The mediating role of product planning and development on the relationship between markets strategies and export performance

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CHRONICLE	ABSTRACT
	To ensure competition and survival of business, understanding the indicators or drivers of export performance is important. Based on the organizational learning theory and strategic fit theory, this study aims to test the influence of market exploration strategies (MERS) and market exploitation strategies (METS) on SMEs' export strategic performance, export financial performance (EFP), and export customer performance (ECP). This study confirms the leading mediating role of product planning and development (PPD) in the effects of MERS and METS on export performance outcomes. The authors collected questionnaire data electronically from 122 experienced SMEs that conduct international transactions in Saudi Arabia. Results from the Analysis of Moment Structures indicate that MERS and METS positively influence export performance; PPD mediates the relationship between MERS and METS in export performance dimensions; and number of sales and ownerships are control variables that influence EFP and ECP, respectively. This study contributes to the literature and society by proposing a framework that addresses the direct and indirect relationships between export marketing strategies and PPD, and their effects on SMEs' export performance.

1. Introduction

Export performance is considered a significant and vital element in determining success in business operations (Nuseir 2016). Many studies on international marketing highlight the importance of understanding the indicators or drivers of export performance to ensure strong competition and survival (Sousa et al., 2010; Karelakis et al., 2006; Sousa & Tan 2015) Nevertheless, there is scope to conduct further research on the factors that drive SMEs' export growth (Stouraitis et al. 2017). While the literature on exporting performance has a long history, it has yet to achieve the degree of consensus required to propose exporting strategies to small firm owners (Casey & Hamilton 2014). Currently, no framework can comprehensively explain all of the drivers of export performance (Lages, Jap, & Griffith, 2008; Wheeler et al., 2008; Tan & Sousa 2011). Ismail et al. (2018) called for future studies to focus more on how SMEs improve export performance, which refers to the extent to which a company implements marketing strategies to achieve its exportation goals (Cavusgil & Zou 1994). Based on the multidimensional nature of performance we use three measures to assess SMEs' export performance in this study: financial-, strategic-, and customer-based measures. These three measures of performance either combine or bridge the divide between other objective and subjective measures or combines both of them (Beleska-Spasova, Glaister, & Stride 2012). We believe that these three measures are the strongest success indicators of exporting operations now days. The towering competitive conditions that business organizations, particularly SMEs, are currently facing, allow them to shift from focusing solely on home markets to markets abroad, thus expanding their opportunities for growth. Consequently, SMEs should adequately comply with these changes to attain their exporting goals. However, even with the extensive literature on the application of international marketing strategies, few studies focus on exploitation and exploration marketing strategies for SMEs' export performance.

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Kyriakopoulos and Moorman (2004) abstracted that the basic problems many firms face are due to insufficient exploitation to maintain their existing viability and insufficient exploration to preserve their future viability. Few studies have investigated SMEs' exportation activities that incorporate exploration and exploitation marketing strategies, product development, and customers-based measures (Aspara et al., 2011); some exceptions include Hughes et al. (2010) and Lisboa et al. (2011). Recently, some studies have attempted to further investigate exploration and exploitation strategies to achieve competitive advantages and thus, improve management, develop international business, and advance marketing knowledge (Fletcher-Chen et al., 2017; Abebe & Angriawan, 2014; Lu Jin et al., 2016; Dayan et al., 2016; Eltantawy, 2016).

To the best of our knowledge, this is the first empirical study to investigate this concept in Saudi Arabia, particularly in SMEs. Market exploitation strategies **(**METS) are defined as strategies that primarily entail improving and refining existing skills and procedures associated with existing marketing strategies, including market segments, positioning, distribution, and other marketing mix strategies (Kyriakopoulos and Moorman 2004). Market exploration strategies (MERS) are defined as strategies that primarily challenge prior approaches to interfacing with markets, such as new segmentation, new positioning, new products, new channels, and other marketing mix strategies (Kyriakopoulos & Moorman, 2004). MERS refer to the processes that facilitate experimentation and expose modern ideas, new abilities, and novel solutions in the export markets' environment. METS refer to the processes required to apply ideas, cultivate abilities, and apply solutions in the export markets' environment.

Bahadir, Bharadwaj and Srivastava (2015) abstracted that, due to the diverse nature of markets, marketing of products globally is challenging. Product planning and development (PPD) is necessary owing to the fluctuations in product demand, swing supplies of product inputs, product-life cycles (which are increasingly becoming shorter), difficulty in changing product designs and packaging, and speedy changes in technology. Product development becomes problematic, more so while considering the diverse customer preferences across countries (Uner et al., 2013). PPD is also necessary to face the changes in external and internal export market conditions.

In this study, PPD is an intermediary dimension used to assess exporting performance; it encompasses plans to develop products, and slight mandatory and discretionary changes to current products. Further, it includes the creation of new commodities that help SME firms to comply with restrictions in foreign markets and obtain remunerative opportunities economically, satisfy customers, and guarantee success in foreign markets.

Other than acquired knowledge, firms demand skills that pertain to SMEs, which include PPD, as well as exploitative and explorative abilities that match present and future markets' needs flexibly**.** This study aims to contribute to the literature on the two market strategies—export performance and PPD—by evaluating and measuring the empirical conceptual framework that connects these concepts simultaneously. Accordingly, this study's major research questions are:
(1) What performance opportunities can Saudi Arabian SMEs gain from implementing exploitation and exploration strategies in foreign markets?
(2) To what extent does PPD mediate the relationship between market strategies (METS, MERS) and SMEs' export performance?

