Investigating the Effect of Firm Characteristics and Market Research on the Performance of Iran's Exporting Firms

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Abstract

Market research plays a key role in firms' success to attend foreign markets. Actually, using the information attained from market research, firms minimize probable risks and uncertainties of the attendance in foreign markets, thus acquiring a stable competitive advantage. The present research intends to recognize the factors effective on firms' attempts to examine market. It also wants to scan how the factors can affect the export performance of firms, investigating the relationship between variables including size, type of industry, and the strategic factors on market research. The methodology for the research is qualitative and the method for data elicitation is survey. To elicit data questionnaire was used. Moreover, using a stratified random sampling, 152 export firms were selected from the provinces of Tehran, Khorasan Razavi, Azarbaijan Sharghi, and Esfahan as the sample for the study. The results of the study show that market research is effective on export performance of export firms. They also indicate that there is relationship between firm size and market research and also between strategic factors and market research. However, the results indicated that there is no relationship between industry and market research.

Keywords: Market research, firm size, industry, strategic factors, and export performance.

1. Introduction
The recent decades' globalization of economy, making borders less important, has converted the world into a big rapidly-changing market. Such a market has made planning for activity in foreign markets much more difficult that the past, intensifying competition in the environment of world trade and providing new difficulties for the entrance of new suppliers to these markets.

Therefore, one of the challenges of firms' managers is how to face environmental risk and uncertainty. Actually, for managers to adopt timely decisions in such a condition, they need to have access to daily information about customers, rivals, and other powers existing in market. One of the factors helping firms to gain more shares of markets, especially of international markets, is market research. In fact, the issue is considered by firms as a competitive advantage, having an undeniable
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effect on their performance. Hence, it is specifically important that managers of firms pay attention to the discussion about market research because it can increase their knowledge and expertise about firm and can improve the export performance of their firm.

In spite of all the research done for the recognition of factors effective on the development of export in Iran, it seems we are still dealing with lack of applicable studies concerning the effect of market research, especially from the standpoint of firm characteristics, on the performance of export firms. Therefore, with regard to the importance of this area in management literature, the present research intends to examine the effect of firm characteristics (including firm size, industry, and strategic factors) and market research. The results of the study can be useful for supporting the research literature of the country in the area under analysis, providing a suitable tool for other researchers and managers.

2. Market Research
Many studies have in recent years been done with respect to the relationship between market research and firm performance (Diamantopoulos, 2003; Li and Cavusgil, 2000; Richy and Myers, 1999; Cavusgils and Zou, 1994; Sinkula, 1994; Glazer, 1991; Souchon and Diamantopoulos, 1985).

Market research is considered as a main advantage for organization (Sinkula, 1994) and the information acquired from this channel is of the most valuable properties (Glazer, 1991). As a key factor effective on firm's export behavior, market research has a well-deserved importance to reduce uncertainty from such environments (Diamantopoulos, 2003). Moreover, it is known as a determinant factor in firm's commercial decisions. Thus, lack of information is known by many exporters as a serious obstacle for the entrance to foreign markets (Souchon and Diamantopoulos, 1985). Therefore, the best way to overcome environmental uncertainty is to achieve market information and the way to achieve the information is through market research (Richy and Myers, 1999).

Li and Cavusgil (2000) studied the effect of market research on new product export. In their model, they considered market research as a competitive advantage effective on export and analyzed it from the point of view of customers, rivals and firm's unit of R&D (Li and Cavusgil, 2000). According to them, for exporters to supply new product to foreign markets, they should analyze foreign market customers and their characteristics, and be able to get information about the process of their learning. Due to the fact that firm's rivals in foreign markets are different from their inner counterparts and because it is necessary for firm to analyze these rivals, Li and Cavusgil (2000) have introduce the unit of Research and development (R&D) as a solution for distinguishing firm from its rivals in foreign markets, having noted its importance especially for the development of new product.

