

Export Product Fit Development In Msmes Context

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Abstract: This Research aims to develop a new theoretical approach in export product fit development in connection to network capability and MSMEs (Micro, Small and Medium Enterprises) internationalization performance. This research also aims to fill the gap in the result of the research on foreign market knowledge as information providers in developing MSMEs product in Central Java. This research employs three stages. The first one is the item generation. Second, the researcher conducts a content validity test by evaluating experts' questions using content validity ratio (CVR). Third, construct validity is carried out by collecting data from 30 exporting MSMEs owners in Central Java of export product fit development by using confirmatory factor analysis (CFA). This research enlarges literature in marketing, especially MSMEs international performance by empirically testing the development of export product fit. The result identifies 11 factors that determine export product fit in MSMEs in Central Java. This research is limited in Central Java only. To make the 11 indicators application wider, other similar researches with a wider range of respondents are necessary. This concept specifically elaborates how MSMEs build products that fit foreign customers related to the product quality, design, feature, and package which enable them to capture the present as well as future customers' needs, preferences, and trends.

Index Term: Export product, product development, product fit, MSMEs.

1. INTRODUCTION

For the last few decades, issues related to globalization, internationalization and liberalization have caught researchers' attention (Chelliah, Sulaiman and Mohd Yusoff, 2010). Globalization takes place due to several factors such as the advance of the production system, transportation system, and communication technology. As a consequence, all companies are faced with escalating international market competition in the interlinked market (Havens, 2002). The term internationalization had been formulized by some researchers in various research contexts, but the term internationalization primarily can be defined as a process carried out by a company in developing its overseas operation (Johanson & Vahlne, 1977), or as an action abroad in international operation whether by an individual firm or group of firms (Welch & Luostarinen, 1988). Internationalization is now conducted not only by giant enterprises but also by Micro, Small and Medium Enterprises (MSMEs) (Zain & Ng, 2006). The change in the business environment creates new opportunities for MSMEs to join in the international market. The growing market has forced MSMEs to improve their performance in various aspects to enable them to compete and survive amidst unpredicted competitions (Onkelinx & Sleuwaegen, 2008).

Market digitalization and liberalization have also pushed MSMEs to operate cross states' boundaries and to compete in foreign countries (Barkema, Baum and Mannix, 2002). In Industry 4.0 era, competition is dominated by big companies (Arnold et al., 2016; Radziwon et al., 2014) and by a small number of MSMEs (Schmidt et al., 2015). However, there are many big companies supply MSMEs and vice versa, MSMEs provide the supply for big companies. This affects MSMEs positioning in technological advancement derives from Industry 4.0 (Müller, Buliga, dan Voigt, 2018). The result of a research conducted by the Organization for Economic Corporation and Development (OECD) in MSMEs globalization shows evidence that currently, MSMEs can carry out internationalization faster compared to their performance in the previous decade (Chelliah, Sulaiman and Mohd Yusoff, 2010). MSMEs success in the internationalization process is closely related to internal and external preparations that need to be done to overcome uncertain market conditions (Wright, Westhead and Ucbasaran, 2007; Prefontaine & Bourgault, 2002). The internal factors in the MSMEs internationalization are preferred because they are the dominant factors in succeeding internationalization, as they are directly linked to the firms' internal factors such as management, experience, target market characteristics, company's characteristics, and product characteristics (Peskova, 2006). The result reveals that market knowledge is the internal factor affecting MSMEs success in internationalization (Chelliah, Sulaiman and Mohd Yusoff, 2010; Vásquez and Doloriert, 2011; Hashim, 2012; Cui, Walsh and Gallion, 2011). Knowledge is an important resource in internationalization which is gained from the company's network relationship and social capital (Prashantham, 2005). Companies can learn and develop foreign market knowledge by interacting with members in new countries' networks (international extension), developing a relationship in the networks (penetration), and having relationships in the overseas networks (international integration) (Johanson dan Mattsson, 1988). Therefore, the network theory holds that a company's internationalization does not happen by itself, that it takes partners, distributors, or foreign marketing agents to make internationalization happen (Kumakura, 2012). Foreign market knowledge in