In an attempt to avoid misleading findings, we included some control variables, such as SME age and experience, in this study's model. The existing literature on exportation specifies these control variables as determinants of a company's performance.

We organize the rest of this paper as follows: In the following section, we discuss the study topic based on the organizational learning theory (OLT) and strategic fit theory (SFT). Then, we discuss the literature review, in which we explore and develop the study's framework, based on the OLT and SFT, and subsequently, derive the proposed hypotheses. Next, we discuss the methods and findings, followed by a conclusion, in which we discuss the findings, social and managerial implications, limitations, and the directions for future studies.

2. Literature review

2.1 The OLT and SFT Support

No single theory seems adequate in addressing the complexity of export marketing (Chen, Sousa, & He, 2016). The OLT provides a theoretical foundation to illustrate how export firms shape their long-term competitive advantages, and how they experience radical changes in their export performance over time (Chen, Sousa, & He, 2016). Learning at the firm level enables them to integrate information from their previous successes and mistakes with information from their current environment (Gabrielsson, Gabrielsson, and Seppälä 2012). The OLT provides a sound theoretical lens from which to examine firm activities that pertain to knowledge development and formulation of exploitation and exploration strategies (March 1991). It refers to the managerial understanding of the causal linkages between organizational actions and outcomes, within the environments in which firms operate (Lages, Jap, & Griffith, 2008). The ability to learn leads to the exploration, exploitation, and development of international processes. The OLT specifies the encoding mechanism between previous organizational operations and the organization's future behavior and outcomes (Wei et al., 2014; Santos-Vijande et al., 2012). Thus, knowledge obtained through exploration and exploitation activities boosts decisions regarding future

marketing strategies and exporting performance. The learning concept enables continuous improvement and innovation (Lages, Silva & Styles, 2009) and helps firms to reconfigure resources and capabilities to compete successfully in international markets (Vahlne & Johanson 2017). Learning is key for sustainable advantages and performance, particularly among SMEs (Juhdi, Hong, and Juhdi 2015). This study postulates that organizations can learn how to select markets, and plan to develop products through market forecasting from the experiences of previous managerial processes. From a learning-by-exporting perspective, new knowledge is useful in making a firm more innovative and, subsequently, exhibit superior performance (Xie & Li, 2018). By facilitating the acquisition of new skills as well as by upgrading and strengthening prior knowledge, learning by exploitation and exploration improves PPD and makes possible the adaptation of economies of scale features that improve the performance of marketing strategies.

We based this study's second theoretical perspective on SFT. Numerous scholars have emphasized the importance and the increasing use of SFT in marketing strategies and export researches worldwide (Chen, Sousa, & He 2016; Bahadir, Bharadwaj, & Srivastava, 2015; Hultman, Robson & Katsikeas 2009; Katsikeas, Samiee & Theodosiou 2006). Westjohn and Magnusson (2017) posited that SFT predicts a positive relationship between exploration and performance. Earlier, Venkatraman and Prescott (1990) proposed that the adequacy between strategies and their contexts has significant and positive implications for performance. Thus, based on the SFT, firms apply new kinds of capabilities when managing future processes, and foster current situations through market exploration and exploitation strategies. PPD achieves a fit between MERS, METS, and the subsequent export performance. These arguments imply that SMEs cannot upgrade their export performance value unless they build or create a fit between export markets strategies and PPD. In environments where market strategies are implemented, the performance is governed by the level of PPD. Therefore, the success and fitness of a certain market strategy is largely dependent on PPD.

2.2 Hypotheses Development

Markets may accept or reject new products and, hence, shape firms' sustainability and success (Bonner and Walker 2004). Some studies have found that excelling at both exploitation and exploration strategies is vital for successful product development (Sheremata 2000) and long-term performance (Tushman & O'Reilly 1996). The ideas derived from MERS and METS can be applied to PPD. He and Wong (2004) found that exploration and exploitation strategies significantly influence product innovation, while Shi et al. (2020) found that these strategies have stronger influences on firm performance in R&D contexts, compared to other circumstances. Exploration strategies enable firms to develop new products, whereas exploitation strategies allow firms to update existing products (Bandeira-de-mello et al. 2016). Without an appropriate marketing strategy, even advanced technological products may fail to become popular (Ernst 2002). Thus, fast, unexpected, and imperative market changes may be required to implement exploration and exploitation strategies for PPD or for the responding capacity to adapt to customer needs. From the mentioned arguments, we propose hypothesis one as follows:

H$_{1.1}$: *Market exploitation strategy of SMEs is positively related to PPD.*
H$_{1.2}$: *Market exploration strategy of SMEs is positively related to PPD.*

