

Assessment on the Effect of Strategic Capabilities on the Country's Export Performance in the Carpet Industry

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Abstract: This study aimed to investigate the effect of strategic capabilities in the country's export performance in the carpet industry of Iran. Therefore the present study of research methodology is applied, correlation, descriptive and survey. The study population included all managers, deputies and experts for carpet manufacturing companies in Tehran in 2015. The population, according to Cochran formula and Morgan sample size table 125 managers and experts, by simple random sampling method, due to the homogeneity of the existing units were selected and responded to the questionnaire. Content validity of the questionnaire was designed and approved by formal method has a number of experts and its reliability was confirmed by Cronbach's alpha test. The results of the questionnaire were analyzed using linear regression analysis. Linear regression test results showed that the hypotheses were confirmed. Therefore, it can be argued that strategic capabilities and its dimensions in the Iranian carpet industry have an impact on export performance.

Key words: Strategic capabilities, export performance, carpet industry, export policy, homogeneity

INTRODUCTION

Export is vital tool for countries to achieve their goals of prosperity and economic growth. Since exports to improve the balance of payments, employment rate and standard of living helps; therefore, a number of governments seeking to develop exports, encourage more exports (Racela *et al.*, 2007).

On the other hand, exports as the most common way for companies, especially SMEs are known to enter foreign markets. One important reason for this is that exports, compared to other international methods, it requires less resources. Thus, export sales increasingly viable as a company is taken into consideration (Ghasemi, 2013).

The export's performance of commercial activities is to deliver goods and services to customers of a country in other countries for profit. Among the issues of concern of export performance is to inform the other nation's issue(s), developing a common strategy and specific measures is to attend in markets that its environment is unstable and uncertain for foreign. Recognition of cultural differences, economic and political environment is necessary to get the desired result.

Factors affecting export performance can be divided to two main factors controllable and uncontrollable factors. Internal market and environmental factors combined controlled and uncontrolled factors uncontrollable factors can be divided internal and external uncontrollable factors.

Environment including external factors. These factors are the opportunities and threats for companies to manage their uncontrollable medium can be used as attributes (opposite, unsafe, dynamic) or as an activity (such as work environment or environment) is conceptualized. In both cases, management should identify important factors affecting the business. Details of the company to manage than the more controlled environment and show strengths and weaknesses of the companies. So in this regard, special attention should be also taken strategic capabilities and needed programs to be made.

Strategic and managerial roles are as one of the most important of increasing importance in economic and non-economic organizations. The development of management posts and established strategic planning in many organizations, large companies that have strategic planning as their main service provided to business owners, Indicates the growing importance of strategic concepts for managers and organizations are.

In fact, the organization without a strategy can be likened to a ship that does not have a compass. In fact, the strategy has benefits that include:

- Strategy determines the direction of movement
- The strategy focuses efforts
- Helps to understand the organization and its differentiation strategy with other organizations
- The strategy provides coordination and consistency
- Strategy first and foremost provide environmental evaluation and prediction of the future

- Having a strategy is your opportunity to assess the institution
- Strategy within the organization as a whole tends to be common goals and provide coherence
- Strategy activities propel to a trusted host and for programs constitute a clear framework
- Strategy is to increase the quality of decision making in the organization (Amir, 2003)

Strategy is a comprehensive and mothers plan that shows how companies achieve the mission and goals. Strategies maximize competitive advantage and minimize competitive gaps. Strategic thinking very close relationship with blazing action in process. Mintzberg *et al.* (1998) says the practice thinking should surpass. Due to the unexpected changes that occur in the environment, immediate or gradual changes thinking that we do have to be practical. Thought and action should be complementary to each other. This thought led to the detection of visual ambiguity and how to solve the world becomes more complex.

