Organizational learning, strategic guanxi networking, co-creation marketing strategy and B2B export performance: evidence from emerging market export venture

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Abstract

Purpose – Drawing on the organizational learning and relational governance literature, this study aims to advance a theoretical model to explain the export performance of emerging market export ventures.

Design/methodology/approach – This study selects quantitative methodology because the main objective of this study is to explore the role of export ventures' performance (past) on guanxi networking, co-creation marketing strategies and present performance.

Findings – The empirical evidence suggests that guanxi networking and co-creation strategy can mediate the relationship between export venture performance in the preceding year and export venture performance in the following year. In addition, this study also provides some guidance for emerging market export ventures on how to build a strong guanxi networking and create opportunities for collaboration when the effect of export performance in the preceding year on current performance is absent.

Originality/value – The authors propose the inclusion of strategic guanxi networking-related factors (e.g. top executives' ties with business-to-business customers, such as distributors in the host market) in the prior performance-current performance paradigm. The outcomes of this study also contribute to extant organizational learning theory research by integrating preceding performance research with the co-creation theory. The study offers new insights into organizational learning and relational governance from the emerging market perspective.

Keywords Organizational learning, Strategic guanxi networking, Co-creation marketing strategy, B2B export performance, Emerging market export ventures

Paper type Research paper

1. Introduction

The global market and trade liberalization have changed the global economy in recent decades, with more enterprises expanding internationally. Firms might enter overseas markets through foreign direct investment, joint partnerships or exports (Tung and Chung, 2010). Among the forms of international expansion, exporting is not only used to boost sales but also to obtain new knowledge and seek updated information through organizational learning (Lages *et al.*, 2008; Lages and Montgomery, 2004). Exporting is helpful as a means of foreign market entry and sales expansion for firms, and it is a significant area of research in marketing (Yang *et al.*, 2012). Despite increased attention and recent additions to the literature (e.g.), our knowledge in these areas still remains limited on emerging market firms' export performance.

The literature suggests that exporting venture firms, especially Chinese firms (Chung, 2009; Morgan *et al.*, 2004), encode inferences from experience and turn them into practices that can guide future firm behaviour (Lu and Beamish, 2006). According to organizational learning theory (Audia *et al.*, 2000), export venture executives keep strategies that boost performance and eliminate those that hurt it. This implies a previous-current performance conceptualization (Madsen and Desai, 2010). The prior performance-current performance linkage is based on the idea that "past success increased strategic decision makers' satisfaction and satisfaction led decision-makers to increase their use of past strategies" (Audia *et al.*, 2000, p. 849) and that organizations have

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learned from prior experience to the extent that the experience is associated with an observed change in (Madsen and Desai, 2010, p. 453). Thus, organizational learning studies suggest that past export performance may predict current export performance (Lages *et al.*, 2008; Luo and Peng, 1999), and past success is often thought to improve current performance (Helfat, 1994).

The extant literature exploring the effect of organizational learning and export performance particularly focuses on firms in developed economies such as the USA (Cavusgil and Zou, 1994; Morgan *et al.*, 2004) and the European Union (EU) countries (Lages *et al.*, 2008), most studies focus primarily on the export performance of emerging market firms in developed countries (e.g. Banerjee *et al.*, 2015; Yang *et al.*, 2012). This study focuses on a past-current performance framework for Chinese export venture firms because of their importance in developing markets. Therefore, this study's findings can significantly supplement those from firms in developed markets like Portugal, USA, UK and EU (Audia *et al.*, 2000; Lages and Montgomery, 2004).

Our study is a response to the call for more theory-driven export performance research by Morgan *et al.* (2004) and Lages *et al.* (2008). We make three key theoretical contributions to the literature on export management, organizational learning and relational governance (Cavusgil and Zou, 1994; Chung *et al.*, 2012; Lages *et al.*, 2008). Firstly, organizational learning and guanxi networking relational governance theories are combined (Audia *et al.*, 2000; Chung *et al.*, 2012). The integration of these two key theories opens up new export marketing management research avenues (Chung and Ho, 2021; Ju *et al.*, 2014; Morgan *et al.*, 2004). The study highlights guanxi networking as a mediation factor in performance conceptualization, adding a new theoretical dimension to the performance paradigm (Audia *et al.*, 2000; Lages *et al.*, 2008). Secondly, by integrating performance research with co-creation theory, this study advances organizational learning theory (Lages *et al.*, 2008). The postulated conceptualization may also provide an alternative theoretical explanation when the preceding performance has little effect on the current performance (Audia *et al.*, 2000; Lages *et al.*, 2008). As most co-creation research focuses on the effects of co-creation strategy (e.g. customer satisfaction), this study advances the field by examining its origins in export management (Prahalad and Ramaswamy, 2004; Vargo and Lusch, 2004). Thirdly, this study advances guanxi networking (Sheng *et al.*, 2011) and co-creation strategy research (Vargo and Lusch, 2004). This study can help export venture firms determine if their local distributor relationships affect co-creation strategy development and if combining these two theories improves export performance (Park and Luo, 2001; Sheng *et al.*, 2011). Finally, by examining Chinese export ventures in other emerging markets, this study offers new insights into organizational learning and relational governance in emerging markets. This focus is rare in export literature (Chung and Ho, 2021; Lages *et al.*, 2008), which focuses on developed market dynamics (Chung *et al.*, 2012; Lages *et al.*, 2008).

2. Literature review and theoretical framework

2.1 Export performance

Factors associated with firms' export performance have been extensively studied (Morgan *et al.*, 2004; Zou and Cavusgil, 2002). Export performance is one of the most studied constructs in export marketing research. Export performance is defined as:

> [...] the extent to which a firm's objectives, both economic and strategic, with respect to exporting a product into a foreign market, are achieved through planning and execution of export marketing strategy (Cavusgil and Zou, 1994, p.4).

