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Customer-centric strategy driving innovativeness and business growth in international markets

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Abstract

Purpose – The motivation for this study comes from decision making related to strategic marketing orientations in international markets. The authors examine if customer orientation and customer relationship orientation perform as two distinct constructs in driving firm innovativeness, and how together they support business growth among export firms. This study aims to suggest a customer-centric strategy for export firms that drive innovativeness and growth.

Design/methodology/approach – An international corporation specialized in company information services provided a list of the contact information of Italian companies. The authors sent an email request to respond to an online survey and received 416 effective responses from firms operating in export markets. The authors propose and empirically test a model in which customer orientation, customer relationship orientation and innovativeness predict business growth. This model controls for the effects of firm size, industry and customer type (B2B vs. B2C).

Findings – The study findings suggest that customer orientation and customer relationship orientation are two distinct strategic orientations driving innovativeness. However, they do not directly affect business growth. Instead, they require the innovativeness of an exporter to materialize as business growth.

Practical implications – The results of the study recommend business strategies focusing not only on customer needs and satisfaction but also on retaining current customers and building customer relationships in international markets. Firms can learn from international customers and develop effective customer-centric strategies to spread the acquired information into the internal decision-making as it contributes to firm innovativeness and business growth in international markets.

Originality/value – This study is one of the pioneering studies combining customer orientation and customer relationship orientation, showing their theoretical and empirical divergence. This study is also among the first which tests how the two strategic orientations together with innovativeness promote business growth among export firms. The authors add understanding of the synergistic effects both of using customer information and developing deeper relationships on firm innovativeness and performance among exporters.

Keywords Strategic marketing orientations, Customer orientation, Customer relationship orientation, Innovativeness, Business growth, Exporters

Paper type Research paper

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Introduction

Firms seeking growth are increasingly turning their attention to export markets when domestic markets saturate. However, firms need to decide whether to offer the same products and services regardless of borders, or to attempt new ideas and come up with new products and services to better satisfy customers' needs outside domestic markets; the latter calls for a decision to focus on a customer-centric strategy and innovativeness. Indeed, to achieve superior performance in an international market, a venture needs to develop capabilities that create value for foreign customers via products and services that satisfy their needs (Lu and Beamish, 2001). For example, a study of technological exporters shows that firms need to focus simultaneously on the development of innovations and on understanding current and future customer needs to achieve high export performance (Hortinha *et al.*, 2011). Therefore, to quote Peter F. Drucker (1954): organizations require two essential basic functions: 'marketing and innovation', which applies especially to exporters.

Since the 1990s, a plethora of research examines different strategic orientations and their performance effects in different business contexts (Grinstein, 2008). However, more research is needed on how different strategic orientations or a combination of these affect business performance especially in international markets (Cadogan, 2012).

Also, the relationships between different strategic orientations are far from coherent or unresolved in literature (Im and Workman, 2004; Tajeddini, 2010). This causes complexity in exporters' decision-making: how to balance between different strategic marketing orientations in international markets?

Firms may pursue different strategic orientations (e.g. market, sales, brand, technology, entrepreneurial and employee) or a combination of these. According to the strategic choice perspective, there is no universally beneficial strategic choice, and strategic orientations therefore require development that considers external opportunities and threats (Zhou *et al.*, 2005). Consequently, different environments may need a specific strategic resource deployment that results in superior business performance (Venkatraman and Prescott, 1990). For exporters, which strategic choice they invest in is a crucial decision, especially as international marketing decisions are critical for international marketing success (Hughes *et al.*, 2019). When pursuing their goals, international entrepreneurial firms decide about how to effectively balance strategic orientations to mobilize resources (Oviatt and McDougall, 1994; Li, 2013) which, however, is often a mixture of rational planning and intuitive improvisation (Hughes *et al.*, 2018). For an effective identification and exploitation of international opportunities, it is necessary to have strategic orientations that support the sensing of opportunities with respect to target markets (Navarro *et al.*, 2010) and engage in proactive exploration of opportunities by strengthening activities that help a firm achieve consistently superior customer experience and long-lasting customer relationships (Payne and Frow, 2005).

