta		
(Constant)	.520	.212		2.447	.015
lgsize	.077	.066	.048	1.160	.247
lgIE	.142	.110	.049	1.294	.197
Lo1	-.441	.083	-.220	-5.318	.000
Lo2	-.252	.114	-.088	-2.207	.028
Os	.053	.100	.022	.534	.594
MI	.140	.037	.176	3.778	.000
Proad	.116	.039	.148	2.948	.003
Pro	.172	.036	.226	4.820	.000
Pri	.213	.039	.265	5.412	.000
Dis	.003	.031	.004	.093	.926
Ass	.034	.035	.048	.969	.333

a Dependent Variable: EP

Table 3: Summary of hypothesis testing results

Hypo-thesis	***Content of hypothesis***	***Testing result***
H1a	Proad positively relates to EP	Supported at 0.01
H1b	MI positively relates to EP	Supported at 0.01
H1c	Pro positively affects EP	Supported at 0.01
H1d	Pri positively relates to EP	Supported at 0.01
H1e	Dis positively affects EP	Not Supported
H1f	Ass positively relates to EP	Not supported

6. DISCUSSION AND IMPLICATIONS

The hypothesis testing result shows that there exist positive relationship between involvement in export marketing and export performance. However, the testing result suggests that not all marketing activities will lead to export success. Involvements in export market intelligent, product adaptation, promotion and pricing significantly contribute to firm's export success while involvements in distribution and an after sale service do not. The contribution of export pricing is biggest among export marketing tools. This signals that a firm can upgrade in quality, but the most significant determinant of a firm's export performance is its pricing autonomy. A firm needs to increase its pricing autonomy to obtain more economic returns. This result fits well with the earlier theoretical discussion of bargaining power that pricing autonomy determines a firm's economic return. The result that the coefficient of export product adaptation is the smallest (0.148) suggests that export product adaptation is least contributor to a firm's export outcome.

The hypothesis testing result generally supports the view that moving toward marketing function will make firms in a developing country better off. Previous GVC literatures are conceptual discussions based on empirical evidence in only small number of observations. These studies recommend functional upgrading, but do not clearly indicate how each specific marketing responsibility contributes to a firm's development in the international market. This research shows in more detail the contributions of each marketing responsibility contribute to a firm's export performance.

It is worth mentioning that although the research findings generally support the view that involving more in marketing function will make firms in a developing country better off, the research advices that the move toward marketing function should be taken with care. Firm should invest in responsibility helping them improve bargaining power rather than internalizing in distribution in export market. Doing more does not always accompanied with getting more. Taking more responsibilities in distribution and after sale service in export market does not lead to more export growth and expected profit.

Regarding managerial perspective, the hypothesis testing results also suggest that firms should be more active in their export marketing to develop in the international market and the priority should be given firstly to export pricing, then export promotion and export market intelligence and export product adaptation. A firm can delegate distribution and after sale service in the export market to a partner.

Lastly, the hypothesis testing result indicates that except for control variable “location”, other control variables like firm’s size, ownership, export experience are not significant. The findings challenge popular beliefs that firm’s size, export experience and ownership affect firm’s export success.

7.CONCLUSION

Motivated by the debate on whether developing country producers should become involved in marketing functions or instead delegate them to their international partners, this research provides theoretical arguments and empirical evidence to support for the main theoretical proposition that if a producer can move from pure manufacturing function toward marketing functions, he can acquire new capabilities, breaking out of the captive relationship, obtaining more favorable position to claim for more economic returns.

The empirical findings show that taking more responsibility in export product adaptation, export market intelligence, export promotion, export pricing lead to better export performance. However, doing more in distribution and after sale service are not accompanied with getting more export success. Moreover, the hypotheses testing result suggest that among four types of marketing responsibility including export product adaptation, export market intelligence, export promotion, export pricing, export pricing contributes most while export product adaptation does least to firm's export success.

Although the research provides some noteworthy theoretical as well as managerial implications, it composes some limitations. The research studies the issue of functional upgrading from the perspective of developing country firms joining global value chains but it did not cover the reaction of global buyers to a firm's functional upgrading. Thus future research should include the type of global buyers and their reaction into research model. The research points out that the export performance of Vietnamese firms includes a number of features that require more consideration. These concern the institutional contexts which reflect a business environment. Despite the research touches to the role of location in a firm's export success, more consideration should be paid to other location factors including infrastructure, regulatory frameworks, business links, atmosphere and entrepreneurship. The scope of the study should be extended by including these mentioned contextual factors in the research model. Regarding to the measurement of export performance, it was not perfectly reflected by the research. Export development is a dynamic process which is affected by a number of determinants. However, due to limited data availability, the research incorporated limited variables and could only conduct a cross-sectional analysis. Such an analysis does not adequately capture the dynamic nature of the variables examined. In fact, upgrading is a process: undertaking export marketing responsibility this year may contribute to export performance rightly in that year but more likely in later years. The research would be better if better measurement for export performance was developed. The research followed the current practice in the field of export performance literature which adopts a composite construct in assessing export performance, combining economic performance indicators with managerial perception. Although performance should be seen in terms of top- management goals and ambitions, one could argue that an indicator with managerial perception of performance is not strong enough to measure and compare outcomes of different firms because each manager could perceive performance differently. We therefore suggest a further research on export performance use more economic indicators, especially, financial indicators including export profit growth rate, growth rate of profit per capital.

This research also limits itself to the context of wood furniture firms in Vietnam, an emergent economy. The findings if applied to other industries in Vietnam or other firms in other developing countries should be interpreted with caution to the institutional context of the population. Vietnamese wood furniture firms develop in the period which Vietnam economy is already highly export oriented. The generalizeability of the findings can be strengthened if other industries are included. The generalizeability of the findings can be more reinforced in a study with population of firms from different developing countries.

We therefore recommend a further research on functional upgrading as determinants of firm development in the international market should deal with panel data across industries and across countries. This type of research will consolidate the for or against arguments for the current debate on whether or not developing country firms should undertake export marketing responsibility. Such a study if taken, caution to institutional factors discovered in this research should be made.

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