It includes both past and present performance (Lages *et al.*, 2008). The past-current performance link is complicated and intriguing. The past-current performance link is difficult to establish because Chinese firms' exporting is complex and may involve intermediate steps that do not directly affect their current export performance. Literature ignores indirect mediated effects. In this study, we examine the mechanism by which firms' past export performance affects their current performance.

By examining previous research on export performance, it can be found that export performance has been studied from several perspectives. In the export marketing literature a broad range of firm performance measurements have been identified in the export marketing literature (Lages *et al.*, 2008; Morgan *et al.*, 2004; Sheng *et al.*, 2011). Frequently used export performance measurements include financial performance, such as return on investment (ROI), return on assets (ROA), profit, market share and sales growth (Chung *et al.*, 2012). To be in line with previous studies, this study adopts the suggestion of Li *et al.* (2009), and Ju *et al.* (2014) by focusing on objective measurements, especially, profitability, ROI and ROA. Profitability refers to the actual proportion of export profit over total export annual sales. ROI refers to the actual profit margin over the total annual investment. ROI is particularly important when a firm wants to take out a business loan with a bank. The firm's ROI is the first factor a bank manager will ask about. ROA is one of the key indicators of a firm's financial performance. It reflects the degree of efficiency of asset management. It is commonly calculated by dividing a company's actual annual earnings over its total assets (Li *et al.*, 2009). ROA is closely linked with managerial strategy actions.

2.2 Organisational learning

Knowledge is considered a key strategic asset that can be used by firms to build their competitive advantage. Companies can accumulate and develop their knowledge via an exploratory or exploitative approach (Kim and Atuahene-Gima, 2010). Research concerning organizational learning has stimulated significant interest among academics and practitioners in developing international marketing strategies (Chung *et al.*, 2015; Banerjee *et al.*, 2015). Although a wide range of organizational learning definitions and conceptualizations are available in the extant literature, three common themes are highlighted:

1. managers can use performance outcomes to check how well they have achieved performance goals (Lant, 1992);
2. the difference between performance outcomes and goals might be used to indicate a firm's success or failure; and
3. managerial and organizational actions might be influenced by the indication of the firm's success or failure (Levitt and March, 1988).

The outcomes of these studies suggest that a firm's prior performance is a valuable indicator of the firm's organizational learning capability. To uncover new opportunities, firms often need to gain market intelligence through working closely with their target customers to receive their prompt feedback (Chung, 2019). Therefore, we build upon the conceptualization of organizational learning developed by Lages *et al.* (2008), Lages and Montgomery (2004), and others that define organizational learning as an encoding of inferences from past experiences and guiding action.

2.3 Guanxi networking

Relational governance is a social exchange mechanism that facilitates business exchanges (Poppo and Zenger, 2002; Zaheer and Venkatraman, 1995). Business exchanges are coordinated through social relationships and shared norms (Poppo and Zenger, 2002; Poppo *et al.*, 2008). The function of relational governance is to facilitate transactions through relational norms. Each party involved in the exchange process is in a mutual respect and bilateral relationship-based structure. Relational governance is the mechanism used to govern the behaviour of exchange partners. The extant literature shows that relational governance impacts the performance of inter-organizational exchanges (Heide and John, 1992). Exchange partners build mutual trust and form social norms, including flexibility, information sharing and mutuality (Heide and John, 1992). Relational governance is well used by Chinese firms operating internationally (Ju *et al.*, 2014), and is often coded as *guanxi* (Gu *et al.*, 2008). In China, the importance of personal relationships between exchange partners cannot be overstressed. Guanxi is the mechanism of relational governance and is embedded in various aspects of Chinese economic and social lives (Peng and Luo, 2000). Guanxi networking improves organizational learning and intelligence, which improves co-creation (Chung, 2019). Good guanxi networking promotes knowledge exchange, collaborative sense-making and seamless knowledge integration among partners (Park and Lee, 2018). By engaging these interconnected knowledge-sharing aspects, co-creation can improve (Liu *et al.*, 2022). According to this definition, strategic guanxi networking refers to top managerial interactions between Chinese export venture firms and their foreign distributors (Chung, 2012; Ju *et al.*, 2014).

2.4 Co-creation marketing strategy

To survive in today's highly competitive environment, firms are constantly seeking new knowledge and resources through their networks. One such strategy is the co-creation strategy development between the exporter and their foreign distributors (Möller, 2013; Prahalad and Ramaswamy, 2004; Vargo and Lusch, 2004). The co-creation strategy literature is derived from the Service-Dominant (S-D) logic theory (Vargo and Lusch, 2004). It is proposed that value is no longer determined by a single firm but is co-created in interactions jointly between firms and their customers based on the resources provided by all parties involved in the networked processes (Vargo and Lusch, 2004). According to Prahalad and Ramaswamy (2004), co-creation involves high-quality interactions that allow customers to create value. In co-creation marketing, companies collaborate and interact with customers and other stakeholders to create value, strengthen relationships and improve satisfaction (Ruiz-Alba *et al.*, 2023; Vargo and Lusch, 2004). Encourage this interactive experience to help individuals and organizations access resources, information and opportunities that may not be available otherwise (Park and Lee, 2018). Co-creation allows companies to learn from customer feedback and experiences. This feedback loop helps the company learn and improve its products, services and marketing. Guanxi networking literature shows that managers' business and political guanxi can overcome institutional barriers and regulatory changes to help firms obtain scarce resources. (Chung, 2019). Following this guidance, co-creation represents the extent of marketing strategy (product, price, distribution and promotion) that is co-created by Chinese export venture firms and their foreign distributors (Grönroos, 2000; Vargo and Lusch, 2004).

Our theoretical framework is summarized in Figure 1. It illustrates the hypothesized relationships between the concepts that are drawn from organizational learning and rational governance in export marketing. Details concerning each research postulated relationship are discussed in detail below.