Strategic management is the art and science of formulation, implementation and evaluation of multi-functional decisions that will enable the organization to achieve its purposes (David, 2003) quoting from the Erabi (2011). Strategic management consists of three main sections formulation, implementation and evaluation is the strategy. These three parts have a very close relation between (Erabi, 2011). On the other hand, the concept of empowerment is closely linked with the knowledge, experience and skills. In fact is a capable managers who have sufficient knowledge and skills. It should be noted that the knowledge and professional skills is necessary condition but not enough to gain. Capacity to manage the will mean "ability to apply knowledge and skills" "to" meet the needs of employees "and" the efficiency and effectiveness of the organization". Director is empowered management in light of their self-esteem and confidence to independently manage their knowledge and skills in implementing interventions for the organization. So to improve export performance, the impact on export performance management capabilities are essential.

Another possible factor in the performance is export-quality products. It is clear that efforts to improve the quality of products and manufactured goods, to meet the needs and access to global markets and increase competitiveness is the most important principle in the economic development of countries. One of the requirements for the realization of several large strategic objective, standardization of production and services as well as indicators to measure and control the quality of the goods that more than anything else that needs attention is the development of advanced standards based on knowledge and new technologies. Therefore, the purpose of quality and standardization is set the

properties of a product and its supplier (not only qualitatively but also in terms of quantity, price, etc.), that cause it to be good in question and to be sold. Also means the quality and standard of merit are competence, merit - deserved a company and its products and continue to enter and progress in the labor market. On the other hand, the globalization of markets, the integration of the global economy, intense competition, the uncertainty, instability in the global business environment, new requirements for countries that want to survive and thrive in complex environments and unstable global economy have created these requirements include such things as the use of tools, technologies and new ways to conduct business activities including exports, Given the role of small and medium industries in export promotion and that entrepreneurship is one of the factors that have the greatest impact on the success and growth of firms, countries and governments. For this reason it is necessary to examine the impact of entrepreneurship on export performance. Entrepreneurial Orientation (EO) describes how to enter new markets and offer new products can continue; EO strategic behavior is defined as the willingness to invest in new product development and innovation or changes in the product involved And through identifying opportunities and exploiting it and also emphasizes foresight and business perspective in order to gain competitive advantage known as (Abbas Zadeh, 2014).

On the other hand, innovation and technology development capability will be one of the effective potential factors on performance in the field of export Because innovation and technology development capability mean the ability to deliver any product, process or system in an organization or as a new idea, method or new device or process providing a new thing using a wide range of equipment and used computers, tools, data storage and network communication tools (Luftman and Lewis, 2013).

Also, export market development strategy, long-term strategic decision about the extent of the export market in the allocation of marketing efforts over time and between different export markets. In this regard, two alternative approaches exports are identified and discussed:

Market concentration, meaning the company's strategic focus on a number of carefully selected export markets and allocate resources for export activities in the same market; And expand the market, significant export market for any number of possible, without special attention to the specific market (Katsikas and Leonido, 1996) and export market development strategy can have an important impact on the company's overall export marketing mix strategies and finally it is effective on export performance (Piercy, 1982). Given the competitive environment prevailing in the contemporary companies operating in different markets Challenging conditions and

adapt to the changing needs and requires this of them equipped with the ability to adapt to market development. Therefore, the ability to adapt to market development, the capability, the necessary infrastructure to attract maximum market share (Ghasemi, 2013).

With increasing change in the market today and constant distribution of customer needs, flexibility (adaptability) has become a basic requirement for competition. Grewal and Tansuhaj (2001). Subsequently, literature and marketing strategies become increasingly flexible toward the strategy as a critical organizational skills and maintain competitive advantage and superior performance admits (Zhang, 2006). Production flexibility, the organization prepares to be able to quickly change production levels, develop new products quickly and respond more quickly to competitive threats. The concept of manufacturing flexibility have been proposed as the ability to respond to environmental changes and the ability to produce variable response to market in minimum time and cost (Chang *et al.*, 2007). Flexible production in fact is the company's ability to generate cost reductions in the production process and the diversification of products and reduce fixed costs or increase production in response to product demand on the market that considered as a measure of flexibility in the production company.