Separating firm's exploitation and exploration marketing strategies can enhance the understanding of how market orientation influences a firm's ability to explore and exploit knowledge and skills (Kyriakopoulos and Moorman 2004). Due to increased international competition, it is important for firms to develop and implement successful strategies to ensure satisfactory export performance outcomes (Laufs & Schwens 2014; Casey & Hamilton 2014). Shi et al. (2020) demonstrated that exploration and exploitation boost, and lead to better firm performance (Lin, Yang & Demirkan 2007). Exploration can help firms anticipate market trends and capitalize on market opportunities, this resulting in long-term profits (Shi et al. 2020). Exploitation strategies increase efficiency, reduce periods without sales, and increase the reliability or precision of all activities (Tamayo-Torres et al., 2011), which is expected to provide companies with high and safe returns (Guisado-González et al. 2017). Exploration strategies help firms develop new cognitive frames (Chiva et al., 2010), enable learning from failures (Madsen & Desai, 2010; Edmondson, 2011), and are essential in achieving sustained competitive advantages (March 1991). The ability of an organization to maintain focus on both exploration and exploitation activities, to survive and excel in the present, and secure the future, leads to performance ambidexterity (Sinha, 2015). Exploration and exploitation strategies have the potential to enhance organizational performance (Martini et al., 2013). Therefore, we propose a second hypothesis:

H$_{2.1}$: *Market exploitation strategy of SMEs is positively related to (a) export strategic performance (ESP), (b) export financial performance (EFP), and (c) export customer performance (ECP).*
H$_{2.2}$: *Market exploration strategy of SMEs is positively related to (a) ESP (b) EFP and (c) ECP.*

Developing products and processes benefit firms in several ways, such as enhancing productivity and increasing performance (Haddoud et al., 2018). Fuchs and Köstner (2016) found that the adaptation of products to market-specific characteristics has a positive effect on export success, leading to sales growth, profitability, goal achievement, and the overall success of an export venture. Calantone et al. (2004) found a positive association between the level of product adaptation and its profitability at the project level. Further, Cho and Pucik (2005) found that firm innovativeness leads to

its profitability and growth. The discretionary adaptation of products has a positive effect on export performance (Westjohn and Magnusson 2017). In addition, product-planning aims at an optimal mixture of the product features offered, which helps a firm meet diverse customer needs and obtain competitive advantages (Miao et al. 2017). Thus, PPD facilitates product designs; simplifies customization of product lines, while maintaining the current ones; minimizes the production time, which results in reduction of operational costs; and strategically meets the target customers' needs and wants. Syamil et al. (2004) assumed a direct link between product concepts and customer satisfaction. Overall, product quality and product design and style were shown to have significant positive effects on export performance (Leonidoua, Katsikeasb, & Samiee 2002). Utilizing PPD to differentiate products, develop existing products, or launch new product for target customers leads to economically successful products/services that are valued by customers, and ensures quick compliance with required mandatory terms. From the above-mentioned arguments, we propose hypothesis three:

H$_3$: *PPD in SMEs is positively related to (a) ESP, (b) EFP, and (c) ECP.*

Product development and exploitation and exploration strategies for overseas market represent a combined group of skills that are rooted in exporting firm's procedures and that can achieve competitive advantages, based on the superior offerings (Day 1994; Hult & Ketchen, 2001). Product planning involves determining the number of product variants and their design attribute settings (Aydin, Kwong, & Ji, 2016). PPD may identify the target markets' demand trends, foresee changes in customers' needs, and better address international business opportunities and threats. These changes occur systematically in the products' planning and developing processes. Without an effective exploitation and commercialization strategy, efforts to develop new technical products will be futile (Lettice, Roth, & Forstenlechner, 2006). Based on the exploration and exploitation strategies for overseas markets, firms can adopt an organized approach to gauge markets' competitive degrees, determine exporting opportunities, and subsequently plan to develop products that lead to superior performance. PPD is important in meeting new or emerging customer needs and preferences, or in meeting their existing needs and wants in current and target markets. PPD maintains the export products' characteristics in worldwide markets and satisfying most customer needs. To meet the minimum product requirements, which vary by country, a proactive PPD is required. Zou and Stan, (1998) identified product strategy as one of the key factors for measuring export performance, based on the export marketing strategy. Firm's product characteristics influence their export marketing strategies (Cavusgil & Zou, 1994). Export marketing strategy is influenced by internal firm's product characteristics

Lisboa et al. (2011) posit that product development, based on exploitative and explorative capabilities in overseas markets, can result in new product differentiation advantages, which, in turn, can influence market effectiveness. Companies in highly dynamic markets increasingly struggle with planning product development and creating reliable roadmaps that utilize new approaches to cope with their conditions (Münch et al. 2019). Loch et al. (1996) have emphasized that assessing product development performance is vital to understand the important drivers of performance outputs (Lettice et al. 2006). To remain competitive, firms need to engage in exploitative and explorative activities, not only in the product development context, but also in the marketplace (Lisboa et al. 2011). Market exploration and exploitation strategies lead to effective export performance, particularly when firms concurrently introduce PPD. Consequently, in this study, we propose that explorative and exploitative market strategies have an effect on SMEs' performance, through the mediating role of PPD. Therefore, we propose the fourth hypothesis as follows:

H$_{4.1}$: *PPD in SMEs mediates the relationship between METS and (a) ESP, (b) EFP, and (c) ECP.*
H$_{4.2}$: *PPD in SMEs mediates the relationship between MERS and (a) ESP, (b) EFP, and (c) ECP.*

We control factors that may affect SME's performance, and minimize their effects on the main variables of this study model. These factors include a) ownership of a company; b) age of a company; c) number of employees; d) international export experience; e) annual sales; f) types of products; and g) number of target markets.