3. Hypothesis development

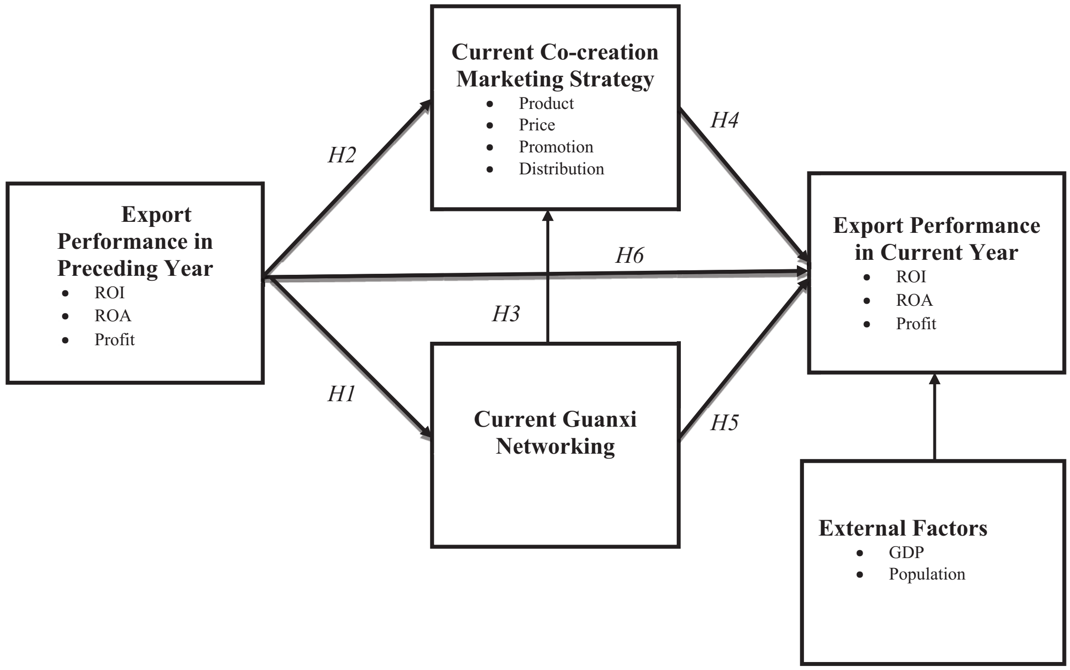
3.1 The influence of past export performance on guanxi networking

It has long been recognized that guanxi is embedded into every person's social life in China. Park and Luo (2001, p. 455) define guanxi as "the concept of drawing on a web of connections to secure favours in personal and organizational relations". In a similar vein, Chung (2011) refers to guanxi as friendship with implications of continued exchange of favours. There are five key characteristics of guanxi: it is transferable, reciprocal, intangible, utilitarian and personal (Luo, 1997). In practice, guanxi can be transferred from A to C, if A has good guanxi with B, and B and C are good friends. Guanxi networking is a bilateral commitment between two parties. If one party refuses to return a favour, the other party then is considered as untrustworthy. This is often referred to as losing face ("mianzi"). Therefore, a guanxi relationship is governed by an invisible and unwritten code of reciprocity and equity.

Due to this favour exchange, guanxi is not sentimental. Personal connections form guanxi. Guanxi and business performance are strongly linked in the literature (e.g. Gu *et al.*, 2008; Park and Luo, 2001). Working closely with foreign business partners helps managers comprehend behaviour, culture and business practise from an organisational learning perspective. Organizational study reveals that managers' decision-making is influenced by their firm's historical performance (Chung, 2012). When their prior performance is good, firms are inclined to continue their strategic arrangements, such as guanxi networking, because it fits (Lages *et al.*, 2008).

According to the literature, a firm's prior year's export performance may effect guanxi between Chinese venture enterprises and their overseas partners. Organizational learning literature states that managers from two companies set goals and alter their activities based on market input (Lages *et al.*, 2008). Quanxi networking helps firms meet prior performance demands. This network connection helps Chinese exporters evaluate export market performance and potential and build contacts with overseas distributors. This applies especially to track performance. Guanxi networking can enable the firm's

Figure 1 Conceptual framework



Source: Authors' own work

dynamic capabilities meet prior performance demands (e.g. speed and flexibility). This guanxi-mediated effect proposes a network-based process via which exports increase a firm's performance. Chinese exporting venture enterprises will increase guanxi networking with overseas business affiliates if they perform well.

Taking the points outlined above together, we theorise that Chinese export venture firms' guanxi with foreign distributors is positively influenced by their firm's performance in the market, in the preceding year:

H1. Current year guanxi is positively influenced by export performance in the preceding year.

3.2 The influence of past export performance on co-creation strategy

The results established in the co-creation research may also provide theoretical guidance on the relationship between past performance and current co-creation strategy formulation. Studies conducted in this stream are based on the S-D logic theory (Vargo and Lusch, 2004). Extant research contends that inter-organizational exchange activities are inherently relational and are collaborative interactions with co-create value. Partners create value together. Exchange partners promote collaboration over time. Interdependent firms interact across time. Both parties want to do business (Morgan and Hunt, 1994).

Exporters can learn about foreign distributors' expertise, knowledge and talents in export market management. This expertise and knowledge from previous operations will assist export venture firms to handle more complicated and multiple tasks in the host market. More crucially, the previous performance encourages exporting enterprises to subcontract co-creation strategy development to local partners. Export venture firms are more eager to co-create after a good performance. A high historical performance implies that exporter-local partner collaborations function well, and adding the co-creation strategy formulation would boost future performance (Lages and Montgomery, 2004). Collectively, it is indicated that export venture firms' co-creation strategy in the host market is positively influenced by their export performance in the preceding year:

H2. Current year co-creation strategy is positively influenced by export performance in the preceding year.

3.3 Guanxi networking and co-creation strategy

Knowledge and information sharing between business partners can help firms collaborate and co-create value. It can help managers from both firms make relevant, accurate and timely decisions and build long-term relationships. Previous studies reveal that knowledge-based collaboration can "provide stability to track the fast changes and pulse of future markets" (Hong *et al.*, 2010, p. 70). The findings of a number of studies provide some guidance for developing a hypothesis proposal related to guanxi and co-creation strategy development.