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crucial in the MSMEs internationalization process (Oviatt and McDougall, 1994). MSMEs readiness in entering the market is determined by involving business in foreign markets in accordance with the wants, but it is often hindered by entrepreneurs' experience and knowledge (Pollard and Jemicz, 2006). This is why foreign market knowledge – which can be obtained from having international networks to encounter possible problems such as competition in a new market and consumers' perception that the product is underqualified – is a requirement. MSMEs can utilize this knowledge as well in searching for available markets to enable them entering the international market faster (Oviatt and McDougall, 1994). Adequate information serving as knowledge will ease a company in creating a product in accordance with its customers' demand (Musteen, Datta and Butts, 2014). One of the determining factors in ensuring MSMEs' international performance is the company's network capability. Some researches results show that network capability influence international performance in a good way, both directly and indirectly. However, some research show different results. Research conducted by Acosta, Crespo & Agudo (2018), Bai, Lind & Johanson (2016), Torkkeli, et al. (2016), Musteen, Datta and Butts (2014), Mort dan Weerawardena (2006), and Babakus, Yavas & Haahti (2006) show that network capability positively affect the MSMEs international performance. Other researchers found that network capability does not influence MSMEs international performance (Stoian, Rialp, dan Dimitratos, 2017, Papastamatelou et al. 2016, Kenny & Fahy, 2015, Bengesi & Roux, 2014). Some researchers have attempted to use mediation variables to bridge the causal relationship between network capability and international performance, like Stoian, Rialp, dan Dimitratos (2017) who used knowledge variable. Their research employed a construct commonly used in internationalization, namely innovative behavior and foreign market knowledge. Bai, Lind & Johanson (2016) use international business knowledge to test causal relationships between network capability and international performance. A research conducted by Zacca, Dayan and Ahrens (2015) employ knowledge creation to examine the causal relationship between network capability and international performance. Meanwhile, Musteen, Datta and Butts (2014) use foreign market knowledge to test the causal relationship between network capability and international performance. Mort and Weerawardena (2006) employ knowledge intensive product to investigate the causal relationship between network capability and international performance. Their research's results on the role of foreign market knowledge in mediating the relationship between network capability and international performance are still contradictive. Therefore, the development of new constructs based on innovative behavior in one context is required (Bai, Lind & Johanson, 2016; Stoian, Rialp, dan Dimitratos, 2017; Zacca, Dayan and Ahrens, 2015). The development of export product fit is a potential variable suspected of capable to mediate network capability and international performance, because:

1. Network capability will play role in international performance if it is carried out in a proactive and productive way by increasing foreign market knowledge and innovative behavior (Colombo et al., 2012; Gronum,

Verreyne and Kastle, 2012; Loane and Bell, 2006; Zhou, Barnes and Lu, 2010).

2. International performance does not necessarily grow due to new knowledge creation, but it has to be realized in aggressive, competitive, proactive, and innovative (Chaston dan Scott, 2012).

3. Knowledge is a useful resource when it is carried out in an action to develop a new product or procedural breakthrough related to the business operation (Tolstoy, 2009; Li et al., 2009).

Having a good foreign market knowledge will strengthen the exporters' position in their relationship with the importers, and that eventually will affect the MSMEs internationalization performance (Dimitratos et al., 2014). Apart from expanding the business network, knowledge can also provide business experience for MSMEs, because international knowledge is a vital source of international activity basis (Chetty dan Wilson, 2003). Among the foreign market knowledge that should be possessed by MSMEs is foreign customers' knowledge (Musteen, Datta and Butts, 2014). This knowledge includes consumers' segmentation and demography, consumers' preference and needs, consumers' tendency for preference and needs, and unfulfilled consumers' needs (Zhou, 2007). Those are basic aspects for MSMEs entering the international market. Therefore, they can quickly respond to the existing opportunity. The faster a company responds to the opportunity, the more adaptive it will be in the foreign market environment (Oktemgil and Greenley, 1997). Besides foreign customer knowledge, product development also requires an adaptive capability to meet the foreign customers' needs and trends, which is one of the keys in achieving a company's performance (Musteen, Datta and Butts, 2014). Adaptive capability is a company's ability to adapt by coordinating and reconfiguring resources, as the company's response to changes in the environment to survive in the industry. It is expected to be better than that of the competitors (Preble & Hoffman, 1994; Wang & Ahmed, 2007; Adeniran & Jonhston, 2012). According to Cavusgil, Zou, and Naidu (1993), product adaptation is the degree of product adjustment to countries that are completely different. It requires adapting strategies by combining the external business environment with the company's characteristics (Hultman, Robson, and Katsikeas, 2009). Based on the above elaboration, the researchers introduce a new concept namely export product fit development. This concept is based upon Contingency Theory, in which a company's performance will be more efficient if the degree of difference between the company's internal characteristics and the external environment is not too wide. Thus, activity standardization and routineness are mandatory (Ruekert, Walker & Roering, 1984). A company must also capable of adjusting its internal characteristics to the external environment in building strategies for a more effortless international marketing (Katsikeas, Samiee, and Marios, 2006). A strategy built upon standardizing marketing program to the environment will bring a positive effect to the business performance (Venkatraman and Prescott, 1990). A study by Hultman, Robson, and Katsikeas (2009) reveals that the adapting capability and product standardization are high-strength strategies in this globalization era. They are also important in building a product strategy adjusted to the