3. Materials and methods

We based this study on a quantitative methodological prospective and gathered primary data to investigate the hypotheses mentioned above. We conducted a survey using electronic questionnaires, in which we sent e-mail messages to key informants, whom we anticipated were top managers or were engaged in decisions regarding product exportations as well as exploration and exploitation activities. In the questionnaire, we explained the purpose of the study and mentioned that participation was voluntarily. Further, the email invitation message includes paragraph that show SMEs' managers to be confidence to participate in this survey and remove their fear of seeping their business information. Thereafter, we invited the respondents to fill in the online questionnaires, and provided a link at the end of the message.

We designed the questionnaire following Huber and Power's (1985) guidelines to fit the respondents. We sent the questionnaire items in Arabic, accompanied by English translations, which three bilingual academics had prepared to ensure clarity and reduce loss of meaning. The questionnaire contained two-part questions. The first part included several SMEs' demographic characteristics, which we used as control variables. The second part included six main dimensions of this study. All items measured in part two of the questionnaire were assessed based on a seven-point Likert scale, ranging from (1) strongly disagree to (7) strongly agree.

We based this study's conceptual framework on the OLT and SFT and used an SME as a unit of analysis, on which we requested respondents to comment. Cavusgil and Zou (1994) maintain that the proper unit of analysis in export performance research should be the export venture. We used several goodness-of-fit techniques, such as the AMOS 25 and SPSS 25 statistical packages to analyze the study's data.

3.1 Data Collection and Sampling

We collected data between December 29, 2019 and February 27, 2020, in Saudi Arabia, which we consider a growing economy. We obtained contact data for more than 1500 SMEs from the Chamber of Commerce of the Saudi Ministry of Commerce database. All SMEs services firms were excluded from the study population due to the nature of the study that focused on industrial and consumer goods of SMEs exporting firms, as well as the SMEs whose their contact information was not active after a primary check we used. Thereafter, we explored 538 effective communication data, and qualified SMEs that fit study's nature, which then formed this study's sample. We randomly sent this survey to SMEs in Saudi Arabia. Thereafter, we sent two reminders through emails after the first three weeks to increase the response rate. Of this sample, 125 SMEs filled in the electronic questionnaires, resulting in 122 valid questionnaires, which was approximately a 23% response rate. We deemed this response rate as completely acceptable, given that top management response rates in surveys average between 15%–20% (Menon et al., 1999). Table 1 shows the SMEs' profile characteristics. In the sample, 81.97% of SME ownerships were partnerships, 15.57% were sole proprietorships, and 2.46% were private corporations. Regarding the SMEs' age, 48.36% were 12 years old or more, 35.24% were 9–11 years old, 10.66% were 6–8 years old, 3.28% were 3–5 years old, and 2.46% were less than 3 years old. Additionally, more than half, 58.20%, of the SMES had more than 50 full-time employees, classified as medium-sized SMEs; 41.80% had less than 50 full-time employees, classified as small SMEs. Regarding SMEs' international experiences, 66.39% had more than seven years of experience, 29.50% had from 4–6 years, and 4.10% had from 1–3 years. Furthermore, 47.50% of SMEs had annual sales in the range of 450,000–649,999 dollars; 23.80% from 250,000–449,999, 21.30% from 650,000–849,999, and 7.40% less than 250,000 dollars. A majority (81.10%) of the SME products was consumer products and 18.90% was industrial products. Lastly, 59 % of the SMEs had 3–6 target markets and 41.00% had 1–3 target markets.

Table 1
SMES characteristics' profile

Ownership of SME	Sole proprietorship	Partnership	Private Corporation	Other	
Frequency	19	100	3	-	
percentage	15.57%	81.97%	2.46%	-	
Age of SME	**Less than 3 years**	**3-5**	**6-8**	**9-11**	**12+**
Frequency	3	4	13	43	59
percentage	2.46%	3.28%	10.66%	35.24%	48.36%
Number of employees	**Less than 10**	**10-49**	**50+**		
Frequency	1	50	71		
percentage	.80%	41.00%	58.20%		
International export experience	**1-3 years**	**4-6 years**	**7+ years**		
Frequency	5	36	81		
percentage	4.10%	29.50%	66.39%		
Annual sales in dollar (1 dollar ≈ 3.75)	**Less than 250,000**	**250,000-449,999**	**450,000-649,999**	**650,000-849,999**	**850,000+**
Frequency	9	29	58	26	
percentage	7.40%	23.80%	47.50%	21.30%	
Products types	**Consumer products**	**Industrial products**	**Both**		
Frequency	99	23		-	
percentage	81.10%	18.90%		-	
Number of target markets	**1-3**	**4-9**	**10+**		
Frequency	50	72	-		
percentage	41.00%	59.00%	-		

3.2 Nonresponse Bias and Common Method Bias (CMB) Tests

In this study, we followed Armstrong and Overton (1977) guidelines to test for non-response bias. First, we considered SMEs that responded in three weeks as earlier respondents, and those that responded after the e-mail reminders as late respondents, representing 65% and 35% respectively. Further, T-test results did not indicate significant statistical differences between earlier and late responses observed. Thus, the nonresponse bias did not affect this study. Further, we conducted several investigations to test CMB. For instance, we conducted Harman's one-factor test, following the guidelines set by Podsakoff et al. (2003). As shown in Table 2, the accumulated variance explains (78.93%) of the distribution between the factors. The first factor variance explained is (19.69%), with eigenvalue (7.28), which proves that this is not the controlling factor. Therefore, this study's data set is free from CMB. Further, we assessed the existence of CMB using VIFs of latent variables. This model met the frequently recommended threshold criterions: the highest VIFs score value is 1.493 and the lowest tolerance value is .370. Hence, CMB is unlikely to be a threat. Furthermore, considering the content validity and the inverse items of measure in the questionnaire together also reduced the risk of CMB.