We argue that together with customer orientation customer relationship orientation constitute a strong customer-centric view of marketing strategy that aims to "make the best use of customer information to better manage customer value and firm profitability" (Aksoy *et al.*, 2008). Customer-centric marketing strategies originate in customer and market orientation, which takes customer preferences into account in value creation (Sheth *et al.*, 2000). This is essential, especially among companies operating in international markets, because customer orientation enables firms to enter new markets successfully (Park *et al.*, 2017; Jantunen *et al.*, 2005). Indeed, customer and market knowledge may become critical for shaping international marketing strategy, because they also enable firms to make better decisions regarding the standardization or adaptation of international marketing programs (Katzikeas *et al.*, 2006; Boso *et al.*, 2012). Decision making regarding marketing mix standardization vs. adoption in international markets has become a subject of significant debate because of its antecedents and performance outcomes (Theodosiou and Leonidou, 2003).

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However, this study argues that focusing solely on identifying and satisfying customer needs may not be enough; instead, firms should also pay attention to the culture, values and activities that enable them to build long-lasting customer relationships. Such a strategic emphasis on the relationships of a firm refers to customer relationship orientation (Jayachandran *et al.*, 2005). Recent literature proposes that the interactions between the buyer and seller are considered the most valuable channel of customer knowledge that firms may utilize in decision making (Tseng and Wu, 2014; Salojärvi *et al.*, 2015).

This study further suggests that the performance effects of customer-centric strategies may fully materialize only in association with mediators such as innovativeness. The literature suggests that customer relationships bring about ideas which may then facilitate the development and decision making of product innovations (e.g. Walter *et al.*, 2001; Salojärvi *et al.*, 2015) that are regarded as a necessity to enjoy enhanced business performance, especially among export firms in highly competitive international markets (Boso *et al.*, 2013; Efrat *et al.*, 2016). Along with market orientation, innovativeness is one of the key strategic orientations in the marketing literature. Although customer orientation is widely perceived as a driver of innovation (Wang *et al.*, 2016), previous studies also find conflicting results concerning whether there is a significant relationship between customer orientation and innovativeness (Tajeddini, 2010). It is therefore necessary to test whether the relationship marketing paradigm challenges the traditional models of innovativeness and performance (see e.g. Woodside, 2004; Hurley *et al.*, 2005). For export firms, the critical question regarding decision making is: is it worth adopting a customer-centric strategy, and how does it affect business growth?

To the best of our knowledge, customer orientation and customer relationship orientation have not been examined simultaneously on innovativeness and performance in export markets. This study seeks to establish whether customer relationship orientation together with customer orientation enables innovativeness that in turn enhances growth among exporters. The role and effectiveness of customer orientation or customer relationship orientation on innovativeness and performance remains unknown or has not been consistently demonstrated in previous empirical findings (e.g. Noble *et al.*, 2002).

This study therefore contributes to the existing literature in several ways. First, it provides evidence concerning how customer-centric strategies contribute to innovativeness and business growth among exporters. Second, it further studies the role of innovativeness between the effects of the customer and customer relationship orientations on the business growth which researchers have called for (e.g. Joshi, 2016; Chen *et al.*, 2018). Third, this study provides evidence that the two different orientations forming customer-centric strategies, namely customer orientation and customer relationship orientation, are empirically distinct concepts, and that they simultaneously affect innovativeness and firm performance.

Against this background, the rest of the paper proceeds as follows. First, it introduces the study's theoretical background and research concepts. Second, it develops the conceptual model and research hypotheses. The third section describes the questionnaire, data collection and methods. Fourth, the paper reports findings and draws conclusions. Finally, it discusses limitations and potential directions for future research.

Theoretical background

Since the 1990s, the paradigmatic shift from transactional to relationship marketing has revealed the importance of customer knowledge and interaction in the creation of business value. However, the creation of profitable customer relationships often assumes the need for more versatile customer information than traditional transactional marketing can provide (Davenport *et al.*, 2001; Gebert *et al.*, 2003; Rollins *et al.*, 2012). Several studies (e.g. Gustafsson *et al.*, 2005; Rust and Zahorik, 1993) report that satisfaction positively affects customer

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retention, which in turn yields a positive impact on a firm's financial gains (Edvardsson *et al.*, 2000). It is thus evident that such customer-centric strategies may also provide valuable customer insights for exporters and various business development purposes such as product innovation (Camarero, 2007; Walter *et al.*, 2001).

The emphasis of customer relationship management (CRM) on satisfying and retaining customers requires that firms actively work toward understanding and fulfilling customer needs, and constantly evaluate and invest in customer relationships (Grönroos, 1994). Consequently, satisfying and retaining current customers represent the fundamental objective of relationship marketing (Ahmad and Buttle, 2001; Grönroos, 1994; Gustafsson *et al.*, 2005). Firms exhibiting high levels of customer relationship orientation should therefore be able to retain their customers, given that the entire organization is oriented toward such a goal.