Peng and Luo (2000) and Luo (2007) both assert that guanxi with business partners can provide firms with current market and industry knowledge that is associated with novel information relating to new trends, technologies and innovation. Furthermore, Li *et al.* (2008) also report that a close managerial tie with business partners enables firms to build interdependent relationships with trust, to share and transfer knowledge, and to co-create value. They can learn from their business partners when they interact with each other.

The more they interact, the better the relationship should be. Information sharing can enhance organizational learning activities, gain competitive advantage by adapting strategies to the local market and achieve firm performance goals (Wang and Chung, 2013). Similarly, Prahalad and Ramaswamy (2004) also report that the basis for interaction between the customer and the firm is to dialog, access, risk management and transparency. Taken together, there is expected to be a positive relationship between guanxi networking and co-creation strategy formulation:

H3. Current year co-creation strategy is positively related to current year guanxi networking.

3.4 Co-creation strategy and current export performance

From an organizational learning perspective, knowledge is considered to be the basis for firms to develop internal capabilities that facilitate adaptation (Özsomer and Gençtürk, 2003). To gain better knowledge about customers' value-creating processes, export firms need to have a deep understanding of their customers' experiences and processes. As highlighted by Vargo and Lusch (2004), knowledge is an operant resource that includes skills and competencies which can be used to build competitive advantage. Exporters can customize their products and services depending on customer and business partner feedback through co-creation. This can make host market offerings more appealing and relevant (Sinkovics *et al.*, 2018). Customer and customs collaboration reveals local market preferences, cultural subtleties and trends. This knowledge can refine export strategy and help the organization enter new markets, thereby improving export performance (Markovic and Bagherzadeh, 2018). In addition, co-creation can create distinctive selling propositions that engage with international host market audiences. This helps market positioning and differentiation, which is essential for export success. Co-creation strategy formulation offers great opportunities for firms to access and integrate resources to improve firm performance and, subsequently, help firms to innovate their products and services and achieve performance goals.

Additionally, Vargo and Lusch (2004) also argue that inter-organizational exchange activities are relational and collaborative interactions can lead to co-created values. Bensaou and Venkatraman (1995) also highlight that trust and commitment through social interactions with business partners enable firms to form joint actions such as joint planning and problem-solving. Hence, co-creation development can help business partners reduce transaction costs, enhance co-creating activities and subsequently obtain performance objectives in the target market (Frazier, 2009). Therefore, co-creation strategy formulation is an effective driver for export venture performance in the host market in the current year.

H4. Current year export performance is positively influenced by current year co-creation strategy.

3.5 Guanxi networking and current export performance

Prior research reveals a significant relationship between guanxi and firm performance. This relationship is supported by a group of studies that have found a positive relationship between guanxi and firm performance in the context of China (e.g. Chung, 2011, 2012). Others say that business partners provide current market information and resources needed for venture firm performance (Peng and Luo, 2000; Wang and Chung, 2013). Business networking provides market intelligence that is only available to business insiders. With the local distributor's cooperation, export venture firms can get important market knowledge earlier than their competitors (Chung, 2012; Yang *et al.*, 2012), helping them gain a competitive edge in the host market and meet their performance goals. Recent studies on Chinese export endeavours (Ju *et al.*, 2014) and Greater China enterprises support this result (Chung, 2011). According to this research, Chinese exporting enterprises learn about local institutional contexts and their effects on their operations in the host market from their tight relationships with local distributors. Zhou *et al.* (2007) further indicate that guanxi networking can assist enterprises decrease risk and uncertainty, save information search costs (knowledge of host market potential), acquire guidance and experiential learning, and mobilize resources and study the market. Business guanxi's uncommon market intelligence and resources enable exporting enterprises manage their local operations and quickly meet market performance goals (Ju *et al.*, 2014; Yang *et al.*, 2012). Moreover, it is also reported that guanxi with local business partners can establish mutual benefits for business partner firms, and a strong guanxi relationship can further stimulate export venture performance in the host market. Therefore, current year export performance is theorized to be positively influenced by current year guanxi networking:

H5. Current year export performance is positively influenced by current year guanxi networking.

3.6 Past export performance and current export performance

Organizational learning plays a very prominent role in a firm's success. It can be considered one of the key sources for building competitive advantage (Hunt and Morgan, 1996). According to organizational learning theory, firms can learn from their past actions and behaviour. This, in turn, will have a cumulative effect on current and future actions and behaviour. As noted by Day (1994, p. 104), "a firm can use higher-order learning processes [. . .] to improve its market orientation and market-driven processes". This view is supported by Lages and Jap (2003). These studies report that past performance can have a major influence on current marketing strategy decisions because firms can make their judgement based on their prior decisions and current year's performance. Argyris and Schön (1978) further reveal that the organizational learning process helps firms gain feedback on whether a similar action or behaviour should be enforced. Firms are likely to continue their strategies when their past performance is sound, as this indicates the fit of the strategies (Lages *et al.*, 2008). Collectively prior research concludes that a firm's past performance sets the benchmark for current export marketing decisions and current export performance. A solid past performance is likely to be correlated with current performance because firms often retain their marketing strategies when their past performance is desirable (Lages *et al.*, 2008; Lages and Montgomery, 2004). Thus, the following hypothesis is proposed:

H6. Export performance in the current year is positively influenced by export performance in the preceding year.

4. Methodology

4.1 Research design

For the purposes of this study, a quantitative research method is chosen. There are several reasons for this choice. Firstly, quantitative research is described as entailing the collection of numerical data and exhibiting a view of the relationship between theory and research as deductive, a predilection for a natural science approach, and having an objectivist conception of social reality (Bryman and Bell, 2015). Secondly, the quantitative research method emphasizes outcome, prediction, generalisability and causal-effect relationships for this research. Thirdly, according to Gelo *et al.* (2008), quantitative methodology is theory-driven via hypothesis testing, while qualitative methodology is more data-driven via hypothesis generation. The quantitative research method commences with the theories, follows pre-determined hypotheses and then tests the hypotheses by using a large volume of data (McCusker and Gunaydin, 2015). Therefore, the quantitative research method focuses more on theory testing rather than the exploration of under-researched areas.