3.3 The Measurements

We developed this study's scale following Rossiter (2002) and the recommendations by Nunnally and Bernstein's (1994) for new model development (Lisboa et al., 2011)**.** Further, we made some slight modifications or changes to the items of measure to match the context of the SMEs, which we adopted from previous, well-validated and developed research measures. We measured the SMEs' METS and MERS using nine and eight items, respectively (Lisboa et al., 2011; de Visser & Faems, 2015; Shi et al., 2020; Kyriakopoulos & Moorman, 2004) and measured PPD using six items (Haddoud et al., 2018; Leonidou, Palihawadana, & Theodosiou, 2011; Lejpras, 2019). We measured EFP and ESP using four items (Haddoud et al., 2018; Zou et al., 1998; Ural, 2009; Zou & Cavusgil, 2002) and measured ECP using five items (Hultman, Katsikeas, & Robson 2011; Samiee & Chirapanda 2019). Table 2 displays the measurement items.

4. Analysis

4.1 The KMO and EFA Test

As shown in Table 2, the Kaiser-Meyer-Olkin measure of sampling adequacy is .898 and the Bartlett's Test of Sphericity is 4545.583, which fulfils the factor analysis standards. While preparing to conduct the Confirmatory-factor analysis (CFA) and determine the validity and reliability of measurements, we performed an EFA in SPSS for 36 items; no item failed this test (see Table 2). The EFA confirms that each group of indicators explains only one practice (Tamayo-Torres et al. 2011). Using the Varimax rotation process with principal component analysis (PCA), we extracted the items of measure into six factors: the Eigenvalue is greater than one, the total explained variance is 78.93%, each factor Cronbach's alpha is more than .70, and their average variance extracted (AVE) is greater than the required level, which is .50. The AVEs are loaded significantly and range from .642 to .860.

Table 2
Study's KMO and EFA analyses

	Kaiser-Meyer-Olkin Measure of Sampling Adequacy				.898	
	Bartlett's Test of Sphericity				4545.583	
	Df				630	
	Sig.				.000	
Cronbach's alpha	.966	.958	.919	.934	.940	.901
MERS2. My SME identifies prospective customers	.836					
MERS8. My SME acquires export market-related information about new markets.	.825					
MERS3. My SME assesses the potential of new markets.	.818					
MERS4. My SME researches new competitors and new customers.	.818					
MERS7. My SME builds relationships in new markets.	.811					
MERS5. My SME builds new overseas distributor relationships.	.777					
MERS9. My SME makes products difficult for competition to copy.	.773					
MERS1. My SME new products do have a significant advantage over those of competitors.	.736					
MERS6. My SME adopt entrepreneurial orientation-exploration.	.733					
METS7. My SME enhances the capture of important market information about existing markets.		.860				
METS5. My SME reinforces contacts in current export markets.		.857				
METS4. My SME reinforces the monitoring of competitive products in current export markets.		.837				
METS6. My SME enhances understanding of existing overseas customer requirements.		.825				
METS3. My SME reinforces relationships with current overseas customers.		.815				
METS8. My SME reinforces overseas distributor relationships.		.764				
METS1. My SME improves entrepreneurial orientation-exploitation.		.751				
METS2. My company improved our prior skills and procedures of markets positioning and differentiation		.742				
PPD6. Our SME is constantly sensing trends and competitors' products movements in overseas markets.			.779			
PPD4. Our SME has extensive knowledge about foreign market products demand.			.778			
PPD3. Our SME constantly is referring to our products plan to direct our export activities.			.772			
PPD2. our SME has not marketed new product in the past three years (inverse)			.764			
PPD1. Our structured products plan is widely disseminated throughout the organization			.748			
PPD5. Our SME meets foreign markets products regulations standards.			.665			
ECP2. Our export performance in the last 3 years increased the customer retention/loyalty.				.808		
ECP3. Our export performance in the last 3 years generated new customers.				.804		
ECP1. Our export performance in the last 3 years met the customer satisfaction.				.755		
ECP4. Our export performance in the last 3 years improved the customer service.				.695		
ECP5. Our export performance in the last 3 years run customer referral programs.				.686		
EFP3. Over the previous three years, this SME international business was profitable.					.837	
EFP2. Over the previous three years this SME company achieved rapid growth internationally					.823	
EFP4. Over the previous three years, this SME return on investment (ROI) is higher than it is her major competitors.					.805	
EFP1. Over the previous three years, this SME has generated a high volume of international sales.					.642	
ESP3. Over the previous three years, our company venture has improved our global competitiveness.						.801
ESP4. Over the previous three years, our company has been able to build a global leadership position in our industry.						.781
ESP2. Over the previous three years, our company has significantly increased our market share.						.761
ESP1. Over the previous three years, our company has strengthened our strategic position in the export market.						.672
Eigen values	7.28	3.43	2.81	1.73	1.61	1.56
Variance explained	19.69	18.46	12.45	10.92	8.86	8.55

