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The impact of tangible and intangible resources on export performance

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ABSTRACT

One of the main reasons for the decline in Iranian carpet exports has been the decline in global demand for it. On the other hand, in the last decade or two, serious competitors have emerged in this area, Nepal and Turkey, which have posed a serious challenge to this industry. The underlying factors that encourage countries and companies to engage in international trade are complex and numerous. Based on the studies conducted, we find that intangible resources (property rights, management assets, communication assets) play an important role in export performance. Tangible resources (human resources and production capabilities) and their importance have also been considered in previous studies. The aim of this research is to improve the export performance of exporting companies, as well as the impact of tangible and intangible resources on the export performance of carpet exporting companies, and to compare the importance and impact of these resources. The indicators determining the components of tangible and intangible resources on export performance are provided in order to collect data and information. Also, the conceptual and operational definitions of the research variables are provided in the research background section.

Keywords: tangible resources; intangible resources; export performance

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1. INTRODUCTION

In the history of the nations of the world, there is rarely an art with such an ancient history that has enjoyed public acceptance as the handmade carpet. The carpet is a commercial and profitable commodity that has occupied a multitude of operators and investors. The handmade carpet has a special place among non-oil exports and is considered one of the most important export items. Although this position has potentially maintained its position, in recent years it has failed to meet the expected competition in the global market, so that the income of \$517 million in 2012 decreased to \$406 million in 2016 and reached \$389 million in 2019.

One of the main reasons for the decline in Iranian carpet exports has been the decline in global demand for it. On the other hand, in the last one or two decades, serious competitors in carpet exports have entered the export market, which has faced this industry with a serious challenge. This issue has been examined in various studies. Therefore, it seems that adopting long-term plans to provide raw materials and production tools through credits, establishing production cooperatives of handmade carpet weavers with an approach to organizing production, providing training courses on proper weaving, and providing health services is essential. The most important step that can be taken in this regard is the formation of cooperatives, which allow the accumulation of small capital. In addition, utilizing cooperatives as a production organization can play an effective role in teaching and improving the quality of carpet weaving, design,

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and type of raw materials. Cooperatives can also give proper direction to handmade carpet production. Creating chain networks of handmade carpet production cooperatives and organizing production and fair distribution of income will not only flourish this industry, but also provide the grounds for growth and development in this industry, and in the future, will lead to the expansion of handmade carpet exports to global markets.

2. LITERATURE REVIEW

The underlying factors that encourage countries and companies to trade internationally are complex and numerous (Švárová and Vrchota, 2014). Theorists in the field of international trade have tried to explain trade patterns between countries by identifying these factors. The most important theories presented in this field are: classical theory of international trade, factor ratio theory and product life cycle theory. The level of analysis in all of these theories is countries and not companies. In contrast to these theories, another group of theories called export behavior theories have emerged, the main question of which is: why and how do different companies engage in export activities? Theories of export behavior explicitly focus on the motivations of the company and its export strategies (and not just the economic logic of export), marketing and other capabilities of the company in exporting and its interaction with the foreign market environment (Albaum et al., 2002).

Variables affecting export performance are also divided into two categories: 1. Environmental variables: For example: how to choose and adapt to market conditions. Powell states in a study that to increase the chances of success of exporters who want to enter the market for the first time, a country should be selected to start with that is psychologically close to them. The key variable in this case is psychological distance, which includes the totality of factors that prevent the flow of information to or from the market, such as differences in language, business practices, culture, and industrial development. Other environmental variables include the government and economic infrastructure of the host country, which can in turn affect export performance.

Company variables: In this case, factors such as the level of management commitment to exports, having an international perspective on the part of management, proficiency in a foreign language, ability to operate in international affairs, communication, and management's perception of issues such as risk-taking and opportunities in domestic markets can be mentioned.

