

Management Commitment and Partner Relationship Program toward Export Performance of Handicraft Industry

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Abstract—This paper aims to develop a model relationship between management commitment and partner relationship program to handicraft export performance. This paper uses a conceptual study by conducting a review of related literature from various journal article sources thoroughly before developing propositions on commitment management, partner relationship program, international experience and export performance. This study is collecting review literature related to research. This paper has a proposition that commitment management will support partner relationship program and export performance; then international experience will moderate the relationship between partner relationship program and export performance in the handicraft industry in West Java. Subsequent research can perform empirical analysis to test and modify the propositions that proposed in this paper.

Keywords—management commitment; partner relationship program; international experience; export performance

I. INTRODUCTION

Researchers have put forward their views to improve export performance, such as management commitments [1,2]. Researchers have discussed management commitments in different terms such as export commitments, top management commitments, or managerial commitment [3]. Management's commitment to export is the extent to which a manager is behaving, working and willing to allocate and use resources for export purposes [1]. The role of management commitment to improving export performance in developed countries has been investigated by several experts [4–6] while management's commitment to increasing exports to creative industries in developing countries is still less studied [2].

Previous studies discussed management commitment to export performance [7–9]. However, less attention how international experience as moderating variable and partner relationship program as a mediating factor between management commitment to export performance [10,11]. Also, the role of partner relationship programs in improving export performance is also becoming the attention of researchers (e.g., 14,15). The importance of long-term relationship programs for creative industries with external partners has the potential to help develop, survival and growth [12]. Relationship programs

are widely discussed in research with different terms such as a relationship strategy [13], partnership strategy [14], or external relationship networks [12]. The focus on partner relationship programs as long-term access to external networks such as organizational partnerships and business networks can improve success, profitability and export performance [12,15]. Partner relationship program for creative industry includes relationship formation, active participation, relationship learning, and relationship building [12].

Management commitment as a general willingness to pursue market opportunities, avoid market threats and implement effective marketing strategies that enhance market success [16]. All this will increase the efficiency and effectiveness of resource allocation, providing necessary stimuli to improve sales satisfaction and business performance. Management commitment describes how firms are more dedicated to greater efforts and resources and sacrificing more time for export markets than their domestic markets [6]. Export-committed managers will look for market opportunities around the world, especially in countries that have different cultures and are far from their home country [6]. Dimensions of management commitment are time and effort commitment, planning commitment, financial commitment, and human resource commitment [6,17].

The concept of a relationship has been introduced and gained an important role in academic review [18]. The literature has explained that relationships help entrepreneurs proactively and strategically improve performance and growth [19]. Researchers have divided stakeholders in various networking relationships [20], such as business relations and political relations [21]. Partner relationships are where two or more people must work together to achieve the goal by building trust and mutually beneficial relationships [22]. The process of partnership relationships can be agreed voluntarily, built on the desire to have confidence, and based on mutually beneficial agreements.

Firms that have relationships program with a partner such as customers can identify customer needs and demands, and respond appropriately to satisfy them [21], as well as reduce vulnerability to environmental threats, and also help them

strategically adjust to meet customer demands [23]. Relevant knowledge of customers needed to develop effective marketing strategies is obtained through interaction with partners and maintaining those relationships [24].

Moreover, many researchers use the international experience as an essential consideration factor on the firm's export performance [4,25]. The more extended period the firm does export becomes one indication that the firm can maintain its efforts for export [26]. Newly exporting firms do not last for several years, but for those who survive can expand additional markets and export new products [27]. However, many still fail to maintain export performance over time due to the lack of international experience compared to mature firms.

The creative industry is seen as an essential contributor to the strategy of economic development in many countries [28]. This growth is characterized not only by an increase in potential domestic consumers but also an increase in likely consumers abroad [29]. A significant increase in creative industries in developed countries is caused by better market share of export markets such as the volume of products sold and the number of foreign markets compared to developing countries [28].

Indonesia as one of the developing countries has a total contribution of creative industries in 2016 of 7.38% of total GDP, details based on culinary sub-sector 41.69%, fashion 18.15%, craft 15.70%, television and radio 7.78%, 6.29% publishing, 2.30% architecture, application & game developer 1.77%, advertising 0.80%, music 0.47%, photography 0.45%, art show 0.26%, product design 0, 24%, fine art 0.22%, interior design 0.24%, 0.16% film and visual communication design 0.06% [30].