This study selects quantitative methodology because the main objective of this study is to explore the role of export ventures' performance (past) on guanxi networking, co-creation marketing strategies and present performance. The key concepts are derived from extant literature, such as organizational learning, relational governance theory, guanxi networking and co-creation (Chung *et al.*, 2016; Park and Luo, 2001; Vargo and Lusch, 2004). The hypotheses are postulated based on the literature review. Hence, consistent with similar studies in the field, a quantitative research method is more appropriate for this study (Morgan *et al.*, 2004).

4.2 Data collection

A unique data set was acquired, which is based on secondary data from a major Chinese manufacturer which represents many business-to-business (B2B) businesses in emerging markets. This one-site sampling is commonly used in network analysis (e.g. Krackhardt, 1990; Tsai and Ghoshal, 1998). For example, Tsai and Ghoshal (1998) drew their study's conclusions based on a study of a multinational electronics firm in a Greater China market (Taiwan). It is cited that the one-site sampling technique is common in social network analysis because it provides a clear network boundary that can be defined under this research design (Krackhardt, 1990). In addition, network analysis often requires detailed data from a focal point within the network, making this method appropriate for explaining interconnections and reatlionships in B2B contexts. The chosen firm is one of the major manufacturers producing building materials (e.g. fireproof panels). The firm employs around 10,000 employees and it is located in central China. This firm has been established for over 20 years and has a large group of sub-units [e.g. vanity, toilet, cabinet, bench top, lounge, bathroom, indoor furniture, outdoor furniture, interior (bedroom and kitchen) walls and exterior (glossy and flat) walls, inside and outside doors]. By the end of 2015, the total export revenue had reached more than US$200m. By the current year, the firm has had business operations in more than 30 foreign countries and regions, with most of them in emerging countries. While being a prominent manufacturer, their business divisions span across various emerging markets, and the products they offer vary significantly from one market to another. Moreover, their marketing strategies also exhibit notable variations. Consequently, the data set obtained from this particular Chinese manufacturer is expected to yield valuable insights into the overarching dynamics of B2B operations within emerging markets.

This data set covers all transactions from 2013 to 2014 from this manufacturer, covering all its strategic business units' operations. This study follows the major export literature practice by adopting the product-market (i.e. the export venture) approach (Chung *et al.*, 2012; Ju *et al.*, 2014). The information is related to a product's operation in a foreign host market. The export ventures use local distributors as their main market entry mode, which is the most frequently used market entry method by Chinese exporting firms (Tung and Chung, 2010; Yang *et al.*, 2012). For the sake of this research focus, we only focus on the firm's operations in the 25 emerging countries, though the firm also has operations in some developed regions such as the EU. These host markets are located on the African Continent (Algeria, Angola, Libya, Morocco, the Dominican Republic and Egypt), the South American Continent (Guatemala), the Middle East (Iraq, Jordan, Kuwait, Oman, Qatar, Saudi Arabia, The United Arab Emirates, State of Palestine, Syria, Yemen and Turkey) and the Asian Continent (Indonesia, the Philippines, Vietnam, Taiwan, Thailand, Cambodia and Burma). In addition, B2B transactions and relationships have their unique dynamics, such as complex supply chains, long-term contracts and inter-organisational dependencies. By focusing on this context, we can explore issues and implications that are distinct from those in consumer markets. Providing a rationale helps readers recognize that these unique dynamics are central to the study. By focusing on B2B, we can delve into the unique challenges faced by businesses in this context, and more importantly, provide potential solutions and staregies to address these challenges.

4.3 Measurement

4.3.1 Dependent variables

In the literature, commonly used indicators for export performance are profitability, ROA and ROI (Chung *et al.*, 2012; Lages *et al.*, 2008). Our study aligns with this by incorporating these three key performance factors (profitability, ROA and ROI). These measurements are frequently used in studies on Chinese firms (Chung, 2011; Li and Zhang, 2007; Li *et al.*, 2009). Profitability measures the actual export profit over the total export annual sales. ROI assesses the actual profit margin over the total annual investment. ROA is determined by dividing a company's actual annual earnings over its total assets (Li *et al.*, 2009). In our study, these three performance measures are the dependent variables, linked to export ventures' performance data in 2014 (i.e. current year performance). This approach represents an improvement over prior research that relied on more objective and perceptual measurements like perceived export satisfaction and profitability extent (Chung *et al.*, 2012; Lages *et al.*, 2008).

4.3.2 Independent variables
The organizational learning literature suggests that satisfaction with preceding performance is likely to be positively related to commitment in the following period (Lages *et al.*, 2008; Lages and Montgomery, 2004). When the firm performs well in the preceding year, it is in a better position (i.e. better resources) to increase its commitment to the subject ventures. This often leads to a closer relationship with local venture firms (Chung, 2009; Solberg, 2000). The export performance in the preceding year (2013) is also measured by the same performance items (profitability, ROA and ROI). The export venture performance in the preceding year is related to export ventures' performance statistics in 2013 (i.e. preceding year performance). These preceding year's performance variables are the independent variables of the study.

The measurement of guanxi networking is based on similar studies in the literature on guanxi relational governance (Gu *et al.*, 2008; Sheng *et al.*, 2011) and organizational learning (Chung *et al.*, 2015). Consistent with the practice of the literature, two variables were considered (Chung, 2012). The first variable was measured by the frequency of meetings (e.g. times and hours) between the Chief executive officer (CEO) of the export venture and the top managers of the foreign venture partners (distributors), taking into account the number of times and hours spent in these meetings. Additionally, the CEO of the export venture was asked to provide the co-creation proportion per order, which reflects the extent of guanxi networking with the top managers of local venture partners. This proportion is indicative of the intensity of interactions and personal contacts established (Sheng *et al.*, 2011). The guanxi networking measurements are related to the export venture's operations in 2014. Extant research reveals that top executives are more likely to spend time and effort with the venture partners in the host market when the venture has a superior performance result in the prior year (Li *et al.*, 2009; Tung and Chung, 2010).

