

FACTORS AFFECTING THE EXPORT PERFORMANCE OF COMPANIES IN SOUTH SULAWESI, INDONESIA

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Abstract - This study aims to analyze the effects of competitive strategies consisting of cost leadership strategy, differentiation strategy and focus strategy on export performance of the export companies in South Sulawesi, Indonesia. This paper used a multiple linear regression analysis to determine the effects between the independent variables on the dependent variable. The data was collected from the export companies in South Sulawesi. The study found that any of the competitive strategies suggested by Porter has positive and significant effect on the export performance of the companies in South Sulawesi. However, of the three strategies, the effect of focus strategy on export performance is stronger than cost leadership strategies and differentiation strategy. Whist the effect of differentiation strategy on the export performance is stronger than cost leadership strategy. This study suggests that there is a need for the companies under survey to improve the cost leadership strategies, differentiation strategy, and focus strategy in order to improve their export performance. By improving any of these strategies, the overseas customers will able to get added values which further increase the level of demand toward export products produced by the companies. In addition, these companies should also develop better quality of commodities which have high selling value, without having to forget the importance of tastes and needs of customers abroad.

Index Terms - Cost leadership strategy, differentiation strategy, focus strategy, and export performance.

I. INTRODUCTION

Export performance is a topic of concern to many academics in both developing and developed countries. However, focus of those studies was mostly toward export performance of large scale enterprises (LSEs). Nowadays, there have been many studies toward the export performance of Small Medium Enterprises (SMEs). These studies include Zehir, et.al. (2015), Love et.al. (2016) and Behyan et.al.(2011) to name a few studies. The first two studies examined the urgency of export performance in small and medium enterprises, while the latter study highlighted the importance global market opportunities to achieve a superior export performance.

To discuss export performance indeed requires a comprehensive understanding of competitive strategies in the face of an increasingly global world market. The position of competitive strategy in the export industry involves offensive or defensive measures to create a sustainable position. Competitive strategies that consist of cost leadership strategies, differentiation strategies and focus strategies can help export firms to overcome competitive obstacles in industry (Tanwar, 2013).

The challenge of export companies toward competition in international markets is not merely determined by a conducive global economic condition, but also by the competitive strategies adopted by companies (Lahat & Shoham, 2014). These concepts of competitive strategy have been widely adopted. Companies can gain a competitive advantage if they can create value for consumers (Shah et al., 2003). Competitive strategies can be improved by determining the high potential advantages to develop and implement strategies that are appropriate to the characteristics of exporting companies. For these reason, this study aims to determine factors of competitive strategies that affect export performance.

II. LITERATURE REVIEW

2.1. Competitive strategies

Competitive strategies have been argued to be important in building a favorable position for a company (Shah et al., 2003). These competitive strategies play an important role in every industry, especially for the SMEs export industry to lead successfully in a dynamic global environment. Competitive strategies can be easily achieved when SMEs implemented strategies that create value which at the same time are not used by competitors (Barney, 1991). Gareche et.al (2013) described their views of the competitive strategies positions within a company. The first view is based on the theory pioneered by Porter, which explains that environmental opportunities can enable companies to achieve competitive advantage through cost leadership strategies, differentiation strategy and focus strategy. The second view is a resource-based theory, which confirms that every business creates competence and it further results competitive advantage.

Competitive strategies consist of several strategies, namely, cost leadership strategies, differentiation strategy and focus strategy. The focus strategy is the strategy which is based on the selection of specific segment and further it was adjusted to this segment. Conventionally, managers believe that cost leadership strategies, differentiation strategies, and focus strategies are synergized to become a common reference used by practitioners (Minarik, 2007).

Valipour et. al. (2012) explained the purpose of cost leadership strategies is to produce cheap products to consumers compared with competitors' products. These cost leadership strategies are obtained by the company through production experience, investment in equipment production facilities, and comprehensive monitoring of total operating costs. However, Atikiya et. al. (2015) argued that the source of cost advantage depends on the industrial structure. Through this structure, the cost advantage can be obtained from economies of scale, economics of scope, propriety technology, and preferential access to materials among other factors. Companies that implement cost leadership strategies will gain many benefits and managerial efficiency. These strategies can be feasibly applied export industries. Whilst companies that used focus strategy are able to identify targeted export market segments on one hand and on the other hand be able to meet the needs and wants of consumers in those segments in a way that is better than other competitors. Note that, the focus strategy can be based on differentiation or low cost based (Bordean et al., 2010)

2.2. Export performance

As mentioned at earlier that export performance is an important and complex topic in the field of international business. This is why there are so many researchers are interested in studying the topic with various research approaches. Roxo (2014), for instance, found that firms that have better export performance on an international level if they have the followings. The firsts is if they are fully committed and have support from top managers. The second is if they have a high level of international business knowledge when conducting export activities. The third is if they fully understand the characteristics of export markets. The fourth is if they understand consumer characteristics as well as the macroeconomic conditions.

Therefore, export performance is a composite result of the company's export sales. It consists of three dimensions, namely, export sales, export profitability and performance changes (Shoham, 1998). In other words, the success of a company in the export business in general cannot be explained by a single variable, so that consideration toward other variables is required (Carneiro, et.al., 2011).

III. RESEARCH METHODS

This study used quantitative approach to examine factors that affect export performance of the export companies in South Sulawesi. The data was obtained through Pelabuhan Indonesia IV (Persero), Indonesia. The criteria used to select the unit of analysis are based on the willingness of the manager in filling out the research questionnaire. A total of 300 questionnaires were distributed to 112 export companies. However, of these questionnaires, there were only 194 questionnaires that can be further processed. Variables

of this research consist of independent variables, namely, cost leadership strategy, differentiation strategy, and focus strategy. Whilst the dependent variable is the export performance of the companies under surveyed. Note that, the independent variables were adopted from Porter's competitive strategies theory (1990), while the dependent variable was taken from Navarro et al. (2010). The conceptual framework of the study and the hypothesis are shown in the following figure 1.