Because company-related characteristics (variables) can have a greater impact on performance, we will focus on this category of variables. Company-related export performance variables are divided into two categories: tangible and intangible factors. Tangible factors include: distribution channel, product uniqueness, timely product delivery, product packaging, willingness to adapt the product, quality, product and pre- and after-sales service, customer relations, research and development, ability to use technology, suppliers, and financial strength, which affect export performance.

Intangible factors include three categories: attitudinal, skill, and knowledge factors. Attitudinal factors: management commitment, perception of exports, export orientation and international outlook, trust. Skill factors: development of relationships between managers and employees, level of education of managers and general management. Specific export skills such as foreign language, international finance expertise, export knowledge, and work experience of managers are knowledge factors.

The process of globalization of trade causes companies to gradually engage in the export process and turn to global markets. Of course, it should be borne in mind that the motivations and incentives to start exporting are different for different companies. In studies related to export motivations that affect companies' decisions to start exporting activities or maintain and continue these activities, two approaches can be followed. The first approach is related to the issue of whether the decision to export is initially made by internal factors of the company or whether this decision has an external origin.

The results show that most companies attach limited and little importance to export incentives provided by government export policies. However, it should be remembered that in the export marketing literature, the role of the government is considered as a key element in the manager's perception of the company's internationalization (entering the export process or not), whether this role is considered by managers to be a deterrent or a facilitating role. Export incentives have been proposed by some researchers as the most important and dynamic elements in determining the export behavior of companies. There are several theories in the export marketing literature that describe export incentives. In addition, it determines the choice that an individual makes among the various available options. The common theme in the two theories above is that motivation is related to factors that reinforce an individual's behavior, direct that behavior, and perpetuate that behavior. In addition, these studies show major differences between how people can be motivated by different stimuli and the extent to which each of these stimuli can have an impact on behavior. Another theory that exists in this regard is the Porter and Lawler cognitive theory of motivation, which is the basis of the expectancy theory of value. This theory states that expectations are beliefs that an individual holds that lead to some subsequent outcome. On the other hand, value means the positive or negative value that an individual places on the

realization of outcomes and these combined effects lead to the individual's motivation. The importance of the expectancy theory of value in export management was examined by Bodley and Koch and they observed the following results: 1) Managers have their own preferences among the various potential outcomes. 2) Managers have expectations about the probability that an effort on their part will lead to the desired behavior. 3) Managers have expectations about the probability that certain outcomes will lead to certain behaviors. 4) The response that an individual chooses is influenced by the expectations and preferences that he has in a given situation. According to the above theories, it can be said that export incentives can be used at any stage of exporting. Whether in the pre-export stage, in the intermediate stages, or when a commitment to export has been made. A distinction has been made between the factors that lead to the start of export and the factors that lead to the commitment to export in the advanced stages of export. Much research has been done in response to the question of what factors may encourage small and medium-sized enterprises to export. Of course, the first works were done by Simonzo Smith. The findings of these early researchers and the findings of recent research suggest that the factors influencing the initiation of export activities can be outside the boundaries of the organization, so external phenomena such as environmental changes or other similar indirect effects may explain export stimuli. While in later stages, exporters are more aware of the effect of internal and objective factors. Of course, the researchers of the creativity school who studied exports distinguished between external factors affecting the initiation of exports and internal variables (the company) that could be an important explanation for understanding the process of deciding to start exporting. These researchers stated that exporting is part of an internal commitment of the company to carry out any activity, meaning that these researchers generally attributed events related to the company to its internal factors.

In their study on "export motivations from the perspective of non-exporters", Leonidas and Leonid also showed that the key factors influencing the initiation of exports are factors that are external and influential in nature, and not internal and passive, such as receiving unsolicited orders, which is the most important and influential factor in stimulating companies to initiate export activities. From their point of view, the second and third most important factors are the presence of excess production capacity in the organization and the existence of limited business opportunities in domestic markets. What can be stated is that companies initiate exports for various internal or external reasons. However, what has a higher priority in the path of export development is the continuation of exports or, in other words, the commitment to exports among companies. This issue encompasses many factors, including export problems and restrictions and factors affecting export performance.