Given that the carpet industry, including industries in the non-oil goods and a large potential for the exchange business. On the other hand, many people engaged in this industry that can be an important factor in the creation of permanent and seasonal occupations for people. In fact, Iran's carpet industry from the earliest stage of the production cycle to reach the consumer can accommodate about 30 jobs. On the other hand, it is obvious to everyone affected by Iranian hand-woven carpets of outstanding cultural and artistic features of the past centuries and decades, has always featured as one of the commodities that Iran is in the basket of exports. The first and highest tier foreign exchange over the years, Iran's exports and about 7% of total employment in the country and is dedicated to the livelihood of several million people. Unfortunately, due to a serious lack of organizational size, structure, management, production and especially businessmen, Iranian carpets and fragile era of decline and stagnation in the arena of global competition gone and now lives in certain critical conditions. On the other hand, ignoring the fundamentals of marketing and trade which involves the production process as well, Carpet competitive advantage in domestic and especially at the global level has faced serious problems. The successful experience of other countries indicate their interest to the realities of the business environment and other effective factors.

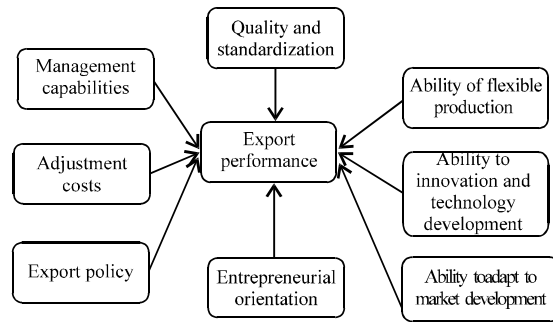


Fig. 1: Conceptual model (derived from models)

Also, recognizing its impact on export processes to improve export situation is very important. In this regard, in this study, the effect of strategic capabilities will be discussed in the country's export performance in the carpet industry (Fig. 1). Therefore, the hypothesis of the research is as follows:

- Management capabilities on export performance are influenced by Iranian carpet industry
- Quality and standardization have impact on the export performance of carpet industry
- Adjustment costs have impact on export performance of Iranian carpet industry
- Export policy has impact on export performance of Iranian carpet industry
- Entrepreneurial orientation has impact on export performance of Iranian carpet industry
- Ability to adapt development has an impact on the carpet industry's export performance in the market
- Ability to innovation and technological development have impact on the carpet industry's export performance
- Flexibility in production has impact on export performance of Iranian carpet industry

MATERIALS AND METHODS

The current study is an applied research in terms of type the study is correlation and descriptive research category. Considering that the study used those data collection tools that its aim is to describe the situation or phenomenon of interest this research is descriptive research and since the data in this study are supported by the literature review and questionnaire it can be placed in field studies.

Variables: The independent variables are entrepreneurial orientation, flexible production innovation capability;

ability to adapt to market development, company size, direction and management capabilities of input. And the dependent variable is export performance.

Population and sample size: The statistical population included all managers, deputies and experts for carpet manufacturing companies in Tehran and in 2015 that it has a homogeneous and integrated structure.

To determine the minimum required sample size, the Cochran formula was used to limit the minimum required sample size which was 125 people. Because of homogeneity of the units in the statistical population and the limited number of the sample, simple randomly method is used. In this way, the population have an equal and certain chance of being selected as the subjects. Demographic characteristics of respondents are as follows.

Data collection: Data collection was conducted through questionnaires. The 125 questionnaires distributed and collected in person at the research community. The respondents assured that their names are confidential and not be disclosed in any way.

Measuring scale and validity and reliability: In this study, for quantitative analysis and also aware of the attitudes of managers, deputies and experts of hand-made carpet manufacturing companies are in Tehran that the impact of strategic capabilities on export performance in the carpet industry in Iran, the questionnaire, the information was used to collect data. The questionnaire has 31 questions. According to the standard questionnaire its narratively was confirmed. But in order

to ensure greater nominal validity method (confirmed by experts) used and its reliability obtained based on Cronbach’s alpha coefficient (above 0.7) were measured that indicate the reliability of the questionnaire. Each questionnaire contains five options (including strongly disagree, disagree, undecided, agree and strongly agree) to respondent select one from them (Azar and Momeni, 2009).