Customer relationship management activities help a firm collect and use customer and market data to build a consistently superior customer experience and long-lasting customer relationships (Payne and Frow, 2005). Various knowledge management technologies and CRM tools can be applied in gathering information, and for marketing and sales purposes, which also enables more individual interactions with customers (Shoemaker, 2001). As a firm grows larger, more resources are available to build this database and related analytical tools, which can be used for customer profitability analysis and to calculate the lifetime value of a customer (Dowling and Uncles, 1997).

Customer orientation can be considered a search routine that incorporates customer expectations and preferences in new product development and product (offering) modifications (i.e. innovativeness). It also promotes closer interactions with customers, enhancing incremental improvements that move products toward optimal levels of quality, features and costs (Voss and Voss, 2008). Firms' relationships with customers thus have innovation and scout functions that help them develop process and product innovations by obtaining ideas from customers and having access to information about how markets are developing (Walter *et al.*, 2001).

Hence, the development and implementation of customer information into CRM activities are keys to developing customer-centric and innovation capabilities. It follows that the effective use of market information with the organization could directly affect the CRM (Javalgi *et al.*, 2006). Customer focused organizations emphasize the increasing importance of customer satisfaction and loyalty, which stimulate firms to seek organizational ways to better serve their customers. Therefore, CRM helps a firm develop strong ties with customers and achieve customer loyalty. Hence, loyal customers are more profitable than disloyal customers (Dowling, 2002). In their work, Javalgi *et al.* (2006) contend that the interrelationships between satisfaction, loyalty, retention and profitability are consequences of strong customer-orientated capabilities.

Hypotheses development

Customer orientation and customer relationship orientation

Customer orientation is an organization-wide philosophy that sets customer needs and interests first (Deshpandé *et al.*, 1993). As one of the three components of market orientation, customer orientation involves the activities of gathering customer information and disseminating it throughout the organization (Narver and Slater, 1990). It is rooted in firm processes and management practices as it covers a variety of activities related to generating and processing information regarding existing customer needs (Kohli and Jaworski, 1990). Customer orientation thus refers to an organization-wide focus on assessing and meeting customer needs (Green *et al.*, 2007; Appiah-Adu and Singh, 1998), with the emphasis on customer understanding and satisfaction (Appiah-Adu and Singh, 1998).

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Previous studies analyze customer orientation at the organizational (e.g. Strong and Harris, 2004) and individual (e.g. Macintosh, 2007) levels. Studies at the organizational level are associated with market orientation and firms' behavior regarding their customers, while at the individual level, the focus is on the interpersonal contact between employees and customers and on employees' customer-oriented behavior and attitudes (Stock and Hoyer, 2005). Such studies show that high levels of customer orientation precede entry into international markets (Dess *et al.*, 1997; Jantunen *et al.*, 2005; Ripollés *et al.*, 2012). To do this, customer-oriented firms constantly scan and monitor the customer needs of international markets for new opportunities and strengthen their competitive positions in them (Covin and Miles, 1999; De Clercq *et al.*, 2005). Customer orientation may thus assist decisions regarding the standardization or adaptation of international marketing strategy (Katzikeas *et al.*, 2006). According to Vrontis (2003), customer orientation may encourage firms to use an adaptation strategy, because this enables firms to respond more easily to export customer needs and preferences, thus allowing them to benefit from market tailoring.

In line with Salojärvi *et al.* (2015), we argue that customer and customer relationship orientation are two distinct concepts. Customer relationship orientation refers to an organizational culture that considers customer relationships as valuable assets (Jayachandran *et al.*, 2005). It is rooted in the organization's mindset, values and norms, and affects every interaction a firm has with its customers (Day, 2000). It also focuses on shared values that are consistent with CRM and related to the organization of the firm around customers and their needs, as well as the incentives that help the firm focus on CRM (Jayachandran *et al.*, 2005). In this sense, customer relationship orientation enables CRM activities. In a customer relationship-oriented firm, employees acknowledge the importance of customer retention, share customer information freely and serve customers slightly differently according to the potential value they are expected to bring to the firm in the future (Day, 2003).

While we argue that customer and customer relationship orientation are two clearly separated concepts, they are strongly linked. Customer relationships are focal in a marketing concept, which in turn forms the foundation of market orientation (Grönroos, 1989). Yet, the relational perspective is missing from the dominant conceptualizations of market orientation (Helfert *et al.*, 2002), and hence of customer orientation as a component of it. However, customer orientation forms one of the philosophical bases of CRM (Ryals and Knox, 2001) that is considered an effective approach for gathering, analyzing and converting customer information into managerial action (Ernst *et al.*, 2011).