Using an export incentive program affects export performance by influencing export strategy. The government can influence export performance by designing incentive programs for companies by selecting the appropriate strategy and implementing it using programs. Since human resources are the most valuable factor of production and the main source of competitive advantage and key capabilities of each organization, and the human factor is considered a strategic resource for organizations, human resource planning is part of strategic planning. In the theories of classical economists, humans are considered only as one of the production inputs in the production cycle of goods and services, and capital accumulation is considered a key factor in economic growth and development. Regarding the role of humans in the process of production, economic growth and development, it is observed that in all perspectives, what is important is material and physical capital and its role in production and economic growth, and it can also affect exports in this way.

Just as it is essential for the success of a market concentration strategy, it is also an essential part of the success of a market expansion strategy. Therefore, regardless of the type of export market development strategy, production capabilities are a necessary condition for achieving desirable export performance. It can be argued that if a company does not have this competitive advantage, its success in export markets will be jeopardized. In order to improve production advantages, it is necessary to consider the following factors: production method and technology, quality control process, ability to produce new products, range of products produced, experience and training of employees, and operational efficiency. They also stated that management assets include the components of management's commitment to presence in export markets and management's export experience. Therefore, among companies that have a market-focused strategy, those companies whose managers are more committed to being present in export markets and have more export experience have performed better than other companies. In the communication style dimension, regular visits to export market is another factor that has a direct relationship with export performance. Successful companies with a market focus strategy visit their export markets in an orderly and regular manner.

Based on the theoretical and empirical findings of this research, it is suggested that in order to provide a suitable platform for investment and productive activities and achieve economic growth and development in developing countries, structural reform and improving the quality and efficiency of political and legal institutions should be prioritized in policymaking and macro-planning. The most important of these reforms include creating political and economic stability and sustainability, facilitating rules and eliminating unnecessary regulations related to production and trade, increasing the efficiency of laws and regulations, establishing the rule of law, providing the necessary

security for investment, clarifying and guaranteeing property rights, and creating a healthy, transparent, and competitive environment in the economy.

Finally, based on the studies conducted, we find that intangible resources (property rights, management assets, communication assets) play an important role in export performance. Property rights refer to intellectual property such as trademarks, patents, reputable brands, quality systems, company reputation, etc. A company's intellectual property assets are positively related to a company's export performance. Managerial assets are known as the main variable in companies' exports. Managerial resources have a positive relationship with companies' export performance. Relationship resources mean relationships with others such as customers, competitors, suppliers, etc. on export performance. As a result, relationship resources have a positive relationship with export performance. A combination of intangible resources has a greater impact on export performance than individual intangible resources. Based on the studies conducted, it is clear that the combination of tangible resources has a better and more positive result on export performance than they do alone. Finally, we conclude that intangible resources are positively related to companies' export performance (Kumlu, 2014). The conceptual model of the research is based on the article Kumlu (2014) and Junaidu et al. (2012). Combining and combining variables affecting tangible and intangible resources in a model and also determining the impact of variables on the ranking scale are innovations of this research. The conceptual and operational definitions of the research variables are as follows in Figure (1).