Exports are the most critical growth strategy for all firms in the world [31]. However, not all firms can improve their export performance. Data comparison in 2016 for the export of the developed country's creative industries such as the Republic of Korea amounted to USD 44.5 billion [32]. Meanwhile in developing countries like Indonesia in the same year only export of USD 19.4 billion. The details of sub-sector contribution fashion 56%, craft 37%, culinary 6%, others 1% [30]. Based on data from the Department of Industry and Trade of the Republic of Indonesia that the export performance of Indonesian creative industries from 2012 to 2017 has fluctuated. This condition becomes an important issue that must be solved for creative industries in Indonesia [33].

This study is to answer the problem in improving export performance of creative industry and fill the research gap on management commitment and partner relationship program in the creative sector by using a moderation variable of export experience. The core questions of this research are: Can the role of management commitment improve partner relationship program of handicraft industry? How can the role of management commitment and partner relationship program improve export performance of handicraft industries? Can international experience strengthen the relationship between partner relationship program and export performance? Answering these questions is essential for the handicraft industries, especially in developing countries to survive, grow and expand their business in international markets [e.g., 2].

II. METHODS

This study collected around 30 articles related to management commitment, partner relationship program, international experience and export performance. Literature publication used from 2000-2015. The sources of literature are taken from several journals such as the journal of marketing, international management review, Academy of management perspective, small business economics, international business review, Journal of business research and so on. This study uses four stages of the research method. First, collecting review literature related to research. Second, thoughtful analysis to modify influences not found in the literature. Third, influence analysis by gathering several groups into factors. Fourth, integrating elements into the conceptual model with its dimensions.

III. RESULTS

The conceptual model from the results of a review of several articles regarding management commitment, relationship program partners, international experience and export performance is presented summary in Figure 1 (See in Appendix).

IV. DISCUSSION

The proposed research model focuses on the review of several international journal articles on the role of management commitment, partner relationship program, and international experience on export performance in the handicraft industry in Indonesia. The study presented in this paper explains how the handicraft industry in Indonesia benefited from management commitment in enhancing the success of partner relationship program, thus gaining a positive influence on export performance. The commitment is considered a key concept in social sciences and has been studied extensively in various contexts and other disciplines [34]. In general, commitment is defined as actions taken to put an organization into the future [35]. Commitment is vital for managers to ensure the resources needed for a firm's survival. Commitment is considered one of the most important determinants of export performance [36]. The commitment will increase the willingness of managers to make efforts to achieve business goals they have set for their firms, offering strategic guidance that will orient their decision-making in the marketplace [5].

Management commitment will be related to a partner relationship program in particular [7]. Partner members who built a commitment tend to make more significant efforts to work towards the goals of the partner relationship and provide greater incentives to solve the problem of networks that can occur at any time. Management commitment may support increased cooperative behavior among members that leads to improved performance outcomes. Therefore, a positive relationship can be found between the management commitment and partner relationship program [7]. There is a positive relationship between management commitments to export performance [9]. Noted that management commitment positively affects the export performance of both in financial and non-financial measures [8]. Managers that commit to exports have a particular part in a firm and regard exports as

part of their domestic business, depending on the firm's size. Export-committed managers plan rigorously to enter the market and provide managerial and other resources to minimize uncertainty [37]. As the manager's commitment increases, allocation of human and financial resources within the firm will be augmented for performance-enhancement activities [38].

Besides, firms should focus on developing partner relationship programs due to as the principal business for the organization by building trust between business partners, as well as learning to communicate with partners using self-disclosure skills to articulate their needs [22]. Then, Relationship formation strategy between suppliers, producers, distribution network organizations, and customers (intermediate customers and end customers) can improve market access, increase supply value, reduce risk due to rapid technological change, exchange of skills between partners, learning and acquiring new knowledge, close relationships with consumers and easier access to resources [39].

Partner relationship programs between organizations relate to critical elements of the overall power of competition such as technology, cost, and marketing. Unlike tactical relationships, the effectiveness of partner relationship agreements between firms can affect long-term performance even up to the firm's viability [39]. The resource and skill gap becomes the impetus for forming a relationship program to bridge the lack of capabilities possessed by an organization. The establishment of a relationship program can speed up the development of organizational skills to complement each partner's shortcomings such as complementary marketing, technology, finance, risk, and so on [39].

Cooperation with more intensive business partners and close geographic distance can provide high export performance [40]. Previous research conducted by Ural on 426 exporting firms in Turkey explained that the partner relationship program such as sharing information with partners could improve the export finance performance [41]. Therefore, firms should invest in relationships as they would, in turn, improve export performance [15]. Partner relationship program dimensions are relationship formation, active participation, relationship learning, and relationship building [12,42].