macro, micro, and internal environment. A new construct of export product fit development is founded upon a synthesis of Export Product Strategy Fit (Hultman, Robson, and Katsikeas, 2009) and Foreign Customer Knowledge in a concept of foreign market knowledge (Musteen, Datta and Butts, 2014). The concept of Export Product Strategy Fit using International Marketing Strategy Fit (Katsikeas, Samiee, and Theodosiou, 2006) measures fit by looking at the two continuum namely highly-standardized products to highly-adapted products in the quality, design, features, brand, and package dimensions. The fit measure applied in industry product standardization is not the direct product fit for customers. Hultman, Robson, and Katsikeas (2009) stated that there is no exact solution to build a product strategy for the sake of the export, and therefore suggested that the future researches extend the product concept following the foreign market. This can be achieved by increasing the understanding of international business strategies related to product adaptation and standardization. Foreign Customer Knowledge is one of the six knowledge dimensions used in Foreign Market Knowledge (Musteen, Datta and Butts, 2014). This is the most relevant dimension for directly measuring the company's knowledge corresponded to the products wanted by the customers (Zhou, 2004). Other dimensions, like foreign competitor knowledge, emphasizes the company's strategy in the foreign market competition (Blomstermo, Eriksson, and Sharma, 2004), while cultural knowledge dimension highlights the values and norms of the export destination countries (Chetty and Blankenburg Holm, 2000). The political knowledge dimension is a knowledge of the regulations and rules (Hadjikhani dan Ghauri, 2001). Business opportunity knowledge dimension accentuates partnering knowledge and potential new customers (Burgel dan Murray, 2000), while the distribution knowledge dimension is the knowledge of the right distribution lane in sending goods (Burgel dan Murray, 2000). The measurements used in Foreign Customer Knowledge are the knowledge of needs, preferences, trends, and unfulfilled products for foreign customers (Musteen, Datta and Butts, 2014). This measurement does not firmly describe the products wanted by the customers. Thus, it requires synthesizing Export Product Strategic Fit which measures the product's quality, design, feature, and package that are in accordance with the foreign customers' needs, preferences, and trends. MSMEs entrepreneurs should be able to face international business challenges by increasing their foreign market knowledge capacity. This can be obtained through network development, enabling them to faster seize opportunities (Knight and Liesch, 2002). The researchers argued that international knowledge is a basic element to grow business performance swiftly (Autio et al., 2000). Therefore, MSMEs practitioners must have the ability to access international knowledge, including knowledge from their own network to yield cost-effective (Zhao and Aram, 1995). The international knowledge possessed by MSMEs practitioners in Indonesia is still very low. Thus, it is not easy for them to catch the foreign market opportunity, especially in creating products fulfilling the foreign customers' expectations. This affects the capability to respond to less aggressive market demands. Adequate foreign market knowledge enables MSMEs to pass the transition period in their fight for accessing the international

market, including the limited financial and human resources (Bohatá and Mládek, 1999). Most MSMEs have been suppliers for the export industry – an industry with adequate resources to manage aspects related to the international market. Only a few of MSMEs located in Central Java have exported their products directly. Those are the medium scale enterprises. BPS (Central Bureau of Statistics) has released the number of MSMEs in Central Java in the third quarter of 2018 as 4,8 million. Among them, 657 medium scale enterprises and 368 small scale enterprises have exported their product. This means that less than 1 percent of Central Java MSMEs carry out export activities, and that is a very low number. Based on the background mentioned above, research gap, and business phenomena, some issues arise. They are the different results of researches in network capability effect towards international performance and MSMEs' low capability in creating products that fulfill the foreign market demands. This leads to their low export values. Therefore, the following problem statements are proposed:

1. The absence of an export product fit development construct that mediates a causal relationship between MSMEs network capability and international performance in Central Java.
2. The need for empirical analysis on the effect of export product fit development as a mediating variable in the causal relationship between MSMEs network capability and international performance in Central Java.

2. LITERATURE REVIEW

2.1 International Performance

Resources-based view of the firm theory (RBV theory) is a theory emerged in the 1990s in the strategic management field of study. This theory elaborates the reason why in the same industry some companies succeed while others do not. Barney (1991) suggested that a company's success depends on the internal strength and weakness, instead of its external environment. There are two assumptions related to this. First, there are resource heterogeneity inside the company, and second, there are some resources inside the company that are not imitable or inelastic (Ferreira et al., 2011). The main point of RBV theory is competitive advantage, which is when a company possesses unique and inimitable resources (according to Powers & Hahn (2004) they are called superior resources) and these resources are processed in a good company capability that eventually leads to the company's competitive advantage and excellent performance (Ferreira et al., 2011; Fahy, 2000; Foss, 2011; Olala, 1999; Carmeli & Tishler, 2004). A company's performance is often related to the conformity between a company and its environment (for example Johnson & Scholes, 1993; Powell, 1992a; also see Hrebiniak & Joyce, 1985; Thompson, 1999). The environment prompts needs and hopes, the market opportunity, worth trying by the company with adequate resources. The better the fight, the better it is the chance to succeed (Kay, 1995). According to the contingency theory (Donaldson, 1995; Burns & Stalker, 1961), company's performance is the result of a proper arrangement of the company's design and its business. MSMEs as companies lacking resources should be able to arrange and adapt to the market to achieve their goals. In entering the

international market, MSMEs must be adaptive in customizing products for the customers (Hakansson, 1982; Hallen et al., 1991). Some studies have been conducted related to MSMEs' adaptive capability that plays a role in escalating MSMEs' performance. One of the research was conducted by Vasquez & Doloriert (2011) who claimed that adaptive capability is advantageous in fulfilling the untouched market demands. Kiran, Majumdar & Kishore (2013) include product diversity as an adaptive capability as a determinant factor in MSMEs' achievement.