4.2 The CFA Test

We conducted CFA to ensure uni-dimensionality and as a second purification measure after EFA, through LISREL. Figure 1 and Table 3 show the indices of the study's model, that is, chi-square value (CMIN), Comparative Fit Index (CFI),

Goodness-of-Fit Index (GFI), Incremental Fit Index (IFI), Normed Fit Index (NFI), Standardized Root-Mean-Square Residual (SRMR), and Root Mean Square Error of Approximation (RMSEA), which satisfactorily fit the acceptable threshold or exceed it. It is worth mentioning that we excluded five items from the 36 items in the CFA test to reach the model fit, due to high cross-loadings and low item-to-total correlation. Those items are PPD1, PPD2, EFP1, ESP1, and ESP4.

Table 3
Model's Measures Fit

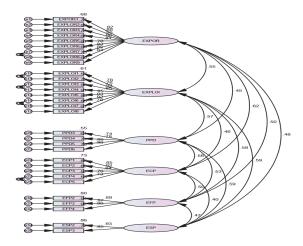| Measure	Estimate	Threshold	Interpretation	Reference
CMIN	635.034	--	--	
DF	414	--	--	
CMIN/DF	1.534	Between 1 and 3	Excellent	Hair et al. (2010)
CFI	0.95	>0.90	Excellent	Fan et al. (1999)
GFI	0.95	>0.95	Acceptable	Hu & Bentler (1997)
IFI	0.97	>0.90	Excellent	Bollen (1989)
NFI	0.93	>0.90	Good	Bollen (1989)
SRMR	0.058	<0.08	Excellent	Joreskog and Sorbom (2001)
RMSEA	0.066	<0.06	Acceptable	Browne and Cudeck (1993)

Fig. 1. The CFA test

4.3 Validity Measures

Five international commerce lecturers from three Saudi Arabian universities reviewed the questionnaire, based on a review of previous literature, which they used to check for content validity and consistency with the study's aims. Table 4 shows the verification of convergent validity, as assessed by Fornell and Larcker's (1981)'s procedures, which showed a composite reliability (CR) values above .70 and an average variance extracted values (AVE) above .50, indicating convergent validity. Further, the MSV values are lower than the corresponding AVE values. We verified the discriminant validity by comparing the square root of the AVE values and the square root correlation between the constructs, which indicates that the square root of the AVE values is the highest, guaranteeing discriminant validity.

Table 4
Model Validity Measures

	CR	AVE	MSV	MaxR(H)	MERS	METS	PPD	ECP	EFP	ESP
MERS	0.956	0.709	0.381	0.959	**0.842**					
METS	0.962	0.764	0.35	0.975	0.554***	**0.874**				
PPD	0.891	0.672	0.353	0.903	0.447***	0.574***	**0.819**			
ECP	0.926	0.718	0.381	0.951	0.617***	0.464***	0.581***	**0.847**		
EFP	0.96	0.888	0.333	0.97	0.497***	0.577***	0.527***	0.501***	**0.942**	
ESP	0.882	0.789	0.353	0.895	0.478***	0.592***	0.594***	0.398***	0.470***	**0.888**

*** P < 0.001

4.4 Descriptive Statistics and Correlations

Table 5 shows the Pearson's correlations, arithmetic means, and standard deviations of market exploration strategies (MERS), market exploitation strategies (METS), product planning and development (PPD), export strategic performance (ESP), export financial performance (EFP), and export customer performance (ECP) dimensions that we utilized in the study model. The findings indicate that SMEs in Saudi Arabia focus more on ECP (mean=3.88, standard deviation=.97441),

followed by ESP (mean=3.61, standard deviation=.82349), EFP (mean=3.25, standard deviation=.86938), MERS (mean=3.09, standard deviation=.67258), PPD (mean=3.01, standard deviation=.61937), and METS (mean=2.80, standard deviation=.74480). Additionally, the inter-correlations between the variables are stronger and positive at a significance level of p–value = .01(2-tailed), which helped conduct the regression analysis.

Table 5
Descriptive Statistics and Correlations (N= 122)

	Mean	Std. Deviation	ESP	EFP	ECP	PPD	METS	MERS
ESP	3.61	.82349	1					
EFP	3.25	.86938	.501**	1				
ECP	3.88	.97441	.430**	.521**	1			
PPD	3.01	.61937	.648**	.559**	.620**	1		
METS	2.80	.74480	.630**	.595**	.484**	.610**	1	
MERS	3.09	.67258	.512**	.515**	.645**	.479**	.574**	1