RESULTS AND DISCUSSION

After confirming the normality of the study variables using the Kolmogorov-Smirnov test, through linear regression influence of various factors on the Iranian carpet industry’s export performance was measured in the field. The results are summarized as follows.

According to Table 1 it is clear that all these factors significantly effect on export performance (level 0.05). But among all these variables export policy have the greatest impact and correlation on export performance; for each unit increase in export policy where by caused 97% increase in performance index. Then the innovation and technology development is the second factor that has the greatest impact on export performance; in such a way that each unit increase in export policy, almost caused 50% increase in performance index.

According to Table 2, Watson camera statistic for all models at 1.5-2.5 is achieved. So by default the independence of the error terms confirmed in all models. According to the table all models are significant at 0.05 level.

Also as expected, the main factor that explains the process of export performance is export policies; the highest coefficient of determination is allocated to the operating capability of innovation and technology development and then placed in the second category.

Table 1: Features of responders

| Characteristics of responders | Gender | | Education | | | Age | | | | | | | | | | Job history (year) | | | |
|-------------------------------|--------|--------|-------------------|------------------|---------|------|-----|-------|-------|-------|-------|-----|-----|------|------|--------------------|-------|--------------|--|
| | Male | Female | Diploma and lower | Associate Degree | Masters | Msc | <30 | 31-35 | 36-40 | 41-45 | 46-50 | >51 | <1 | 1-5 | 6-10 | 11-15 | 16-20 | 20 and older | |
| Abundance | 87.0 | 38.0 | 26.0 | 54.0 | 18.0 | 27.0 | 7.0 | 9.0 | 41.0 | 20 | 33.0 | 15 | 3.0 | 11.0 | 46.0 | 27.0 | 24.0 | 14.0 | |
| Percent | 69.6 | 30.4 | 20.8 | 43.2 | 14.4 | 21.6 | 5.6 | 7.2 | 32.8 | 16 | 26.4 | 12 | 2.4 | 8.8 | 36.8 | 21.6 | 19.2 | 11.2 | |

Table 2: Results of regression models

| Parameter | Determining model | Statistics analysis of variance | The significance level model | Statistics durbin-watson |
|---|-------------------|---------------------------------|------------------------------|--------------------------|
| Management capabilities | 0.068 | 8.942 | 0.003 | 1.703 |
| Quality and standardization | 0.050 | 6.539 | 0.012 | 1.717 |
| Adjustment costs | 0.045 | 5.831 | 0.017 | 1.630 |
| Export policy | 0.795 | 476.768 | 0.000 | 1.533 |
| Entrepreneurial orientation | 0.080 | 10.724 | 0.001 | 1.696 |
| The ability to adapt development-market | 0.055 | 7.198 | 0.008 | 1.735 |
| The innovation and technology development | 0.248 | 40.474 | 0.000 | 1.557 |
| Flexible production | 0.052 | 6.796 | 0.010 | 1.599 |

CONCLUSION

Carpet weaving from ancient times has significant boom in Iran in recent centuries, especially from the sixteenth century onwards it had global reputation but unfortunately it was not success as expected. And the industry has not the necessary and appropriate exchange technology that's importance according to the tendency to reduce dependence on oil, can cause undesirable results, In this regard, it is essential to take serious action in this area that the first step in this direction is to identify factors affecting the development of its export performance. For this purpose, the present study focus on investigate the effect on the country's strategic capabilities in the carpet industry's export performance. According to the Table 1 and 2, all under considerate factors have direct significant relationship with export performance. Accordingly, appropriate measures can improved export.

Due to the importance of factors that discussed earlier it is suggested that first the companies choose the proper way to work among the export strategies. And foreign companies with regard to the key markets for goods and services, improve their situation. The next step is suggested, companies should be able to keep pace with new methods and technologies to improve the production process improvement. In addition and by using existing resources constantly strive to design and develop new products and services. To improve export performance it's better that corporate executives use professional managers and employees and monitor national and international standards of the products. It is also recommended, the prices of product be reasonable and optimize while reducing costs due to raw devices, try as much as possible to provide the raw material requirements from the local markets. And the companies can change the design of their products due to meets and demands of their customers to improve their export performance.

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