Customer orientation is an enabler of customer relationship tasks because it focuses on understanding customer needs and committing to customers (Helfert *et al.*, 2002). Moreover, customer information is focal in building and maintaining customer relationships (Jayachandran *et al.*, 2005). Consequently, the general belief is that customer orientation should foster stronger relationships (Macintosh, 2007). However, in the customer relationship-oriented approach, managerial actions are not based on distant market research studies, but direct customer feedback available in longer-term relationships offers an even more valuable channel of customer knowledge (Salojärvi *et al.*, 2015). The emphasis of customer relationship orientation on satisfying and retaining customers necessitates that firms actively work toward understanding and fulfilling customer needs, and constantly evaluate and invest in customer relationships (Grönroos, 1994).

H1. Customer orientation has a positive effect on customer relationship orientation.

Customer orientation, customer relationship orientation and innovativeness

This study further hypothesizes that customer orientation and customer relationship orientation enhance innovativeness. Innovation refers to the generation, approval and

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realization of new ideas, products and services and processes (Calantone *et al.*, 2002). Hurley and Hult (1998) suggest that innovation consists of two components, namely innovativeness and the capacity to innovate. Innovativeness refers to the aspect of a firm's culture that relates to its openness to new ideas. Meanwhile, the capacity to innovate refers to the firm's ability to successfully adopt or implement new ideas, processes and/or products or services. This study focuses mainly on the aspect of innovativeness. According to Lumpkin and Dess (1996), innovativeness reflects a firm's willingness to support new ideas, creativity and experimentation in the development of offerings to customers (Lumpkin and Dess, 1996). Furthermore, organizational innovativeness is the degree to which a firm deviates from existing practices in creating new products and/or processes (Deshpande *et al.*, 1993).

For example, Wang *et al.* (2016) state that customer orientation is a driver of innovation. As firms pursue a better knowledge of their customers and subsequently use this information to provide them with the products and services that best meet their needs, they probably need to focus on innovating to achieve this goal – that is, their current processes, products and services may be enough to satisfy current customer needs, but quickly fall short when needs change and grow more complex. A better understanding of customers therefore serves as an incentive for developing innovativeness to keep up with customer needs. While there are also conflicting results (Tajeddini, 2010), the findings of Theoharakis and Hooley (2008) show that customer orientation consistently leads to higher levels of firm innovativeness across countries. Moreover, prior research shows that customer orientation positively affects service and product innovations in service and manufacturing firms (Wang *et al.*, 2016), and the innovativeness of international joint ventures (Park *et al.*, 2017). It also serves as an enabler of Born Globals' innovativeness (Kim *et al.*, 2011). In particular, for firms operating in turbulent international environments, nurturing customer relationships is particularly important (La Rocca and Snehota, 2014; Navarro *et al.*, 2010), because an effective product/service development can complement international customer relationships by enhancing mutual understanding and benefits in customer relationships (Ngo and O'Cass, 2012; Smirnova *et al.*, 2011).

Furthermore, besides the firm coming to appreciate the need for innovativeness due to its own active study of customer needs, customers can similarly be active in encouraging firms to focus more on innovating. For example, Walter *et al.* (2001) note that firms' relationships with customers have innovation and scout functions that help them develop process and product innovations by obtaining ideas from customers and accessing information about how the markets are developing (see also Alam, 2006; Battor and Battor, 2010). The recent literature has also suggested the mediating role of innovations between customer relationships and business performance, especially in services (Chen *et al.*, 2018). Ernst *et al.* (2011) found that CRM has a strong positive impact on new product performance which in turn acts as a mediator between CRM and firm's financial performance.

Building on the above discussion, this study hypothesizes:

H2. Customer orientation has a positive effect on innovativeness

H3. Customer relationship orientation has a positive effect on innovativeness

Innovativeness and business growth

This study also includes *business growth* in its conceptual model. It represents a financial performance measure, and this study uses it to indicate change in annual turnover. Weinzimmer *et al.* (1998) argue that change in turnover is the most neutral approach when the data at hand include firms from different industries and with different characteristics. Turnover growth may result from various sources such as higher prices charged to customers, increased market share or a greater share of the wallet, or all these together. Importantly, higher prices, for example, allow firms to grow in terms of sales, although employees or assets remain the same (Weinzimmer *et al.*, 1998).