2.2 International Marketing Strategy

The developing market globalization and the increasing competition worldwide have made international marketing decisions more important in the company's survival, growth, and profitability. Standardized marketing programs and specifically-adjusted to foreign market demand programs have been the attention to researchers for more than four decades (Katsikeas, Samiee, and Theodosiou, 2006). Most researches focus on the factors influencing certain strategies such as identifying various strengths that boost standardization and marketing adaptation programs (Harvey, 1993; Jain, 1989; Picard, Boddewyn, dan Grosse, 1998). The importance of international marketing lies in its potential to promote business performance (Samiee & Roth, 1992). Economic advantage and ease in managing standardized market programs have made this strategy an interesting option for multinational companies (Douglas & Wind, 1987), especially those pursuing global strategies (Johansson & Yip, 1994). Several studies on product standardization yield different results, and thus, it is difficult to develop the theories and management practice in the field. Some researches show that performance can be improved by standardizing marketing strategies around the market (for example, O'Donnell & Jeong, 2000; Szymanski, Bharadwaj, dan Varadarajan, 1993). Meanwhile, other researches reveal that there is no correlation between standardization and performance (like Albaum & Tse, 2001). Researchers have often investigated the direct relationship between strategy standardization (or adaptation) and performance, assuming that standardization (adaptation) is a prime strategy (Johansson & Yip, 1994; Zsomer & Simonin, 2004). Venkatraman (1989) affirmed that in a strategic fit paradigm, a close and consistent relationship between company strategy and the environment in which the strategy will be applied. The fit concept has played a major role in developing strategic management and organization theory (Zajac, Kraatz, dan Bresser, 2000). It also has functioned as a theoretical framework in some marketing researches (like Hambrick, MacMillan, dan Day, 1982; Olson, Walker, dan Ruekert, 1995; Vorhies & Morgan, 2003). Some concepts related to strategic fit in marketing. Day (1999) stated that building a market-oriented organization will measure the performance by examining the company's environment and the internal environment in which a proper marketing strategy is designed and implemented. This means that marketing strategy is the main mechanism in achieving conformity between an organization and the external market condition. A Strategic fit offers a relevant foundation for performance appraisal from the given marketing strategy. Experts have admitted the importance of conforming to the international marketing strategy and the internal condition of

the operating company. As an example, Jain's (1989) conceptual work reveals the influence of environmental factors towards international market program conformity. The fit concept is closely related to performance (Ginsberg dan Venkatraman, 1985; Lukas et al., 2001). Lemak dan Arunthanes (1997) noted that better performance in the global market depends on the company's choice on the global strategy. Most studies on marketing strategy standardization are conceptual (Katsikeas et al., 2006), in which the empirical studies focus on the relationship between international marketing strategy and performance. Only a few emphasize their studies on the products or brands as the analysis unit. The environmental adjustment strategy uses the contingency theory in international marketing (Hultman, Robson, dan Katsikeas, 2009). However, previous studies have focused on the determination of the relationship among the internationally-active company's market environment, international marketing strategy, and performance, based on the framework of economic structure-behavior-performance of industrial organization (Cavusgil & Zou, 1994; Özsomer & Simonin, 2004; Sousa & Bradley, 2008). The results identified the existing mediation patterns among the crucial constructions (such as environmental and organizational factors that are more adaptive) that aid organization performance (Calantone et al. 2006). Seeing the strategic management field and organization behavior (like Drazin and Van de Ven 1985; Zajac, Kraatz, and Bresser 2000), it is assumed that exporting companies are capable of increasing their profitability by changing product strategies through increasing the external and internal adjustment (Vorhies & Morgan, 2003). Venkatraman (1989) divided some impact models of environmental and strategy adjustment towards performance. The dominant approach in international marketing research is "fit as moderation," in which environmental variable accustoms the correlation of adaptation and performance. Nevertheless, the moderation perspective has not been supported by data (Shoham, 1999; Xu, Cavusgil, dan White 2006). The adopted congruity logic is "fit-as-matching" approach Venkatraman (1989). This approach, similar to moderation, requires identification of the proper functional form among the variables (such as the product adaptation level and individual environmental variables) in the existing research. However, unlike moderation that focuses on the effect of variables and performance, fit, theoretically is defined as the conformity or similarity among variables (Powell, 1992). Hultman, Robson, and Katsikeas (2009) developed fit measurement apart from performance and conducted regression on performance. Katsikeas, Samiee, and Theodosiou (2006) showed that environmental adjustment and standardization strategy are positively connected to performance. The role of knowledge as an early information source for companies is crucial in the external environment adjustment process. Knowledge plays a more complex role than what once had been assumed in the internationalization model in the previous century, illustrated in the "Born Global" phenomenon (Petersen, Pedersen, and Sharma, 2003). The 1970s and 1980s internationalization theory (Uppsala Model and Innovation Model) argued that the knowledge type important in internationalization is experience (Johanson & Vahlne, 1977). According to the model, the lack of knowledge on foreign markets is an

inhibitor for international operation development. The knowledge itself can be obtained especially from operation abroad (Babinska, 2013). Afterward, the decision and implementation of the foreign operation are carried out gradually due to the market uncertainty. They are also conducted as a management learning process in "learning by doing" way (Forsgren, 2002). The more knowledge a company has, the lower the risk it faces, and the higher the involvement level it has in the market (Babinska, 2013).