**. Correlation is significant at the 0.01 level (2-tailed).

4.5 Hypotheses Testing

Fig. 2 shows the estimation results of the structural model. The goodness of fit indices are $\chi2$ = (4.617), DF=3, CMIN/DF= 1.539 with RMSEA=0.067, NFI=0.98, CFI= 0.99, IFI=0.99, GFI=0.98, and SRMR=0.017, which suggest an acceptable model fit, as long as it exceeds the usual indicators of model acceptance by researchers. After exceeding the limit values of the suitability indicators, which we considered acceptable, we tested the model relationships using the SEM method. Path relationships in Table 6 support H1.1 and H1.2 (β = .415, p = .000 and β = .177, p = .037, respectively); H2.1a and H2.1b are also supported (β = .353, p = .000 and β = .341, p = .000, respectively); are also supported (β = .353, p = .000 and β = .341, p = .000, respectively); however, H2.1.c is not supported (β = -.056, p = .623). H2.2a, H2.2b and H2.2c are supported (β = .213, p = .034, β = .212, p = .058, and β = .686, p = .000, respectively), and H3a, H3b and H3c are supported (β = .519, p = .000, β = .402, p = .000 and β = .670, p = .000, respectively). In addition, the seven control variables' paths influence with ESP, EFP, and ECP were not supported, except for ownership of a company with ECP (β = .315, p = .078) and annual sales with EFP (β = .181, p = .094), at the .10 level of significant.

Table 6
Regression Weights: (Group number 1 - Default model)

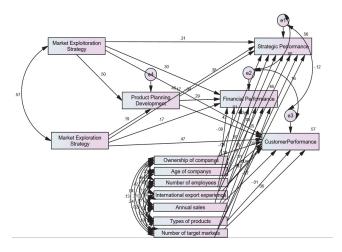|			Estimate	S.E.	C.R.	P	Label
PPD	←	METS	.415	.072	5.783	***	par_23
PPD	←	MERS	.177	.079	2.232	.026	par_24
ESP	←	METS	.353	.099	3.558	***	par_25
EFP	←	METS	.341	.111	3.088	.002	par_26
ECP	←	METS	-.056	.114	-.491	.623	par_27
ESP	←	MERS	.213	.100	2.125	.034	par_28
EFP	←	MERS	.212	.112	1.895	.058	par_29
ECP	←	MERS	.686	.116	5.935	***	par_30
ESP	←	PPD	.519	.109	4.764	***	par_31
EFP	←	PPD	.402	.122	3.308	***	par_32
ECP	←	PPD	.670	.125	5.348	***	par_33
ECP	←	ownership of a company	.315	.178	1.763	.078	par_37
EFP	←	ownership of a company	-.200	.173	-1.157	.247	par_38
ESP	←	ownership of a company	-.024	.155	-.156	.876	par_39
ECP	←	age of a company	.009	.078	.117	.907	par_40
EFP	←	age of a company	.092	.075	1.213	.225	par_41
ESP	←	age of a company	-.018	.068	-.264	.792	par_42
ECP	←	number of employees	.014	.122	.117	.907	par_43
EFP	←	number of employees	-.093	.118	-.788	.430	par_44
ESP	←	number of employees	.142	.106	1.335	.182	par_45
ECP	←	international export experience	.087	.113	.770	.441	par_46
EFP	←	international export experience	.157	.110	1.427	.154	par_47
ESP	←	international export experience	.035	.099	.359	.720	par_48
ECP	←	annual sales	-.084	.111	-.751	.453	par_49
EFP	←	annual sales	.181	.108	1.677	.094	par_50
ESP	←	annual sales	-.054	.097	-.553	.580	par_51
ECP	←	types of products	-.021	.165	-.128	.898	par_52
EFP	←	types of products	.088	.160	.550	.582	par_53
ESP	←	types of products	.047	.143	.329	.742	par_54
ECP	←	number of target markets	-.111	.128	-.869	.385	par_55
EFP	←	number of target markets	-.113	.124	-.910	.363	par_56
ESP	←	number of target markets	.138	.111	1.242	.214	par_57

Fig. 2. Structural model with parameter estimates

4.6 Mediation Variable Test

Using a .05 level of significance, Table 7 presents the test results for the mediating effect, following the bootstrap approach procedure used by Preacher and Hayes (2004; 2008), Venkatraman (1990), MacKinnon et al. (2004), and Chin (2001) (indirect effects – two-tailed). The findings indicate that PPD mediates the relationship between exploration strategy and export performance (ESP and EFP) as well as the relationship between exploitation strategy and export performance (ESP, EFP, and ECP). Furthermore, H4.1a, H4.1b, H4.1c, H4.2a and H4.2b are supported; however, H4.2c is not supported. Regarding the mediating type, PPD is a partial mediator between exploitation strategy and export performance (ESP, EFP, and ECP) and between exploration strategy and export performance (ESP, EFP). A partial mediator because the direct and indirect relationships between them imply significant relations and depletions in indirect relations. Whereas the relationship between exploration strategy and ECP is not significant, on introducing PPD, the relationship becomes significant. Thus, PPD, in this case, is a complete mediator (Lisboa et al. 2011). Hence, the intervention of the PPD variable on the relationship between exploitation strategy and ECP is indispensable.

Table 7
Indirect Effects - Two Tailed Significance (BC) (Group number 1 - Default model)

	Annual Sales	Types of products	Ownership of a company	Age of a company	Number of Employees	Number of target Markets	International export experience	MERS	METS	PPD
PPD	...	...	...	...	...	...	...	...	...	...
ECP	...	...	...	...	...	...	...	.043	.001	...
EFP	...	...	...	...	...	...	...	.048	.005	...
ESP	...	...	...	...	...	...	...	.063	.001	...