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The basic objective of innovation is to achieve a sustainable competitive advantage by creating innovations that include important and attractive elements, while excluding those that are trivial and undesirable in potential customers' value chain (Lengnick-Hall, 1992). Empirical research by Calantone *et al.* (2002), Agarwal *et al.* (2003) and Theoharakis and Hooley (2008), among others, shows that firm innovativeness is positively related to business performance. Specifically, innovativeness helps a firm to better respond to the needs of its customers. It also shows them that it actually utilizes customer information and strives to use this information for the customers' benefit. Innovating based on customer information is likely to enhance customer retention and ensure customer satisfaction. Innovations also help in acquiring new customers. In turn, this should show in the bottom line.

This study therefore hypothesizes:

H4. Innovativeness has a positive effect on business growth

To account for potentially confounding factors, this research controls for the effects of firm size, industry and type of main customers (B2B vs B2C) (see Figure 1).

Measurements and research data

Constructs

We used five items from Farrell *et al.* (2008) to measure customer orientation. The scale items measure the firm's objectives, commitment and strategy toward customers' needs and customer satisfaction. Regarding customer relationship orientation, we used a four-item measurement scale adapted from Jayachandran *et al.* (2005). This scale follows an organization cultural perspective; that is, it stresses the attitudes and values of the firm toward customer relationships. Furthermore, the scale items emphasize the role of both employees and firm managers in managing a firm's customer relationships, allowing the evaluation of the overall importance that the respondent firms attach to customer relationships. For innovativeness, we utilized the six-item firm innovativeness scale that Calantone *et al.* (2002) propose. Among other things, the scale items focus on whether a firm actively tries new ideas and exhibits creativity in its operations. The anchors of a seven-point Likert scale range from (*1*) = totally disagree to (*7*) = totally agree for both strategic orientations. For business growth, we used a five-point scale with opposite ends denoting (*1*) = significantly decreased and (*5*) = significantly increased, asking the respondents to indicate how their annual turnover had developed.

Data collection

A large commercial database administered by an international corporation specializing in company information services provided the company contact information for the study.

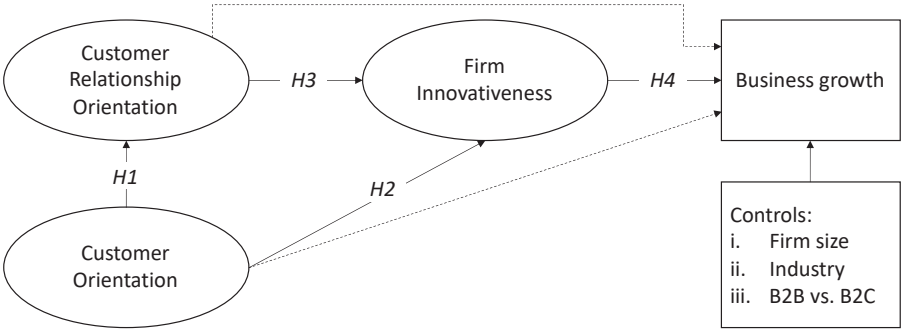

Figure 1.
Conceptual model

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An email invitation was sent to 50,000 Italian firms requesting a response to an online survey which received 778 complete responses, of which 416 were export firms. This low response rate may result from (1) the contact information list including many incorrect or outdated email addresses, and (2) the antispam filters many firms have in place that categorize various surveys as junk mail. Furthermore, as Sheehan (2001) notes, response rates to email surveys have steadily decreased over time. Table 1 summarizes the characteristics of the respondent firms.

Non-response bias

Given the low response rate, we studied the potential non-response bias for the main data set of 778 complete responses, applying the linear extrapolation method (Armstrong and Overton, 1977). To classify the respondents, we followed the *time trends* approach, categorizing the first quarter of the respondents (based on the order in which they answered) as *early respondents* ($N = 195$) and the fourth quarter as *late respondents* ($N = 195$). We then compared the two groups against each other in relation to the 16 research variables, using an independent samples *t*-test. We find statistically significant differences ($p < 0.05$) between early and late respondents only among three measure items. We further tested non-response bias in the final structural model ($N = 416$) with multi-group analysis in which we compared the model of the first quarter (early respondents; $N = 104$) across the model of the fourth quarter (late respondents; $N = 104$) of the respondents. The Chi-square test shows the models are invariant with $p = 0.178$. There is therefore reasonable evidence that non-response bias does not represent a major issue in this study.

Construct validity

We carried out confirmatory factor analysis (CFA) to establish a measurement model and validate the research constructs. After removing two measurement items (INN 5, INN 6) due to low factor loadings, all factor loadings are significant at $p < 0.001$, and all standardized factor loadings exceed 0.70 (Table 2). Finally, we tested for multicollinearity with variance inflation factors (VIF). The low VIF values (ranging from 1.36 to 1.87) suggest that multicollinearity is not a concern in this study.