2.3 Foreign Market Knowledge

Internationalization knowledge concept (Internationalization Knowledge) (Eriksson et al., 1997; Yu, 1990) is a knowledge categorized into three types based on the difficulty level obtaining it. They are internationalization knowledge, business knowledge, and institutional knowledge. The first type is described as a general knowledge, related to the internationalization process or the company's capability to engage in an international operation. This knowledge integrates and coordinates all activities related to the company's internationalization involving company's network management knowledge, including issues like communication forms or collaborations on research and development. A Certain resource of this knowledge can usually be found in a company from the very beginning, which is the previous knowledge of the owner(s) of the company (Babinska, 2013). The next type of knowledge is business knowledge concerning clients and customers, a certain competitive market situation, and other factors of a certain foreign market environment. The last type is institutional knowledge, which is the knowledge linked to institutional management and structure, rules, regulations, norms, and values. So far, business knowledge is knowledge on a close environment and institutional knowledge related to the environment far from the market (Babinska, 2013). Knowledge is a strategic resource crucial in determining a company's competitive advantage. An organization absorbs internal and external knowledge, combines pre-existing knowledge and creates new knowledge (Cohen & Lavinthal, 1990). Previously owned and developed tacit, specific, and complex knowledge will bring long term advantages for the organization because it is inimitable (McEvily & Chakravarthy, 2002). An imitable knowledge characteristic will be a basic difference in building a continuous competitive advantage (Wiklund & Shepherd, 2003). Small scale companies often face obstacles related to the lack of resources (Jarillo, 1989). Thus, their existing resources must be carefully treated. The wrong decision will lead to more complex problems (Amelingmeyer & Amelingmeyer, 2005). Small scale companies tend to have a flat and informal structure, non-bureaucratically and little regulations. Controls are often based on the owners' supervision, while formal policies tend to absent in MSMEs (Daft, 2007). Thus, in this environment, the business plan process and decisions are oftentimes made by one person (Culkin & Smith, 2000). Centrality indicates that these people admit the benefits of knowledge management in supporting companies' actions. Nevertheless, MSMEs' daily transactions also require careful attentions (Hofer & Charan, 1984). This relates to the lack of financial and competence resources (Bridge et al., 2003), because most of the knowledge is kept in the owners' or key employees' minds instead of being

distributed (Wong & Aspinwall, 2004). Knowledge identification focuses on the activities recognizing the necessary knowledge for a company. It also addresses the resources used to obtain knowledge. The activities also include identifying the currently available knowledge (Egbu et al., 2005). Knowledge creations refer to ways that are devoted to developing new knowledge. A company's knowledge creation is supported by allowing an organization's members to have a trial (Gupta & Govindarajan, 2000). Knowledge is not only internally built. External knowledge sources should also be accounted for considering MSMEs' lacks (Egbu et al., 2005). The difference between tacit and explicit knowledge is useful in a knowledge management process since their features will likely influence the knowledge transfer process (Nonaka & Takeuchi, 1995). Less absorptive capability and low-quality relationship among the individuals are other obstacles of knowledge transfer need consideration (Szulanski, 1996). Oviatt & Mc Dougall (1994) and Zahra (2005) in their studies elaborated that foreign market knowledge is essential for MSMEs to succeed in the internationalization process. Liesch & Knight (1999) also suggested that MSMEs' readiness to engage in the international markets is the targeted foreign market information function. This particularly applies to MSMEs from economic-transitioning countries where the leaders commonly have limited international experience (Pollard & Jemicz, 2006), and from places with minimum financial and human resources (Bohata & Mladek, 1999). Apart from overcoming challenges in international business, foreign market knowledge obtained from the network can also improve MSMEs' managerial skills in seeing foreign market business opportunity in shorter period of time (Knight & Liesch, 2002). Foreign market knowledge intensifies a company's absorptive capacity to ease the MSMEs managers in getting extra knowledge. Foreign market knowledge will also bring confidence to the managers in taking risks coming from internationalization (Liesch, Welch, dan Buckley, 2011). Besides, foreign market knowledge can also help MSMEs identifying and developing a mutually-beneficial business to avoid mistakes commonly found at the beginning of internationalization. Musteen (2013) described six dimensions of foreign market knowledge. First, Foreign Market Competitor is knowledge of foreign competitors measured by looking at competitors' quality, competition level, and strategies applied in foreign market (Blomstermo, Eriksson, and Sharma, 2004; Eriksson et al., 1997; Lindstrand et al., 2011; Morgan, Zou, Vorhies, and Katsikeas, 2003; Zhou, 2007). Second, Foreign Culture Knowledge is the knowledge of a foreign culture that is important for MSMEs in entering the international market. This knowledge is assessed by observing the values and norms, the different business manners, and the impacts of different foreign culture (Chetty & Blankenburg Holm, 2000; Lindstrand et al., 2011; Morgan et al., 2003; Petersen, Pedersen, and Lyles, 2008; Zhou, 2007). Third, Foreign Political Knowledge is the knowledge of politics that becomes the attention and competency of internationalizing MSMEs. This knowledge involves the different legal systems, the risks coming from the business, and the rules in those foreign countries (Hadjikhani & Ghauri, 2001; Lindstrand et al., 2011; Lord & Ranft, 2000; Zhou, 2007). Fourth, Foreign Customer