Wood and Robertson (2000) evaluated the importance of information in international markets. In their model, they considered industry, country of destination, and type of export transaction as the factors effective on the information (Wood and Robertson, 2000). In general, the results of the model presented by Wood and Robertson (2000) are indicative that experienced managers, for the selection of exporting markets, analyze various pieces of information. To them, these pieces of information are not equal from the point of view of managers. Moreover, based on the criteria accepted by managers, especially in Wood and Robertson's model (2000), based on the potential target market, it is obvious that type of industry, type of transactions and type of market are of different significance.

In a study, Voerman, Wodel and Zwart (2000) investigated the information behavior of small and middle European firms. The main goal of their model was to examine the relationship between market research and exporting performance of firms. In this research, the three variables of firm size, culture of destination country, and industry branch were known as intervening variables. They in their study examined a sample of 3562 small and middle European firms and, using ANOVA, they analyzed the data acquired from the sample. The results of their model show that market research has any way a significant effect on the performance of firms especially in exporting markets (Voerman, Wodel and Zwart, 2000).
In another research, Voerman (2002) investigated the information behavior of small and big exporting firms, believing that it is new exporters who are more in need of the achievement of information about foreign market (Voerman, 2002). Actually, to him, the information which is highly important to be accessed is that of foreign market, because it is in such markets where more economic, political changes, even more changes regarding the environment of consumers, occurs. According to him, in the literature of strategic marketing, market research is considered as an important part of market-orientation and market-recognition. However, Voerman (2002) believes that if market research is done without considering management personality and firm's characteristics, the results will not be comprehensive; even they may be misleading. According to Voerman's investigation (2002), one of the factors affecting the improvement of firms' exporting performance is the amount of management's being entrepreneurial and risk-taking. In his investigation, he also examined the relationship between management and the amount of his market-orientation. Referring to various studies, he concludes that managers of small firms do not work only to improve firm's performance, but they follow some specific personal goals. He believes that firm's research activities are influenced by the amount of management's commitment to export. To him, management's high commitment has a positive relationship with exporting market-orientation behavior. Actually, management's personality affects firm's information behavior, not only to achieve personal goals, but also to overcome uncertainty.

In a study, Sharma (2004) showed that the unit of R&D is greatly emphasized and is considered highly important by managers. He also showed that paying more attention to marketing research can help firms' marketing to get more effective (Sharma, 2004). Toften (2005) considers market research as a prerequisite for successful commercial decisions, believing that sound use of market research can play a fundamental role in firm's success.

3. The Relationship between Firm Size and Market Research
Doing a study entitled "Influence of Firm Size on Export Planning and Performance", Samiee and Walters (1990) tried to prove the relationship between firm size and market research, concluding that larger firms are more active than small ones in the gathering of information. Hart and Diamantopoulos (1993) showed that most small firms do not utilize marketing research due to its high cost. Hart, Webb and Jones (1994) indicated that it is undeniable that firm size affects market research. What this means is that larger firms present an information behavior different from their smaller counterparts.

In a study, Belich and Dubinsky (1995) showed that it is due to prioritization of long-term goals and personal aims of management, and also considering lack of enough sources that small firms use less of market research. Examining the relationship between firm size and market research, Voerman, Wodel and Zwart (2000) showed that information gathering and market research are costly, and small firms cannot undergo such costs. In his model, Sharma (2004) entered firm size as one of contextual factors effective on marketing strategy, believing that the variable (firm size), as one of contextual factors, does really affect marketing strategy.

4. The Relationship between Type of Industry and Market Research
Previous studies to investigate the relationship between type of industry and market research have lead to many contradictory results. In a study, Abratan and Pitt (1985) examined marketing strategies in two different industries. The results indicated that marketing strategy, and especially pricing strategy, is different in the two industries under analysis. They believed that type of industry undeniably affects marketing activities.

Investigating the influence of industry on market strategy, Hart and Diamantopoulos (1993) proved that firms behave differently in different industries. However, to them, it is not defendable to assume that from firms having activity in a single industry, those who have better performance use more of market research.
Richy and Myers (1999) investigated industry as an environmental factor effective on market research. The results of their model showed that in the classification of industrial goods, as compared to consumer goods, exporters pay less attention to information about the culture of countries. The example they refer to is that to exporters, it is of higher importance to find information about economical substructures of countries regarding consumer goods than services, and also more important to find information about services than industrial goods. Voerman, Wodel and Zwart (2000) showed that the kind of industry in which firms have activity is effective on firm's use of market research.