To assess discriminant validity, we compared the square roots of average variance extracted (AVE) value with the inter-construct correlations (Fornell and Larcker, 1981). The data support discriminant validity, because the square root of AVE is greater than the correlations of other constructs (Table 3). Furthermore, the AVE values exceed the 0.50 threshold, and the composite reliability values all exceed a level of 0.80, indicating good convergent validity. The results therefore indicate that customer orientation, customer relationship orientation and innovation orientation are truly distinct constructs. Finally, we used a common latent factor approach in CFA (Podsakoff *et al.*, 2003) to assess common

Table 1. Company characteristics

		N	Percentage
Firm size (full-time employees)	Small enterprise (<50)	285	68.5
	Medium-sized enterprise (50–249)	100	24.0
	Large enterprises (≥250)	31	7.5
Industry	Production	324	77.9
	Service	92	22.1
Main customers	Other companies (B2B)	240	57.7
	Consumers (B2C)	176	42.3
Total		416	100

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Measure items		Factor loadings[a] Unstandardized	Standardized
Customer orientation (CO)			
1	Our business objectives are driven by customer satisfaction	1.000[b]	0.809
2	We monitor our level of commitment to serving customers' needs	1.172	0.833
3	Our strategy for competitive advantage is based on our understanding of customer needs	1.167	0.922
4	Our business strategies are driven by our beliefs about how we can create greater value for customers	1.037	0.809
5	We measure customer satisfaction systematically and frequently	1.088	0.726
Customer relationship orientation (CRO)			
1	In our organization, retaining customers is considered to be a top priority	1.000[b]	0.742
2	Our employees are encouraged to focus on customer relationships	1.348	0.728
3	In our organization, customer relationships are considered to be a valuable asset	1.282	0.884
4	Our senior management emphasizes the importance of customer relationships	1.354	0.789
Innovativeness (INN)			
1	Our company frequently tries out new ideas	1.000[b]	0.874
2	Our company seeks out new ways to do things	1.025	0.890
3	Our company is creative in its methods of operation	1.023	0.853
4	Our company is often the first to market with new products and services	0.759	0.608

Note(s): [a]Factor loadings are significantly different from zero at the 0.001 level (two-tailed). [b]Marker

Table 2. CFA results

	Composite reliability	AVE values	CO	CRO	IO
Customer orientation (CO)	0.912	0.676	*0.822*		
Customer relationship orientation (CRO)	0.867	0.621	0.720	*0.788*	
Innovativeness (INN)	0.885	0.663	0.551	0.494	*0.814*

Note(s): Square roots of AVE estimates are on the diagonal, inter-construct correlations are below the diagonal

Table 3. Construct reliability, AVE values and squared between-construct correlations

method variance. We allowed items to load their theoretical constructs and a latent common method variance factor. We compared the standardized regression estimates with and without a common latent factor, finding no signs of common method bias.

Results

The results in Figure 2 show that customer orientation significantly affects customer relationship orientation ($\beta = 0{,}72$), $p < 0.001$) and firm innovativeness ($\beta = 0.41$), $p < 0.001$) supporting H1 and H2. The results further confirm H3, because customer relationship orientation significantly affects firm innovativeness ($\beta = 0.20$), $p < 0.01$). Moreover, the results demonstrate that an export firm's innovativeness supports business growth ($\beta = 0.11$), $p < 0.05$), confirming H4.

Concerning the control variables, the results indicate a positive relationship between firm size and business growth ($\beta = 0.11$), $p < 0.01$). Moreover, the model suggests greater growth for B2B exporters than exporters operating in B2C markets ($\beta = -0.08$), $p < 0.05$). Industry, referring to production vs. service firms, does not affect growth.

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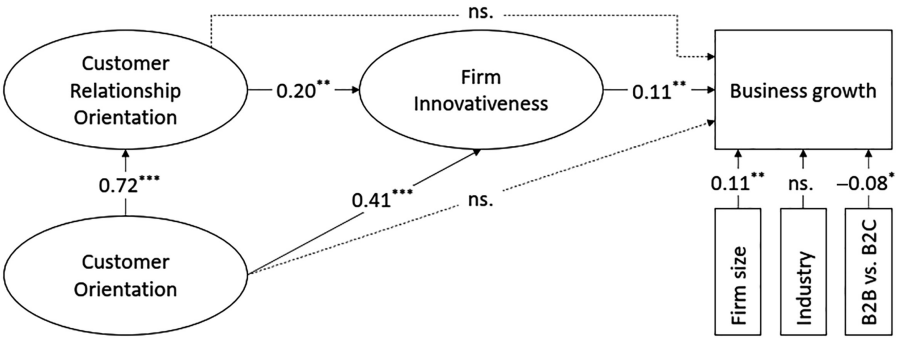