Knowledge is the knowledge of customers that is crucial in both domestic and foreign marketing. Internationalizing MSMEs must have adequate awareness of the destined market such as its demography, customers' needs and preferences, customers' needs and preferences trends, and unfulfilled customers' needs (Chetty & Campbell-Hunt, 2004; Eriksson & Chetty, 2003; Eriksson et al., 1997; Lamb & Liesch, 2002; Lindstrand et al., 2011; O'Gorman & Evers, 2011; Zhou, 2007). Fifth, Business Opportunities in Foreign Market Knowledge is recognizing market opportunities as a marketing strategy prior to the actual product marketing. Business opportunities in foreign markets can be identified by recognizing the potential new customers and chances to have new partners from the destined countries (Burgel & Murray, 2000; Chetty & Blankenburg Holm, 2000; Chetty & Campbell-Hunt, 2004; Hadjikhani & Ghauri, 2001; Harris & Wheeler, 2005; Lamb & Liesch, 2002; O'Gorman & Evers, 2011). Sixth, Foreign Channel of Distribution Knowledge is the proper distribution channel that generates an effective goods distribution. MSMEs with limited resources should build their knowledge on the distribution channel. They can explore the knowledge of the proper, right, and qualified distribution in the destined countries (Burgel & Murray, 2000; Chetty & Campbell-Hunt, 2004; Harris & Wheeler, 2005; Morgan et al., 2003). It has been elaborated that customers have different characteristics, thus, producers should have sufficient knowledge of foreign customers (Musteen, Datta and Butts, 2014). The knowledge of foreign customers is more important than any other knowledge since this knowledge is directly linked to the customers. Therefore, it is necessary that one understands the different cultures, the foreign customers' preferences, and needs, which will determine success in the market (Zhou, 2004). Musteen, Datta and Butt (2014) assessed foreign customer knowledge in four indicators developed from several sources namely Chetty & Campbell-Hunt (2004); Eriksson & Chetty (2003), Eriksson et al. (1997); Lamb & Liesch (2002); Lindstrand et al. (2011); O'Gorman & Evers (2011); Zhou (2007). Those indicators, which are customers' segmentation and demographics, customers' preferences and needs, customers' preferences and needs trends, and foreign customers' trends, are highly useful for companies entering the international markets. This type of knowledge overcomes some marketing obstacles such as product-related issues, price, distribution, logistic, and promotions abroad. Export-focusing MSMEs that do not pay attention to customers' positions will face problems. Companies should develop adaptive products that match to customers' preferences in foreign markets. The key to overcoming this particular issue is innovation in accordance with the market demand. Comprehensive knowledge will also enable companies to be meticulous in determining prices related to the competition in an international market. MSMEs with adequate knowledge can also build the right distribution channel as a representative partner in the export-destination countries (Leonidou, 2004).

3. RESEARCH METHOD

In developing a construct, item validation has to be carried out to ensure the conceptual domain of a construct is well-represented and avoid overlap with other constructs (MacKenzie et al., 2011). Specific items representing a construct should be well-collected. They may come from

various sources such as previous studies, experts' or practitioners' advice, and interviews with the taken population (Nunnally & Bernstein, 1994; MacKenzie et al., 2011; Churchill, 1997).

a) Stage 1 Item Generation

The early items used in this research are taken from Export Product Strategic Fit (Hultman, Robson, and Katsikeas, 2009) and Foreign Customer Knowledge in the concept of Foreign Market Knowledge (Musteen, Datta, dan Butts, 2014). They are also taken from the advice of several academicians and practitioners.

b) Stage 2 Content Validation Test

After the items are generated, the next step is testing their content validity. Straub et al. (2004) suggested that content validity measures how far items of an instrument represent the generalized instruments. A structured review process will be conducted to ensure that the questionnaires contain relevant questions. The questions should serve the aim of the research. The review involves the assessment of the relationship between the items and the construct theoretical definitions. It is then continued by analysis to assess whether the generated instrument represents the construct. (Yao, Wu, dan Yang., 2008; MacKenzie et al., 2011; Hinkin & Tracey, 1999). The device to evaluate export product fit development is discussed with some lecturers, professors, and practitioners of marketing management to get the experts judgment. Then, the researchers will have a legibility test on the questionnaire items to the future participants to get input related to items writing procedure, grammar, respondents' response, and questionnaire sheets' appearance. The legibility test is one of the qualitative analyses that will base writing improvement for the researcher. When the items have been revised, a further validity test and quantitative items analysis will be conducted. The results provide important information on how valid and reliable the items generated to assess the construct are.

c) Stage 3 Construct Validity Test

Validity means the accuracy and precision of a measuring device in performing its function. In other words, a measuring device is regarded highly-valid if the instrument can perform its function accurately and provide appropriate assessment following its purpose (Gerbing & Anderson, 1988). Construct Validity is a validity test based on a linkage pattern among the items measuring it. The items assessing a similar factor should have a strong inter-correlation. On the other hand, the items measuring different factors will have a weak inter-correlation. A strong correlation (Pearson Correlation) will form a group (cluster) representing the measured factor (Suliyanto, 2011).

4. FINDINGS

a) Stage 1 Item Generation of Export Product Fit Development

In developing foreign-market-oriented products, a network connection is crucial and becomes a driving force of a company in creating values (Mu, Peng, dan Love, 2008). A network structure influences the company's performance as it creates resources, knowledge, and opportunities (Stuart & Sorenson, 1997; Burt, 2004; Uzzi, 1998; McEvily & Zaheer, 1999). This research analyzes the network's role in

obtaining information to assist companies in developing the products fitting the foreign customers. The concept being built is export product fit development, which is a synthesis of export product strategy fit (Hultman, Robson, and Katsikeas, 2009) and foreign customer knowledge in the concept of foreign market knowledge (Musteen, Datta and Butts, 2014). Thus, the concept of export product fit development can be defined as:

“The development of products with quality, design, feature, and package in accordance with the foreign customers’ needs, preferences, and trends”.