The measurement of co-creation in this study is consistent with previous research (e.g. Ranjan and Read, 2016). The co-creation variable is measured by a dummy variable that indicates whether an export venture incorporates a co-creation marketing strategy. This strategy indicates elements such as co-product (0 = No, 1 = Yes), co-pricing adjustment (0 = No, 1 = Yes), copromotion (0 = No, 1 = Yes) and co-creation partner distribution or not (0 = No, 1 = Yes), between the export firm and its venture partners. Furthermore, the measurements of the co-creation strategy are also consistent with the export literature (Morgan *et al.*, 2004), particularly in relation to the export venture's operations in 2014.

4.3.3 Control variables
The extant literature also suggests that external factors such as a host market's economic development stage and host market size may also influence an export venture performance (Chung and Ho, 2021; Lages *et al.*, 2008). In this study, we have followed a similar approach by stressing that export venture performance is not simply a function of internal decisions but also a response to external forces. Specifically, we focus on the effect of the economic development and market size of a host country. Economic condition [gross domestic product (GDP)] and market size (population) determine market growth and demand in a host country. The existing literature suggests that a host country's economic development can be measured by the country's GDP (Dow, 2000). For the purposes of this study, we use the GDP data from The World Bank for 2014. Likewise, population is also used to determine international entry decisions for businesses. This reflects the size of the host market. The population statistics for 2014 is also obtained from The World Bank (2014).

5. Data analyses

We analysed the results of the structural model, focusing on the hypothesized relationships between constructs. A step-by-step analysis of the structural model is used to achieve the goal of providing a detailed picture of the results and testing for Hypotheses 1 to 6. We outline our detailed data analysis steps below.

5.1 Confirmatory factor analysis

Prior to proceeding with the structural equation modelling (SEM) analysis, confirmatory factor analysis was conducted on all the constructs that are included in the conceptualization, following the assessment procedures that are recommended in the key literature (e.g. Hair *et al.*, 2012). During this process, we will investigate whether the reliability indices of the constructs in the study are greater than 0.7 (Cronbach's alpha exceeds 0.7), and whether the factor items loadings are greater than 0.5. These procedures will ensure that the chosen factor items are properly matched to their designated constructs with an acceptable level of reliability (Hair *et al.*, 2012). To assess the validity of the results, the study applied the criteria outlined in Gefen *et al.* (2000). The detailed validity and reliability results are presented in Table 1. Our study shows a strong discriminant validity and reliability.

5.2 Structural equation modelling

Following the practice adopted by research of a similar nature (e.g. Cavusgil and Zou, 1994; Morgan *et al.*, 2004), we adopt SEM to examine the postulated conceptual framework as SEM is generally considered as a preferred causal modelling method (James *et al.*, 2006). Researchers can use SEM to control for measurement error, provide information on the degree of fit of the tested model and test multiple mediators (Mackinnon *et al.*, 2002). In particular, we use the partial least squares (PLS) test, because this is most appropriate for analysing the data at hand (Tung and Chung, 2010). PLS modelling is suitable for this study because we intend to explore:

- The effect of explanatory/control factors (e.g. preceding year export venture performance) on current export venture performance; and
- the cross-relationships of past performance, guanxi networking and co-creation strategy.

Furthermore, PLS modelling can be used to test the relationship between constructs and their measured indicators (Gefen *et al.*, 2000), with control of measurement errors for all observable variables. PLS analysis also provides a summary evaluation of complex models that involve a significant number

Table 1 Structural model and latent factor correlations

AVE	CR		Perf13	Co4P	Guanxi	Perf14	GDP	Population
0.746	0.897	Perf13	*0.863*					
0.81	0.942	Co4P	0.216	*0.900*				
0.856	0.923	Guanxi	0.104	0.812	*0.925*			
0.514	0.754	Perf14	0.014	0.544	0.582	*0.716*		
1	1	GDP	−0.21	0.033	−0.092	0.036	*1*	
1	1	Population	−0.184	0.022	0.082	0.07	0.06	*1*

Notes: Square root(AVE) on diagonal (*Italics*) and AVE > 0.50 indicates sufficient discriminant validity; CR > 0.70 indicates sufficient reliability
Source: Authors' own work

of linear equations. Researchers can use this method to evaluate the fit of alternative models that differ in complexity (Hooper *et al.*, 2008). PLS-SEM is able to simultaneously estimate and test the conceptual model with the collected data. It is a widely used multivariate statistical analysis technique that can be used to simultaneously examine multiple relations between measured variables and latent constructs in social science research (Singh, 2009).

We follow the guidance of prior literature to explore the validity and reliability of the PLS models, including sample size, significance of paths, R^2 values, average variance extracted (AVE), and construct reliability (CR) (Tung and Chung, 2010). By meeting the required standards (e.g. CR > 0.7, AVE > 0.5), the established models will have high validity and reliability. We also ensure that the constructs' square roots of the AVE are larger than the inter-construct correlations. These statistical procedures collectively ensure that the validity and reliability of the constructs used in the PLS-SEM modelling will meet the required standards (Chin, 2009).

5.3 Partial least squares analysis

Consistent with prior studies in this field, this study uses an SEM technique to analyse its proposed path framework (e.g. Tung and Chung, 2010). The primary objective of this research is to investigate the influence of explanatory and control factors, such as the preceding year's export venture performance, on the current export venture performance. Additionally, the study aims to examine the interconnectedness between past performance, guanxi networking and co-creation strategy. Thus, using the PLS modelling method will enable the examination of the relationships between constructs and their corresponding measured indicators (Gefen *et al.*, 2000).