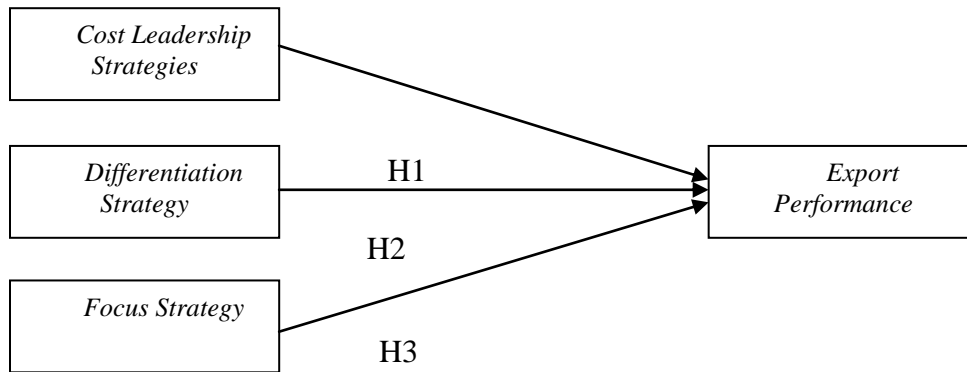


Figure 1. The conceptual framework of the study

IV. RESULTS AND DISCUSSION

Description of the Export Company profile

The main export destination of the companies in South Sulawesi is to China. This is based on the highest export volume. Of the many export products, nickel has been the dominant of the export product. However, this product is largely exported to Japan. The export product from this province tends to be declining every year. At the National level, the highest export performance is from West Java. This province contributed of 17.25 percent of Indonesia's total exports. The second largest export contributor is Riau with 11.23 percent. The third rank is West Kalimantan at 10.63 percent. The province of South Sulawesi still contributes the highest export performance compared to some other provinces.

Statistical Description

Statistical description was conducted to test the frequency and the mean of variable cost leadership strategies, differentiation strategy, and focus strategy. Descriptive statistics of cost leadership strategies (LS) are measured by four items as suggested by Porter (1990). The highest LS score represents the best competitive strategies. Of these LS, LS2 is the item that has the highest mean value, which indicates "doing strict cost control and overhead" (Mean = 4.02). While LS4 that is "using low quality materials with guaranteed quality" is the item that has the lowest score (Mean = 3.75).

In terms of the descriptive statistics of differentiation strategy (DS) as measured by four items, DS1 is an item that has the highest mean value, indicating "creating a new product as something unique" (Mean = 4.03), while the DS4, that is, "creating the value proposition for the consumer" is the item with the lowest score (mean = 3.80).

Further, descriptive statistics of focus strategy (FS) as also measured by four items, it was found that FS4 is the item that has the highest mean value, which indicates "adjust strategy to serve specific segment in particular" (Mean = 3.96). While FS2, that is, "centering on the product line segment" is the item that has the lowest score (mean = 3.73).

Regression Statistics.

The study found that all three of the null hypotheses tested are rejected. The H1 hypothesis, for instance, that hypothesized that there is a positive and significant effect of cost leadership strategies (LS) on export performance was accepted. This was shown from both t statistical value and the sig value which less than 5 percent. This suggests that low cost leadership strategy (LS) has

positive and direct effect on the export performance. However, the variation of export performance explained by the LS was only 0.355 or 35.5 percent as shown by R Square value.

The H2 hypothesis was also accepted as shown by both t-value and sig value. This suggests that there is a positive and significant effect of differentiation strategy (DS) on export performance. The variation of export performance explained by differentiation strategy was about 0.418 or 41.8 percent as shown by R Square value.

Finally, the H3 hypothesis was also accepted as shown by t value and sig value. This suggests that focus strategy (FS) has a positive and significant effect on the export performance. The variation of the export performance explained by the focus strategy was about 0.472 or 47.2 percent as shown in R square. The detail of the regression output is shown at Table 1.

Therefore, this study confirms that there a positive effect for each competitive strategy in affecting the export performance of the companies in South Sulawesi under survey. For this reason, it is a must for the export companies in South Sulawesi to implement any of the competitive strategies either cost leadership strategy, differentiation strategy or focus strategy in improving the export performance.

Table 1. Regression Output

	Un-standardized Coefficients		R Square	t	Sig.
	Beta	Std. Error			
Constant	0.738	0.225		3.287	0.001
LS	0.191*	0.069	0.355	2.777*	0.006
DS	0.238*	0.077	0.418	3.096*	0.002
FS	0.401*	0.075	0.472	5.367*	0.000

Note: * Significant at 0.05

V. CONCLUDING REMARKS

This study showed that any of the competitive strategies suggested by Porter has positive and significant effect on the export performance of the companies in South Sulawesi. However, of the three strategies, the effect of focus strategy on export performance is stronger than cost leadership strategies and differentiation strategy. Whist the effect of differentiation strategy on the export performance is stronger than cost leadership strategy. The findings of this study provide an understanding of the main drivers of export performance.

The results of this study also indicate that an increased in the cost leadership strategies, differentiation strategy, and focus strategy will lead to an increased to export performance in leading commodities, vice versa. These findings imply that cost leadership strategies, differentiation strategy, and effective focus strategy can cause overseas customers are able to get added values which further increase the level of demand toward export products. Thus, managers of these companies need to improve and create any competitive strategies that are profitable on one hand, and on the other hand they should also develop better quality of commodities which have high selling value, without having to forget the importance of tastes and needs of customers abroad.

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