The concept of export product fit development has the following characteristics:

1. The development of product quality following foreign customers’ needs
2. The development of product quality per foreign customers’ preferences
3. The development of product design in accordance with foreign customers’ needs
4. The development of product design following foreign customers’ preferences
5. The development of product feature in accordance with the foreign customers’ needs
6. The development of product feature following the foreign customers’ preferences
7. The development of product package fitting the foreign customers’ needs
8. The development of product package according to the foreign customers’ preferences
9. The development of products in accordance with the foreign customers’ trends
10. The development of products following foreign customers’ preferences
11. The development of products fulfilling foreign customers’ needs that have not been achieved currently.

Those eleven characteristics reflect the concept of export product fit development and will be used as the indicators of the developing concept. This is an effort made by MSMEs to develop their products by expanding their networks that enables them to identify the ways to create products with quality, design, feature, and package following the foreign

customers’ needs, preferences, and trends.

Figure 1. Model of Concept Synthesis
Export Product Fit Development

The indicators used to build export product fit development construct is a synthesis of the following construct:

Table 1. Construct Indicator Synthesis of Export Product Fit Development

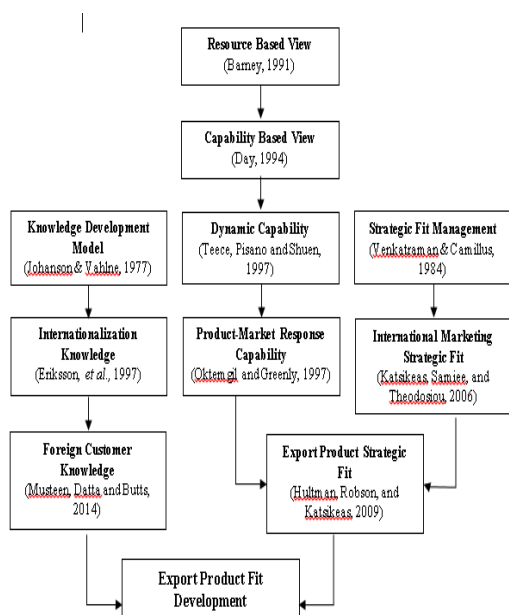
Foreign Customer Knowledge (Musteen, Datta, & Butts, 2014)	Export Product Strategic Fit (Hultman, Robson, & Katsikeas, 2009)
1. Knowledge of foreign customers’ needs	1. Product quality adaptation
2. Knowledge of foreign customers’ preferences	2. Product design adaptation
3. Knowledge of foreign customers’ needs trends	3. Product feature adaptation
4. Knowledge of foreign customers’ preferences trends	4. Product package adaptation
5. Knowledge of foreign customers’ needs currently unfulfilled	

Based on the justified construct integration of foreign customer knowledge and export product strategy fit, the following proposition is formulated:

Good capability in setting up a business network will provide knowledge to develop products with quality, design, feature, and package following the foreign customers’ needs, preferences, and trends, and this will escalate MSMEs’ internationalization performance.

b) Stage 2 Content Validity Test of Export Product Fit Development

The content validity of this research employs content validity ratio or CVR developed by Lawshe (1975). This approach demands the experts to show whether an evaluation item of a scale is important as a form of operational theory. The experts’ assessment is used to calculate CVR for each item in the research instrument. To do this, several experts are asked to check every item in the assessment instrument. The scores consist of three alternatives – relevant, less relevant, and irrelevant in the assessed domain. CVR score on each item ranges between 1 to -1. A high score indicates a higher content validity on the item. An item with 0 score means that half of the experts have assessed the item as a relevant item. Every positive value shows that more than half of the experts consider the item as relevant, which means that the item should be involved in the research instrument. Items with low CVR will not be included in the pilot test. They do not represent the evaluated domain. Content validity accuracy is reached when the measuring domain is well-defined and the instrument’s items are correctly valued. Experts use the measuring domain as the foundation to assess how far an item represents the intended measuring



domain. CVR is calculated by using the formula $CVR = (N_e - N/2)/(N/2)$, in which CVR = Content Validity Ratio; N_e = the number of the experts assessing in 3 (relevant/important); N = the number of all the experts. The following table displays standards to measure CVR minimum score based on the number of the panelist or experts involved in the assessment. The number determines the construct validity.