Mcelroy et al. describe various development forms of commitment, where dependence is influenced by the extent to which relationship is characterized by factors such as uncertainty, substitution, and centrality [43]. The characteristic associated with the commitment that increases the dependence of an individual to partner tends to raise the level of perceived commitment to the entity. It is achieved through their ability to reduce the possibility of substitutability and increase alertness. Management commitment is likely to increase when there are factors that change relationships with other partners or where the attraction between partner members increased. Thus, interdependence between members of a partner relationship that benefits will be gained by all parties, therefore, commitment as an essential factor within the network.

Ismail et al. argue that partner relationship program such as relationship building with distributors is essential to internationalize small and medium-sized businesses with

limited resources [44]. Partner relationship can help them leverage the resources of their partners and improve their export performance in overseas markets. In this context, the partner relationship program will mediate the relationship between management commitment to relationships with partners is an essential dimension of cross-border relations for firms.

In the process of internationalization, a new firm's performance that exports higher when their internationalization level begins to increase (Phase 1), then decreases, after the firm begins to experience transaction price increases (Phase 2). In Phase 3, the firm can start to accumulate business experience in its expanded overseas market and start improving its performance [25,45]. Results show that young exporters who still survive may enter the overseas market more than mature, and this contributes significantly to their export performance [46], as they learn faster and adapt to new export markets

V. CONCLUSION

The conceptual research from management literature produces a framework model of management commitment, partner relations programs, international experience and export performance in the handicraft industry. In particular, the study proposed a four-dimensional management commitment and a four-dimensional partnership program in providing a positive influence on export performance. Besides, international experience has a decisive role in this study.

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APPENDIX

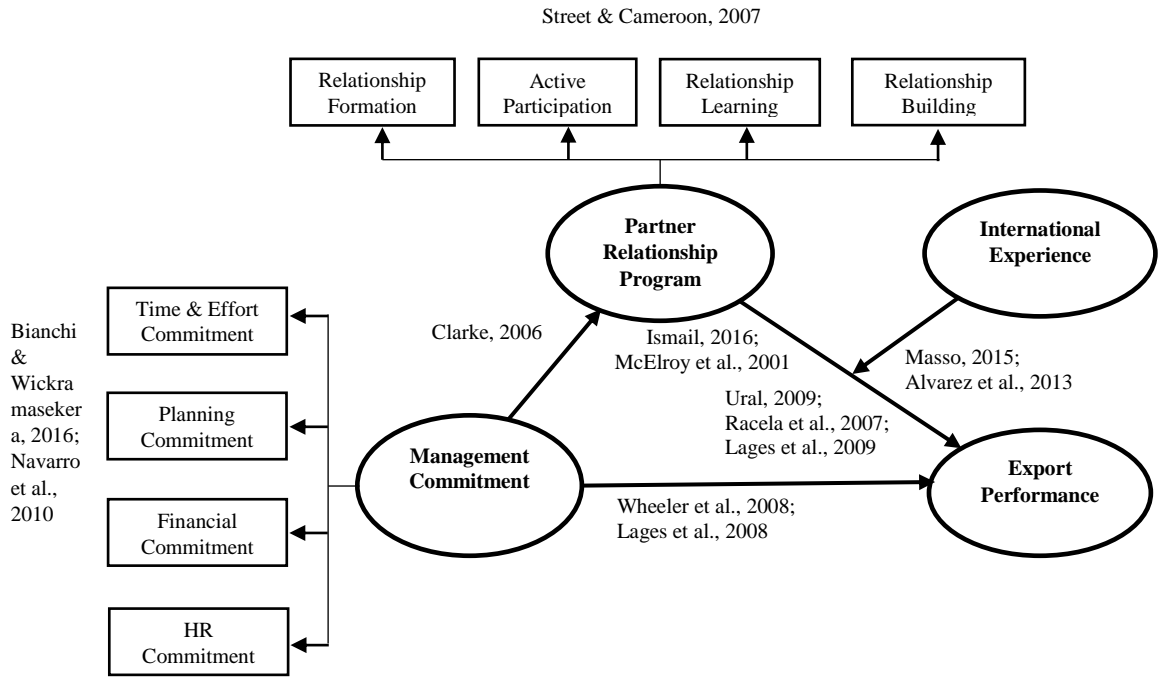


Fig. 1. Conceptual model.