Figure 2.
Results of the structural model

Following Baron and Kenny (1986), we tested the possible mediating effect of innovativeness between customer orientation and business growth and customer relationship orientation and business growth. Consequently, we added direct paths from customer orientation and customer relationship orientation to business growth. We find no statistically significant direct effects which indicate that innovativeness is not a pure mediator. This means that neither customer orientation nor customer relationship orientation affects business growth, but they both foster innovativeness, which enhances growth.

Discussion and conclusions

Although significant progress has been made in understanding how different strategic orientations affect growth (and performance) of internationally oriented firms (see Cadogan *et al.*, 2002; Doblinger *et al.*, 2016; Su *et al.*, 2015), we still know little about how different strategic orientations in combination (i.e. customer orientation, customer relationships orientation and innovativeness) affect business growth in international markets. The study implies that – in line with the environment – strategy co-alignment and strategic choice perspectives – effectively combining strategic orientations can help a firm to (1) sense opportunities in international markets (Navarro *et al.*, 2010; Pinho and Martins, 2010), (2) strengthen activities related to building superior customer experience and long-lasting customer relationships (Payne and Frow, 2005) and (3) introduce highly innovative products/services (Sarasvathy *et al.*, 1998; Li, 2013).

In this study, we tested how customer orientation and customer relationship orientation affected firm innovativeness and business growth among export firms. First, we find that customer orientation strongly affects customer relationship orientation, and both these orientations foster firm innovativeness, which in turn boosts business growth. These results suggest that customer-centric strategies are a source of innovations for export firms. This lends further support to previous findings in the literature, showing that customer orientation consistently leads to greater levels of firm innovativeness across countries (e.g. Theoharakis and Hooley, 2008) and the importance of customer orientation in the creation of innovations, which in turn contributes to performance (Kankam-Kwarteng *et al.*, 2019). As a response to proposals in the earlier literature (e.g. Woodside, 2004; Hurley *et al.*, 2005), the results of this study also demonstrate the contribution of the relationship marketing approach to innovativeness and performance research.

Second, the empirical data support this study's theoretical reasoning that customer orientation and customer relationship orientation are two distinct constructs of a firm's more generic customer-centric strategy. While customer orientation focuses more on customer needs and preferences, representing more the traditional marketing orientation perspective

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(Narver and Slater, 1990), customer relationship orientation addresses the relationship marketing approach, focusing on building customer relationships and retaining current customers (Jayachandran *et al.*, 2005). The previous literature suggests that customer relationships may spark ideas that may then facilitate the development of product innovations (e.g. Walter *et al.*, 2001; Salojärvi *et al.*, 2015). We therefore argue that both these studied orientations play an essential role in the development of firm innovativeness.

Third, this study re-examined the research on the effectiveness of customer orientation on innovativeness and firm performance, especially as the previous studies suggested that the empirical findings did not consistently demonstrate a relationship between customer orientation and firm performance (e.g. Noble *et al.*, 2002). While some studies report a direct positive relationship between customer orientation and business performance (e.g. Zhou and Nakata, 2007), some studies report both direct and mediated effects (e.g. Alteren and Tudoran, 2016), while others suggest only an indirect effect (e.g. Laukkanen *et al.*, 2016). The findings of this study suggest that customer orientation and customer relationship orientation do not directly affect business growth, but that a customer-centric strategy requires innovativeness to materialize as business growth in export firms. Indeed, the results of this study support previous findings showing that innovativeness is an essential driver of business growth among export firms (Calantone *et al.*, 2006; Lages *et al.*, 2009). In general, the relationship between export performance and its antecedents is inconsistent, because this may be affected by a firm's strategic capabilities, marketing mix decision and macro-environmental factors (Hultman *et al.*, 2009). Customer-oriented export firms constantly scan and monitor the customer needs of international markets (for new opportunities) and strengthen their competitive positions in their international markets (Covin and Miles, 1999; De Clercq *et al.*, 2005). Exporters therefore need to utilize customer information by developing products and services that satisfy customer needs (Reichheld, 1993). We add to this, suggesting that customer knowledge may also help in the creation of enduring customer relationships. Indeed, the findings advocate a customer-centric strategy for exporters that may greatly benefit from a focus on building customer relationships and retaining current customers. The customer insights across different markets may become increasingly important in international marketing strategic decisions such as exporters' product and market development purposes, because they foster the success of innovations. In turn, this contributes to exporters' business growth.