Table 3. Minimum CVR score conforming the number of the experts

The number of the experts	Minimum CVR score
5	0,99
6	0,99
7	0,99
8	0,75
9	0,78
10	0,62
11	0,59
12	0,56
13	0,54
14	0,51
15	0,49
20	0,42
25	0,37
30	0,33
35	0,31
40	0,29

Source: Lawshe (1975)

The indicators of export product fit development variables based on the theory are the development of product quality following foreign customers' needs (PKPE1), the development of product quality following foreign customers' preferences (PKPE2), the development of product design fitting foreign customers' needs (PKPE3), the development of product design fitting foreign customers' preferences (PKPE4), the development of product feature following foreign customers' needs (PKPE5), the development of product feature following foreign customers' preferences (PKPE6), the development of product package fitting foreign customers' needs (PKPE7), the development of product package fitting foreign customers' preferences (PKPE8), the development of product following foreign customers' needs trends (PKPE9), the development of product following foreign customers' preferences trends (PKPE10), and the development of product fulfilling the foreign customers' needs that currently have not been achieved (PKPE11). Based on the questionnaires from 15 respondents comprise of marketing experts, the following CVR scores for export product fit development variables are obtained:

Table 4. Content Validity of Product Development Suitable with the Foreign Customers

No.	Indicator	CVR	Information
1	PKPE1	0,866667	Valid
2	PKPE2	0,866667	Valid
3	PKPE3	0,866667	Valid
4	PKPE4	0,866667	Valid
5	PKPE5	0,866667	Valid

No.	Indicator	CVR	Information
6	PKPE6	0,866667	Valid
7	PKPE7	0,866667	Valid
8	PKPE8	0,866667	Valid
9	PKPE9	0,600000	Valid
10	PKPE10	0,733333	Valid
11	PKPE11	0,866667	Valid

It can be concluded from the content validity test that all indicators employed to assess the export product fit development variables are valid and usable.

c) Stage 3. Construct Validity Test of Export Product Fit Development Construct

The construct validity of this research is assessed by using Confirmatory Factor Analysis (CFA). It assesses the clustered indicators based on their latent variables (construct) to see if they are consistent in measuring the construct. There are 30 future respondents' answers that are processed by the SPSS program.

Table 5. The Output of Total Variance Explained of Export Product Fit Development

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cum %	Total	% of Variance	Cum %
1	9.210	83.724	83.724	9.210	83.724	83.724
2	.863	7.846	91.570			
3	.443	4.023	95.593			
4	.283	2.574	98.168			
5	.183	1.663	99.830			
6	.019	.170	100.000			
7	1.387E-16	1.261E-15	100.000			
8	9.849E-17	8.954E-16	100.000			
9	8.865E-17	8.059E-16	100.000			
10	-6.699E-18	-6.090E-17	100.000			
11	-8.077E-17	-7.343E-16	100.000			

The output of Total Variance Explained shows that there is only 1 factor (latent variable) in the export product fit development variables with eigen value more than 1. Thus, it can be said that there is only one variable which is constructed. Consequently, the indicators used to assess the export product fit development are valid (unidimensional) (Hair et al., 1995).

Table 6. The Output of Component Matrix of Export Product Fit Development

No.	Indicator	Loading Factor	Explanation
1	PKPE1	0,930	Valid
2	PKPE2	0,971	Valid
3	PKPE3	0,842	Valid
4	PKPE4	0,806	Valid
5	PKPE5	0,930	Valid
6	PKPE6	0,971	Valid
7	PKPE7	0,842	Valid
8	PKPE8	0,930	Valid
9	PKPE9	0,972	Valid
10	PKPE10	0,971	Valid

No.	Indicator	Loading Factor	Explanation
11	PKPE11	0,879	Valid

Indicator validity can be traced back to the output of the above Component Matrix, which shows that the Loading Factor value is more than 0.5. This means the indicators used to assess export product fit development are valid

5. DISCUSSION

The importance of the export product fit development concept describes comprehensively how MSMEs gather as much as possible the information on foreign customers' needs, preferences, and trends. These are obtained by establishing a vast network so that the foreign markets' demand can be fulfilled. When supply and demand conform, international performance will improve. This concept specifically elaborates on how MSMEs generate the products fulfilling foreign customers' needs, preferences, and trends today and in the future. It is expected that this concept bridges different results of various studies on network capability network and MSMEs international performance. This research employs multidiscipline knowledge (marketing management and strategic management) in comprehending a phenomenon. Research engaging various perspectives will yield a more holistic view that results in more understanding of social researches (Murray & Evers, 1989; Klein, 1990). This research integrates marketing theory like Foreign Market Knowledge (Musteen, Datta and Butts, 2014) and strategic management theory like Export Product Strategic Fit (Hultman, Robson, and Katsikeas, 2009) to create a new construct. Construct integrations made by the researchers are based on criticisms given by some other researchers (Colombo et al., 2012; Gronum, Verreynne and Kastelle, 2012; Loane and Bell, 2006; Zhou, Barnes and Lu, 2010; Chaston and Scott, 2012). They stated that international performance does not grow merely due to new knowledge, instead, it has to be realized in aggressive, competitive, proactive, and innovative actions. This research examines the new construct of Export Product Fit Development validity. Construct validity is a central aspect of a new construct test, and it is also the main requirement of a scientific process (Carmines & Zeller, 1979; Churchill, 1979). This research is a generator of new hypotheses answering issues in social phenomena. It also expands researches on the relationship between network capability and international performance that yield inconsistent results by incorporating Export Product Fit Development as a mediating variable.

6. CONCLUSION AND IMPLICATION

This research contributes to the basic model development that can be used to comprehend the MSMEs internationalization process. It conducts tests in the construct that has been identified to serve as boosters in accelerating the international performance, the export product fit development construct. The result can be used by MSMEs practitioners, especially the exporting MSMEs, to recognize factors influencing international performance. Besides, it can also be employed to identify innovative behavior in developing export product fit, which enables

them to enter the market and enhance international performance.

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