This study used PLS analysis to examine the relationships between various variables. Specifically, the study investigated the associations between:

- Past performance (Perf13) and guanxi;
- Past performance (Perf13) and co-creation 4P strategy (Co4P);
- Guanxi and co-creation 4P strategy (Co4P);
- Co-creation 4P strategy (Co4P) and current performance (Perf14);
- Guanxi and current performance (Perf14); and
- Past performance (Perf13) and current performance (Perf14).

5.4 Path framework results

Our PLS results are displayed in Figure 2. The findings of the study indicate several significant relationships between variables. Firstly, *H1* examines the association between guanxi and performance in the proceeding year. The $p = 0.104^{**} < 0.01$, is significant. The results demonstrates that current-year guanxi is positively influenced by export venture performance in the proceeding year. *H2* examines the association between export venture performance and current year co-creation. The $p = 0.134^{**} < 0.01$, is significant. The study reveals that current-year co-creation strategy is positively influenced by export performance in the preceding year. Additionally, *H3* examines the association between current year co-creation strategy and current year guanxi networking. The $p = 0.789^{**} < 0.01$, is significant. The study reveals that a strong guanxi relationship with the CEO of the export venture firm has a positive impact on current-year co-creation among export venture partners, specifically for Chinese export ventures. This supports *H3*.

Furthermore, for Chinese export ventures operating in the host market, *H4* examines the association between co-creation strategy and current year export performance. The $p = 0.218^{**} < 0.01$, is significant. The study reveals that current-year export performance is positively influenced by current-year co-creation marketing strategy. Thus, *H4* is supported.

Regarding *H5*, which explores the relationship between guanxi and current export venture performance. The $p = 0.415^{**} < 0.01$, is significant. The result confirms that current-year export performance is indeed positively influenced by current-year guanxi networking. However, *H6* examines the association between export performance in the current year and export performance in the preceding year. The $p = -0.062$, is insignificant. The result found no significant relationship between export venture performance in the preceding year and export venture performance in the current year, thus *H6* is not supported.

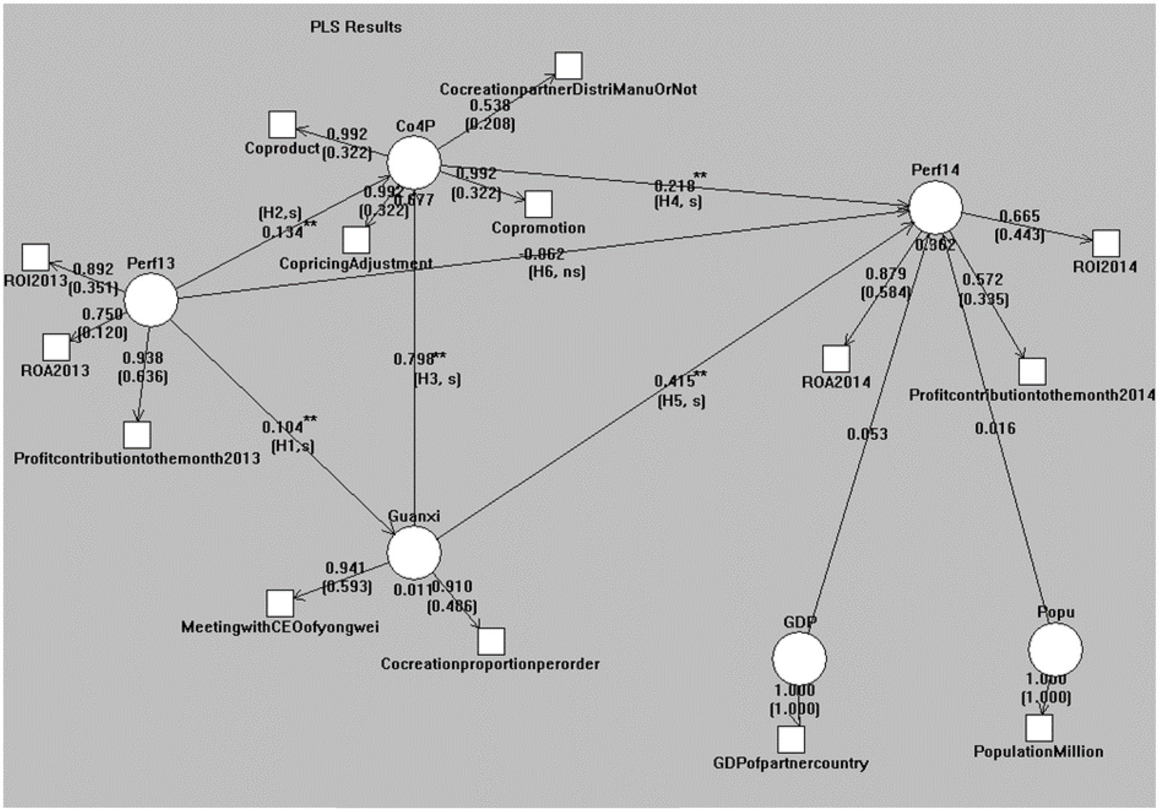
6. Discussion

The findings of this study have made several insightful contributions to the literature in the fields of export venture performance, guanxi networking and co-creation literature.

6.1 Research contributions

To fulfil this research gap and to enhance our understanding of Chinese exports, we propose the inclusion of guanxi networking-related factors (e.g. top executives' ties with customers such as distributors in the host market) in the prior performance-current performance paradigm (Lages *et al.*, 2008; Lages and Montgomery, 2004; Morgan *et al.*, 2012; Yang *et al.*, 2012). The new prior performance-guanxi

Figure 2 PLS results



Notes: *$p < 0.05$; $p < 0.01$. s: Supported. NS: Not supported
Source: Authors' own work

networking-current performance paradigm is postulated by following the results that are revealed in the extant guanxi relationship governance literature (Gu *et al.*, 2008; Ju *et al.*, 2014; Sheng *et al.*, 2011). Prior research indicates that top executives are more likely to spend time and effort with the venture partners in the host market when the venture has a superior performance result in the prior year (Tung and Chung, 2010). Organisational learning literature suggests that when a venture's past performance is sound, a firm's executives will often commit effort and resources to maintain that trend (Madsen and Desai, 2010). This effort includes more frequent interactions and personal contacts with the venture partners so that they can gain contemporary knowledge and market intelligence from their local partners (Chung, 2012). By doing this, the firm can maintain their competitive advantage in the host market and continue their performance trend (Lages *et al.*, 2008). Thus, it is expected that prior performance would have a positive effect on executives' guanxi networking with local partners, and a greater extent of guanxi networking is also revealed to have a positive effect on export performance (Sheng *et al.*, 2011).