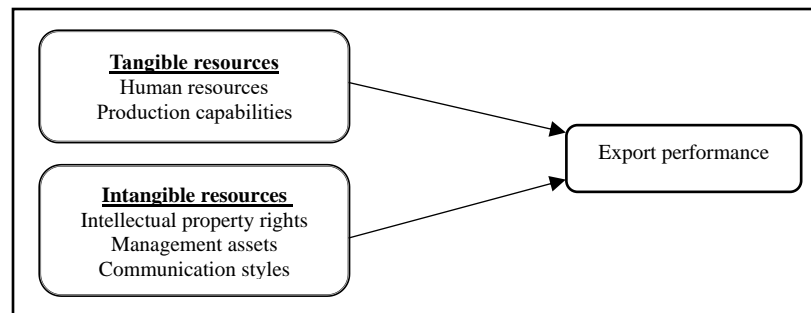


Figure (1): Conceptual model

Tangible resources (human resources, operational production, financial) are all strongly related to the export performance of firms. The operational capability of the firm to initiate and sustain export activities is one of the important factors that determine how successful a firm can be in export activities. Without this capability, firms may not even engage in export activities. Human resources are related to the quality and composition of employees in the firm as well as the commitment of management to export. Insufficient human resources in a firm can lead to the lack of a dedicated department responsible for export activities. As a result, it is expected that the lack of human resources will have a negative impact on export performance. Tangible resources are positively related to export performance. Firm size moderates the relationship between tangible resource barriers and export performance. More tangible resources lead to better export performance, and the lack of tangible resources has a negative impact on export performance (Junaidu et al., 2012).

Kumlu (2014) has examined the impact of intangible resources on export performance in his study and introduced intangible resources as intellectual property rights, management assets and communication styles, which the present study will be conducted based on Kamelo's model.

2.1 Human resources

The concept of human capital has its roots in economic literature (Becker 1996). In fact, the qualitative characteristics of individuals are their capital. Human capital is neither physical capital nor financial capital, but human capital is defined as knowledge, skills, creativity and health of the individual (Becker, 2002). Becker points out that human capital, physical capital, and financial capital are all forms of capital in some way, but their difference stems from the fact that an individual cannot be separated from his or her skills, health, and values, while this is possible with respect to an individual's assets and possessions. This means that the most sustainable and renewable capital is human capital. This variable is measured based on indicators of diverse work abilities, diverse work training, the ability to recognize and acquire knowledge, the ability to maintain and apply knowledge, and the ability to share and develop knowledge (Griffiths et al., 2009).

2.2 Production resources

The word production literally means extraction, product, product, work, action, result, presentation, and production, and in economics, it is the creation of utility through human activity. In economics, production also includes the creation of objects by humans, but also includes other service activities such as protection and maintenance, cleaning, and so on. This variable is measured based on indicators of quality control process, new product development, product categorization, product development in line with customer characteristics, production quality, product uniqueness, and after-sales commitment and service (Junaidu et al., 2012).

2.3 Intellectual property rights

According to the World Intellectual Property Organization, intellectual property rights are rights arising from creativity and intellectual creations in the fields of science, industry, literature and art. Industrial property includes patents, industrial designs, trademarks and geographical indications. Literary and artistic property rights protect the rights of authors, creators and artists. However, in Iran, due to the lack of accession to the Berne and Rome conventions on copyright, these rights are not adequately protected. In this study, intellectual property rights are measured by three dimensions of legally protected rights, focusing on quality and trademarks. These indicators include industrial design rights, brand names, investment in strengthening trademarks, patents, compliance with customer expectations, service quality, market success, quality of investment in product standards and emphasis on product quality (Kumlu, 2014).

2.4 Communication styles

Communication styles refer to the ways in which a person can communicate with others in a way that leads to positive responses and avoidance of negative responses. The types of styles are presented below. In this study, intellectual property rights are measured by three dimensions: export compliance, competitor monitoring, and business group membership. These indicators include expanding business acquaintances, creating a network of relationships in business, developing virtual business relationships, avoiding disrespect and deception in communication, and transparency in communication (Bhattacharya et al., 2003).

2.5 Management asset

Management asset includes the components of management's commitment to presence in export markets and management's export experience. In this study, intellectual property rights are measured by four dimensions of international experiences, export commitment, risk taking (risk management), and innovation. These indicators include increasing export activities, discovering international market opportunities, sharing experience with employees, having knowledge and experience, the importance of export activities, developing a systematic approach, completed business cycles, planning international operations, visiting international markets frequently, importance of healthy activity, developing innovative strategies, using used techniques, taking risks, having experience, emphasizing research and development, technological leadership, and serious service exchange (Kumlu, 2014).