5. Discussion

This study aimed to develop and test a model that confirms the importance of two market strategies, using which SMEs influence export performance directly and indirectly through PPD. Additionally, it answered the main research questions; specifically, what types of export performance can Saudi Arabian SMEs achieve from implementing exploitation and exploration strategies in foreign markets? To what extent can PPD mediate between market strategies (MERS and METS) and SMEs' export performance?

Findings indicate that Saudi Arabian SMEs do not display varying marketing behaviors, compared to bigger firms. We discuss this study's findings as follows: First, the finding regarding the positive relationship between markets' exploitation and exploration, and the export performance (strategic, financial, customer), is consistent with previous research. This indicates that a strategic allocation of exploitation and exploration strategies positively affects different aspects of firms' performance (Shi et al., 2020; Uotila et al., 2009; Jansen, Van Den Bosch, & Volberda 2006; He & Wong 2004). Katsikeas, Samiee, and Theodosiou (2006) indicated that the contingency between export strategies and the marketing environment determines export success. Further, Leonidou, Palihawadana, and Theodosiou (2011) found that a firm's export market performance has a positive impact on its export financial performance. Second, we discuss the significance of the relationship between MERS, METS, and PPD. The SMEs' ability to explore and exploit, constitute significant exporting and learning mechanisms that enable knowledge acquisition that can help overcome market difficulties, meet products' design requirements, and avail market opportunities. Third, success in PPD positively and significantly influences SMEs'

performance. To benefit from export market opportunities, a firm must activate PPD. Uner et al. (2013) support this result, as they found that developing products is a major concern for committed exporter firms. In addition, for a company to perform better in international markets, it should maintain good product strategies. Faruk and Subudhi (2019) and Lukas et al. (2007) asserted that there is a positive relationship between export planning and export performance. Fourth, PPD mediates the relationship between METS and ESP, between EFP, and ECP, and between MERS, EFP, and ECP. These findings are consistent with the literature in that a strong connection exists between the structure of product development and market outcomes (Bala, Krishnan, and Zhu 2013). Finally, PPD does not mediate the relationship between MERS and ESP. The possible explanation for this is that minor product modifications and incremental product improvements are insufficient for distinguishing a firm's product from those of their competitors (Song and Parry 1997). Furthermore, the literature suggests that firms set goals to achieve strategic outcomes, which relate to the future, rather than immediate, financial returns (Freeman, Styles, and Lawley 2012).

6. Conclusion, implication, limitation and scope

6.1 Conclusion

In this study, we developed a composite and coherent scale model, based on OLT and SFT, which focuses on two substantial marketing strategies (exploration and exploitation) and PPD, as well as their influence on exporting performance. We clarified the relationship between MERS, METS, and SMEs' export performance. Exploration and exploitation strategies play substantial roles in grasping the various behaviors that SMEs exhibit when they evolve their marketing abilities and achieve their objectives. MERS and METS enable SMEs to identify opportunities or competition levels, closely follow up on foreign markets' movements, and better counter these movements. Further, this study determines the indirect influences that are necessary for PPD to have a significant impact on SMEs' export performance. PPD provides an applied mechanism to successfully utilize other marketing mix elements and innovatively manage changes in markets. This study establishes an additional solid ground for SMEs to expand their international operations.

6.2 Study Implications

This study has some significant implications. By scouting the influence of exploration and exploitation strategies on SMEs' export performance, the study sheds light on the significance of implementing both exploration and exploitation strategies for SMEs exporting to foreign markets. Exploitation and exploration strategies are the two driving forces in performance ambidexterity. In an internationalizing process, firms with previous experience from specific markets can apply these experiences and thus, expand to new foreign markets. Moreover, this study's findings contribute to the literature discussing the valuable role of the mediation effect of PPD on the relationship between exploration and exploitation marketing strategies and export performance. Subsequently, these findings progress international exporting processes and provide valuable guidance for policy makers and SME managers to strengthen foreign markets' opportunities. Further, to fit the conditions in foreign markets, SMEs should incorporate both strategies. The findings have implications for SME management teams that intend to compete through foreign marketing strategies and product development. SMEs can achieve their paramount objectives and exist in a wide number of constantly profitable foreign markets by acquiring essential exploration skills and exploitation experiences, which qualify them to implement their marketing' strategies effectively. Managers should link PPD with MERS and METS for export performance growth. Further, SME managements should be conscious about the synchronous benefits of applying markets' exploitation and exploration strategies to their export performance. Finally, management should consider adopting exploration and exploitation strategies as important entrepreneurial options for improving export performance.

6.3 Limitation and Direction of Future Studies

A key limitation of this study is that the sample comprises SMEs operating in Saudi Arabia. Thus, the study's findings may be specific to Saudi Arabian SMEs. In future, studies should examine whether they can generalize the study's model to SMEs in other countries. Additionally, the study adopts a small, simple, and random sampling process, which narrows the study's findings. Further studies could incorporate large sample sizes to strengthen the results. In addition, we received only one filled questionnaire from each SME, which may have resulted in common method variance bias. Future studies could assemble survey data from diverse data sources to avert this problem. Finally, future research can incorporate other marketing strategies, such as positioning and channel strategy, in the study model

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