Sharma (2004), in his model, considered industry as a contextual Factor effective on marketing strategy. In this model, he investigated eight branches of industry and confirmed there is a weak relationship between industry and marketing strategy. In other words, the results of his model are not indicative of a specific relationship between industry and emphasis on marketing strategy.

5. Strategic Factors and Market Research
Another variable effective on the performance of firms in market research is Strategic Factors. The strategy of position determining in market means how a specific firm copes with competition in market and what place and position it chooses for itself there (Ghoshal, 1987). In a study entitled "Information Support for Sales Managers", Stone and Good consider the strategy of position determining in market as a factor effective on market research (Stone and Good, 1994). The results of their model show that the kind of strategy a firm chooses to determine its position in market affects its use of market research. This means that those firms that are seeking for a better position in market, or, in other words, those firms that think worldly, need more of market research in order to maintain, keep, and improve their position in market.

In another research, Aulakh and Kotabe (1997) investigated the performance of firms in foreign markets, showing that with more market research and more contact with customers, those firms that are seeking to find a strategic global position in market can create an environment through which to provide exclusive benefits for themselves and to restrict the entrance of potential rivals. Considering the strategy of position determination in market as one of the factors effective on market research, Richy and Myers (1999) put forward the following hypothesis to investigate the relationship between this strategy and market research: the more a firm is seeking for a better place in market, the more market research it needs. In the model offered by Richy and Myers (1999), the variable position determination in market is measured by firm's goal and its three criteria include: increase of market share, preventing the entrance of rivals and increase of sales. The results of the study are indicative of the acceptance of their hypothesis, meaning that, there is a relationship between position determination in market and market research.

Technological changes, the increase of global competition, and demographic changes are the three factors making firms pay considerable attention to their distribution channels (Anderson, Day and Rangan, 1997). In a study, Sachdev, Bello and Pilling (1994) investigated the control mechanisms in distribution channels. They in their model tried to examine the relationship between distribution channels and market research. The results of their model show that one of the most important problems facing today's firms is to coordinate distribution channels and that market research plays a significant role to inform firms how to have a better supervision on distribution channels.

Myeres (1997) believes that in today's competitive struggles, the only way to coordinate prices with market condition is through market research, and that one of the most important sources to find such information is through distribution channels. Cavusgil (1988) also believes that the use of market research for the coordination of prices with market research depends on the amount of firm's supervision on distribution channels. In order to investigate the relationship between supervision on distribution channels and market research, Richy and Myers (1999) in their study manage to prove that there is such a relationship (i.e. between supervision on distribution channels and market research).
6. The Relationship between Market Research and Firm's Performance

The results of various studies show the existence of relationship between firms' export performance and market research (Bijmolt and Zwart, 1999; Moini, 1995; Stone and Good, 1994; Donthu and Kim, 1993). To investigate such a relationship, Li and Cavusgil (2000), in their model, measure performance with two criteria including market share of new product and profit margin of new product. The results of their model emphasize this relationship (i.e. that of market research and performance). Richy and Myers (1999) also, in their model, tried to measure the relationship between market research and firms' export performance with three criteria including profit margin of new product, market share and sales volume. The results were indicative of the acceptance of their hypothesis. Lee and Griffith (2003) believe that there is a significant and positive relationship between market research and performance.

7. Hypotheses

The below hypothesis have suggested based on theoretical framework and research objectives:

- **H₁**: There is relationship between firm size and market research.
- **H₂**: There is relationship between industry and market research.
- **H₃**: There is relationship between strategic factors and market research.
- **H₄**: There is relationship between market research and firm's performance.