Finally, the effects of our control variables also suggest that the growth of exporters benefits from the greater number of employees and B2B markets: the results show that larger firms and those firms operating in B2B markets perform better than smaller firms and those operating in B2C markets. Previous studies have also found a positive relationship between firm size and export business performance (e.g. Wagner, 1995; Chetty and Hamilton, 1993), although some controversial results also exist (e.g. Moini, 1995). It may be that larger firms have more resources to systematically monitor customer needs and satisfaction, build customer relationships and use customer information to innovate and grow. This is in line with the notion of Majocchi *et al.* (2005), who suggest that firms must grow sufficiently to gain international market share to be able to properly manage their foreign customers as well. In international marketing research, firm size is often associated with a standardized international strategy (Tan and Sousa, 2013). However, Schilke *et al.* (2009) have not found evidence that standardization of international marketing strategy would be stronger for firms operating B2B vs. B2C markets. Although the results of this study do not directly indicate the strategic direction between standardization and adaptation, customer-centric strategies have generally been attached more specifically to marketing adaptation (Vrontis, 2003). This could be taken into a consideration in further studies that could investigate whether B2B firms are associated stronger in adaptation strategy in comparison to B2C firms. Furthermore, because B2B markets often involve fewer customers than B2C markets, it

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may be easier for B2B firms to monitor customer needs and satisfaction, build long-lasting customer relationships in export markets, and thus use this information for innovative and pursuit growth, than it is for the exporters operating in B2C markets.

Managerial implications

The results of this study imply suggestions for practicing managers of international firms on several fronts. We offer insights how a strong customer focus of a firm may benefit the organization to make competitive decisions in export markets.

First, managers need to realize that to create a strong customer relationship orientation, a firm needs to develop a customer-orientated culture within the organization. Because of strong customer–firm relationships, the organization gains first-hand information about changing the customer needs and preferences of international markets that help a firm innovate and provide tailor-made products and services to customers, which in turn positively affects business growth. A firm that is good at developing and maintaining relationships with its key customers is therefore in a good position to satisfy their needs through a successful new product/service development.

Second, the study results highlight a clear distinction between customer orientation (i.e. focusing on customer needs and preferences) and customer relationship orientation (i.e. building long-lasting customer relationships). Our results suggest that managers of export firms should first invest in developing a strong customer orientation within an organization, because it significantly contributes to customer relationship orientation and firm innovativeness. This implies that to implement successful growth strategies, it is essential to understand customer needs and preferences in export markets and build strong relationships with them, which requires distinct attention and resources allocation within the organization. Third, the results of this study imply that strong customer orientation and relationship orientation are necessary, but not sufficient, capabilities for organizational success; however they should be combined with innovativeness so that the firm is able to achieve growth objectives. Managers should also understand that to achieve high growth via customer-centric strategies and firm innovativeness, a firm requires extra resources (i.e. sufficient human capital) that support the deployment of the former capabilities. Finally, understanding the relationship between different strategic orientations enables firms to find a balance that helps them achieve growth in international markets.

Limitations and future research

This study contributes to the literature on relationship marketing, innovations and international marketing, yet at the same time, the reader should be aware of its limitations. Future research would benefit greatly from testing the model using longitudinal data, that is, the role of customer orientation, customer relationship orientation and innovativeness on long-term growth. Furthermore, all the study responses were collected from single respondents in each firm. While such an approach is often the only way to collect data (see Rindfleisch *et al.*, 2008), this study strongly suggests that future research should attempt to collect data from multiple sources, thus reducing the potentially negative effects associated with common method variance.

We also strongly suggest future research to consider addressing only certain types of firms (e.g. business-to-business firms) as such an approach could allow researchers to obtain a more detailed picture of the role of the customer-centric strategies in an international context. In this study, focus was not limited to any specific industry or types of businesses. While this allowed the formation of an overall and not an industry-bound picture of the research constructs, a more focused research framework could better serve the needs of both

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research and practitioners in specific fields of international marketing. Finally, future research could examine customer-centric strategies more closely as part of product standardization vs. adaptation strategies. In particular, the effectiveness of customer orientation and customer relationship orientation could be applied to product adaptation-performance research. We also suggest that research should continue to study various combinations of strategic orientations, and how they are related to firm performance in export markets.

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