Thirdly, we further postulate that co-creation marketing strategy serves as an additional mediator between prior and current performance. While co-creation strategy is known to impact a firm's performance (Vargo and Lusch, 2004), little is known whether the prior performance stimulates export ventures to enhance their current co-creation marketing strategy with local partners in export management, indicating a closer relationship. The theoretical rationale is that a prior superior performance may prompt firms to maintain or boost effective marketing strategies, enhancing export performance. Thus, export ventures are likely to intensify co-creation strategies when the prior year's performance is favourable, potentially boosting overall performance. Drawing on organisational learning and co-creation literature, we anticipate that the prior-performance-co-creation strategy-current performance conceptualisation holds true for export ventures.

Finally, although extent the guanxi networking literature has suggested the benefits of closer contact with local distributors, such as obtaining rare resources and intelligence (Chung *et al.*, 2012; Yang *et al.*, 2012), prior research has not explored whether a firm's guanxi networking is significantly linked to the co-creation strategies with local distributors (Prahalad and Ramaswamy, 2004; Sheng *et al.*, 2011). A theoretical foundation for this link is that a closer guanxi relationship with local customers usually signals a strong manufacturer-distributor tie, and this strong tie would induce a higher commitment to the co-creation strategy development. Considering the manufacturers, they are more willing to delegate their decision-making to local distributors once they have better knowledge of the firm. A closer guanxi relationship would reduce the risks of co-creation strategies delegation and formulation (Chung, 2009; Solberg, 2000).

Considering the distributors, their executives are more willing to inject more local inputs into the marketing strategies formulation because a closer guanxi relationship would reduce the communication time and provide a quicker response to local competition (Chung, 2010). Thus, it is expected that guanxi networking is likely to be significantly related to the formulation of co-creation strategies. This conceptualization significantly enhances the aforementioned preceding performance-guanxi networking/co-creation strategy-current performance framework.

6.2 Managerial implications

The question of how Chinese export ventures can enhance their performance has been a topic of interest. Consequently, previous research, such as that conducted by Morgan *et al.* (2004), has aimed to explore this question. Our study revealed that effectively tackling this strategic question now demands a fresh comprehension of the guanxi networking between home and host market partners. This understanding should also encompass the impact of export venture performance in the preceding year and co-creation of the 4Ps strategy.

The findings of this study have multiple important implications for practitioners and researchers interested in emerging market export ventures (Lages *et al.*, 2008). Firstly, export managers operating in emerging markets should not solely focus on the export venture performance in the previous year. It is evident from this study that relying solely on the previous year's export venture performance does not guarantee improved performance in the following year. Instead, export managers should prioritize the establishment of strong guanxi with senior management in the host market. This strong guanxi can mediate the impact of export venture performance in the preceding year on the export performance in the following year.

Secondly, export managers should acknowledge that while the export venture performance in the previous year may not significantly impact the subsequent year's performance, it does have implications according to the export venture and co-creation literature. Drawing from Vargo and Lusch (2004), firms can enhance their marketing strategy by co-creating it based on previous learning experiences. Consequently, a robust co-creation marketing strategy can lead to improved firm performance. The findings of this study suggest that export managers should pay attention to co-create a comprehensive 4Ps marketing strategy with their host market managers, as the export venture performance in the preceding year can influence the subsequent performance through this co-creation process.

Finally, managers of emerging market export ventures should prioritize building strong guanxi relationships with their host market export partners. Previous years' export performance can facilitate the availability of additional resources, enabling the firm to conduct thorough analyses and modify their export marketing strategies. The study's outcomes indicate that a strong guanxi relationship between home and host market managers can significantly influence the co-creation of the 4Ps marketing strategy. Favourable export venture performance in the preceding year strengthens the relationship in the current year, allowing export managers to access better resources, support, and further cultivate their guanxi with host market managers, ultimately leading to improved performance in subsequent years.

6.3 Limitations and future research

As this study represents an early study focusing on organizational learning, guanxi networking and co-creation strategy theories from an emerging market perspective, it is accompanied by some research limitations, which need to be addressed in future research. In the following paragraphs, we highlight some of these and propose promising new directions for future research. Firstly, the measurement of guanxi networking can be extended to the top manager's ties with local political entities and local professional organizations, as suggested in prior research (Chung *et al.*, 2016; Sheng *et al.*, 2011). The inclusion of these guanxi items would significantly enhance the conceptual framework that is outlined in this study. Secondly, future research should also continue to explore the vital relationships between co-creation marketing strategy and guanxi networking; particularly in a different outcome context. For example, future research could explore whether guanxi networking can significantly moderate the effect of co-creation marketing strategy on export ventures' innovation outcomes (product, process and administration) (Atuahene-Gima and Murray, 2007). Through these new research projects, the theoretical foundation established in this study can be successfully extended and the study's innovative outcomes (e.g. the path models) can also be applied to other theoretical conceptualisation that is important in the export venture literature (e.g. the moderation or contingent models) (Chung, 2012; Ju *et al.*, 2014). Expanding the relationship between guanxi networking and co-creation marketing strategy to different types of export performance components can provide new insight into this novel examination and can advance the existing research on the co-creation strategy and organizational learning (Lages *et al.*, 2008; Ranjan and Read, 2016).

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