8. Research Method

With respect to goal, the research is an applied study and concerning the method of data collection, it is among qualitative survey studies. The statistical populations for the research are all Iranian non-governmental exporting firms that have exported their goods to foreign countries in 2009. Thus, the statistical analysis in the research is done on exporting firms and the statistical sample is selected from this population.

Based on the information published by Iran's Export Development Center, more than 60% of Iranian exporting firms are located in provinces of Tehran, Khorasane Razavi, Azarbaijane Sharghi, and Esfahan. Thus the statistical sample of the research was randomly chosen from the firms located in these provinces. Therefore, the method used for sampling in the study was stratified random. Using Kukran formula, 152 exporting firms were chosen as the size of statistical sample. Moreover, the proportion dedicated to each province to be considered as the statistical sample was dependent on the share of that province in the statistical population.

9. The Results of Hypotheses Testing

9.1. Results of Testing H₁

There is relationship between firm size and market research. With respect to the scales of variables and type of their distribution, Pearson correlation was used to test the first hypothesis, the goal of which was to check the existence of relationship between firm size and market research. The results acquired from Pearson correlation test show that there is a positive relationship between the two variables (i.e. firm size and market research) at the significance level of 1%. Thus, it can be claimed that market research will be used more, if firm size gets larger (Table 1).

| Table 1: The Results of Pearson r Correlation for Testing the Relationship between Firm Size and Market Research |
|---|---|
| Firm Size | 0.645 |
| Market Research | 0.004 |
| Number | 152 |
9.2. The Results of Testing H2
There is relationship between industry and market research. In order to investigate the relationship between type of industry and market research in the second hypothesis, based on the scales of variables, ANOVA was used. In order to use ANOVA the assumption of interval variables being normal was tested and approved. Moreover, the assumption of variances being homogeneous in the sample groups (different branches of industry) was tested. The results show that the mean of the variable market research is not significant among different industries at the significance level of 5%. In other words, there is no relationship between type of industry and market research (Table 2).

Table 2: The Results of ANOVA on the Type of Industry and Market Research

<table>
<thead>
<tr>
<th>Variable</th>
<th>SS</th>
<th>df</th>
<th>MS</th>
<th>F</th>
<th>Sig</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market Research</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Between Groups</td>
<td>11.876</td>
<td>4</td>
<td>2.969</td>
<td>3.990</td>
<td>0.60</td>
</tr>
<tr>
<td>Within Group</td>
<td>110.189</td>
<td>148</td>
<td>0.744</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>122.065</td>
<td>152</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

9.3. The Results of Testing H3
There is relationship between strategic factors and market research. To test the third hypothesis, that was to examine the existence of relationship between the strategy and market research, first two peripheral hypotheses including the strategy of position locating and supervision on distribution channels were tested. Considering the scales of the variables position locating strategy and market research, to test this hypothesis Analysis of Variance was used. To use ANOVA the assumption of interval variables being normal was tested and accepted. Furthermore, the assumption of variances being homogeneous in the sample groups was tested. The results of ANOVA indicate that the mean of the variable market research is significant among different levels of using strategy at the significance level of 1%. In other words, there is a relationship between locating strategy in market and market research (Table 3).

Moreover, to determine the direction of this relationship between the two variables, means were compared. The results show if firm's agreement to use the strategy of locating in market increases, the mean of using market research will also enhance. Again, based on the scales of variables in the second peripheral hypothesis, ANOVA was used. The results indicate that the mean of the variable market research is significant among different levels of supervision on distribution channel at the significance level of 5%. In other words, there is a relationship between supervision on distribution channel and market research. Having compared the means, the results show with the agreement of firm to increase supervision on distribution channel, the mean of using market research will also enhance. Therefore, it can be claimed that there is a positive relationship between supervision on distribution channel and market research (Table 4).