3. RESEARCH METHODOLOGY

The research method in behavioral sciences is determined by the criteria of: 1) research objective; 2) data collection method; and 3) implementation method. The method of this research is applied research in terms of its objective and a descriptive and non-experimental research in terms of data collection method. Also, the research method is a survey in terms of implementation method. The statistical population of the present study includes all carpet exporting companies in Tehran, the approximate number of which is about 160 people. In order to collect information in the field of theoretical foundations and literature on the subject, library resources, articles and relevant books will be used. In this study, in order to collect data and information in order to study the variables of intangible resources and export performance, a questionnaire is taken from the article of Kumlu (2014) and for the study of the variable of tangible resources, a questionnaire is taken from the article of (Junaidu et al., 2012). Regression in SPSS software will also be used to examine the impact of tangible and intangible resources and their components on the export performance of carpet exporting companies.

The objective of this research is to improve the export performance of handmade carpet exporting companies. The main and secondary objectives of this research are as follows:

1. The impact of tangible resources on the export performance of carpet exporting companies.
2. The impact of intangible resources on the export performance of carpet exporting companies.

3. Comparing the impact of tangible and intangible resources on the export performance of carpet exporting companies.

The measurement indicators of the research variables that will be used in the questionnaire are given in Table (1).

Table (1): Indicators

| Variable | Indicators | Source | |
|------------------------------|---|--|--------------|
| Tangible Resources | | | |
| Human Resources | Diverse work abilities Diverse work training Ability to identify and acquire knowledge Ability to maintain and apply knowledge Ability to share and develop knowledge | Griffiths et al., (2009) | |
| Ability to produce | Quality control process New product development Product classification Product development according to customer specifications Product quality Product uniqueness After-sales service and commitment | | |
| Intangible Resources | | | |
| Intellectual property rights | Industrial Design Rights Trademark Investment to Strengthen Trademarks Registered Patents Meeting Customer Expectations Quality of Service Success in the Market Quality Investment for Product Standard Emphasis on Product Quality | | Kumlu (2014) |
| Asset Management | Increasing export activities Discovering international market opportunities Sharing experience with employees Having knowledge and experience Importance of export activities Developing a systematic approach Business periods completed Planning international operations Multiple visits to international markets Importance of healthy activity Developing innovative strategies Using used techniques Risking Having experience Emphasis on research and development Technological leadership Serious service exchange | | |
| Communication Styles | Expanding business acquaintances Creating a network of relationships in business Developing virtual business communications Avoiding disrespect and deception in communications Transparency in communications | Bhattacharya et al., (2003) Griffiths (2009) Achrol (1999) | |

4. CONCLUSIONS

Based on the studies conducted, we find that intangible resources (property rights, management assets, communication assets) play an important role in export performance. Property rights refer to intellectual property such as trademarks, patents, reputable brand names, quality systems, company reputation, etc. The intellectual property assets of the company are positively related to the export performance of the company. Management assets are known as the main variable in the export of companies. Management resources have a positive relationship with the export performance of companies. Communication resources mean relationships with others such as customers, competitors, suppliers, etc. on export performance. As a result, communication resources have a positive relationship with export performance. The combination of intangible resources has a greater impact on export performance than individual intangible resources. Based on the studies conducted, it is clear that the combination of tangible resources has a better

and more positive result on export performance than they alone. Finally, we conclude that intangible resources are positively related to the export performance of companies.

Tangible resources (human resources, operational production, finance) are all strongly related to the export performance of companies. The operational capability of a firm to initiate and sustain export activities is one of the important factors that determines how successful a firm can be in export activities. Without this capability, firms may not even engage in export activities. Human resources are related to the quality and composition of employees in the firm as well as the management's commitment to export. Insufficient human resources in a firm can result in the lack of a dedicated department responsible for export activities. As a result, it is expected that the lack of human resources will have a negative impact on export performance. Tangible resources are positively related to export performance. Firm size moderates the relationship between tangible resource barriers and export performance. More tangible resources lead to better export performance, and the lack of tangible resources has a negative impact on export performance.

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