Table 3: The Results of ANOVA on the Locating Strategy in Market and Market Research

<table>
<thead>
<tr>
<th>Variable</th>
<th>SS</th>
<th>df</th>
<th>MS</th>
<th>F</th>
<th>Sig</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market Research</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Between Groups</td>
<td>56.03</td>
<td>6</td>
<td>9.338</td>
<td>1.621</td>
<td>0.007</td>
</tr>
<tr>
<td>Within Group</td>
<td>955.985</td>
<td>146</td>
<td>5.758</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>1012.015</td>
<td>152</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 4: The Results of ANOVA on the Supervision on Distribution Channel and Market Research

<table>
<thead>
<tr>
<th>Variable</th>
<th>SS</th>
<th>df</th>
<th>MS</th>
<th>F</th>
<th>Sig</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market Research</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Between Groups</td>
<td>74.52</td>
<td>5</td>
<td>14.904</td>
<td>2.437</td>
<td>0.023</td>
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<tr>
<td>Within Group</td>
<td>1021.352</td>
<td>147</td>
<td>6.115</td>
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<td></td>
</tr>
<tr>
<td>Total</td>
<td>1095.872</td>
<td>152</td>
<td></td>
<td></td>
<td></td>
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</tbody>
</table>
9.4. The Results of Testing H₄
There is relationship between market research and firm's performance. ANOVA was also used to test the fourth hypothesis the aim of which was to check the existence of relationship between market research and exporting performance. The results of ANOVA show that the mean of exporting performance is significant in different levels of using market research. That is, there is a relationship between market research and exporting performance. Moreover, having compared the means, it was observed that with increase in the use of market research, the mean of firms’ exporting performance will also enhance. Therefore, it can be claimed that there is a direct relationship between market research and exporting performance (Table 5).

Table 5: The Results of ANOVA on the Market Research and Exporting Performance

<table>
<thead>
<tr>
<th>Variable</th>
<th>SS</th>
<th>df</th>
<th>MS</th>
<th>F</th>
<th>Sig</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exporting Performance</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Between Groups</td>
<td>43,012</td>
<td>4</td>
<td>10.753</td>
<td>1.783</td>
<td>0.002</td>
</tr>
<tr>
<td>Within Group</td>
<td>892.204</td>
<td>148</td>
<td>6.028</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>935.216</td>
<td>152</td>
<td></td>
<td></td>
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</table>

10. Conclusion
The present research was intended to investigate the relationship between firm characteristics and market research in Iran's exporting firms. To do so and with regard to the research literature, four hypotheses were proposed.

The results of the study indicate that there is a positive relationship between firm size and market research. In other words, there are many differences between small and big firms in the way to use market research. In effect, larger firms are more active than small ones to use market research because more sources are available to them. Moreover, it is costly to use market research, especially when it is done officially; thus, small firms cannot afford to undergo such costs.

The results of the research show that there is no relationship between industry and market research. An important reason for the ineffectiveness of industry on market research in Iran is that exporting firms have a traditional look to the issue of export. While each industry has its own information needs, Iranian firms pay trivial attention to this issue. Another important factor affecting this relationship is that some exporting firms export a variety of products, or in better words, are performing in more than one industry.

In general, the results of the study indicate that there is a relationship between strategic factors and market research. That is, the more a firm seeks for a better position in market and also for a higher supervision on its distribution channels (more coordination), the more market research it needs. To understand the agreement between strategic factors and market research, it is undoubtedly strategic knowledge that plays the undeniably key role.

Eventually, the results were also indicative of the existence of relationship between market research and exporting performance and that if used more, market research can lead to the promotion of exporting performance. Actually, for stable export and strong presence in foreign markets to occur, it is necessary to employ market research. This is obviously because of the positive effect of market research on exporting performance. As a matter of fact, exporting firms can improve both exporting knowledge and performance of themselves, if they, with a true perception of market research and with taking a scientific look on its long-term effect, do really employ research. Based on the results of the study, the following issues are presented to be investigated and employed in the policy-makings related to stable development and the strategy of presence in foreign markets:

1. The necessity that government and governmental organizations should pay more attention to information needs of exporting firms, especially small and middle ones.
2. The necessity that exporting firms should recognize more the information needs of each industry
3. The necessity that exporting firms should promote their strategic knowledge.
4. The necessity that exporting firms should pay more attention to the effects of market research.

References


