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FACULTY OF BUSINESS AND MANAGEMENT
INSTITUTE OF ECONOMICS

THE EXPORT PERFORMANCE OF EUROPEAN SMALL AND MEDIUM BUSINESSES

EXPORTNÍ KONKURENCESCHOPNOST EVROPSKÝCH MALÝCH A STŘEDNĚ VELKÝCH FIREM

DIPLOMOVÁ PRÁCE
MASTER'S THESIS

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Pursuant to Act. No. 111/1998 Coll., on Higher Education Institutions, and in accordance with the Rules for Studies and Examinations of the Brno University of Technology an Dean's Directive on Realization of Bachelor and Master Degree Programs, the director of the Institute of is submitting you a master's thesis of the following title:

The Export Performance of European Small and Medium Businesses

In the Czech language:

Exportní konkurenceschopnost evropských malých a středně velkých firem

Instruction:

Introduction
Executive Summary
Theoretical basis of the work
Problem Analysis and current situation
Proposals and contribution of suggested solutions
Conclusions
References
Apendices

List of literature:

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Abstrakt

Diplomová práca popisuje exportnú konkurencieschopnosť malých a stredných podnikov v Európskej Únii, faktory ovplyvňujúce ich výkonnosť a rozhodovanie ohľadne exportných aktivít. Použitie relevantnej literatúry a štúdií umožnuje poskytnúť kritický pohľad na danú problematiku. Na konci práce sú navhrnuté odporúčania na zlepšenie a záver.

Abstract

This master's thesis describes export competitiveness of small and medium enterprises in European Union, factors influencing their performance and decision making regarding export activities. By the support of relevant literature and studies, critical view is given on this issue. At the end of the paper the conclusions and further recommendations are proposed.

Klíčová slova

stredné a malé podniky, Európska únia, export, konkurencieschopnosť, výkonnosť

Key words

SMEs, European Union, export, competition, competitiveness, performance

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Statutory declaration

I declare that submitted master's thesis is authentic and worked up independently. I also declare that citations are complete and copyrights are not violated (pursuant to Act. No. 121/2000 Coll., on copyright and on laws related to copyright Act.).

Brno, 30th August 2013

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Matej Šiška

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CONTENT

Introduction

This master thesis places its focus on the export performance of European small and medium businesses, how they prepare as well as react to external stimuli along with what are their main fears and expectations.

The aim is to firstly analyse various determinants that influence firm's decision making through theoretical framework. As will be shown, this framework has developed over the years thanks to continuous research of various authors. Later, these ideas will be merged and compared in order to provide better understanding.

Second part will be analysing current situation on basis of study and data provided by European Union survey. Several important aspects of whole SME sector will be considered and with use of charts and diagrams current trends and development will be discussed.

In the last, more informal part, author's ideas and thoughts will be introduced regarding export performance of European SMEs along with proposals for improvement of current situation.

1 Theoretical Basis of the Work

1.1 Introduction

1.1.1 European Exporting SMEs

In this thesis, the Author puts focus on exporting firms from Europe. Even though there are many ways to go international, for example by starting a joint venture, wholly owned subsidiary, as well as by licensing, the author chose to focus on the so called export market entry mode. Albaum, Strandskov & Duerr (2002) characterise 'exporting' as a action by which production takes place in the home country, different to production in a free area or overseas. There can be either be indirect export, by using independent marketing organization in the exporter's country, or direct export, through selling directly to foreign country using its own dependent unit or by using a foreign-based organization. As an evidence, a report from EU shows that exporting firms are at the heart of most European countries. In research carried out in 2000, the share of exports in turnover was 17% in non-primary private enterprises for Europe-19 (Observatory for European SMEs 2002). This significance of export in European enterprises can be explained also from historic patterns, partly from the relatively small size of most European states (the smaller the country, the smaller the market, and the sooner enterprises seek to sell across the border), and lastly from general market trends, such as globalization (although this could be an "infinite circle" because it's caused by firms performing export).

Additionally, the focus in this thesis is on small- and medium-sized enterprises (SMEs). SMEs count for the far majority of European companies: in 2007 Observatory survey, 99% of all the companies in Europe-27 countries have below 250 employees. Together, these SMEs are responsible for jobs to almost two-third of the total employment in these countries (Observatory of European SMEs 2007). For these enterprises, exporting is a very special and tempting way to conduct business, because of its attractive risk and cost ratio, even if the level of control is less than in other internationalization modes (Kuratko& Hodgetts 2001; Cateora & Graham 2002). Averagely 13% of turnover goes from export activities, compared to 21% when it comes to large companies. If we were to break it down entirely, export share for micro enterprises (0-9 employees) is 7%, for small firms (10-49 employees) 14%, and for medium-sized firms (50-249 employees) 17% (Observatory of European SMEs 2002). Such figures in this section give a clear signal of the importance when it comes to exporting SMEs in European countries. Additionally, investigated literature often describes SMEs to be different from large companies. Most notable characteristics are for example above mentioned lack of resources at home market, their flexibility, and the central role (power, influence) of the owner-manager. Miesenbock (1987) already discuses the characteristics and perceptions of the small enterprise's decision-maker is the single most important thing in the whole export business.

1.1.2 Export Performance of European SMEs

Because of this, the main question of this thesis is: which factors are responsible for the export performance of European SMEs? To elaborate on this, we will firstly provide vast theoretical background to find possible determinants, as well as linking them into relationships between themselves along with mentioning the performance influence using the literature. Additionally, the decision regarding what export performance includes. In the thesis, this theoretical base is explained by providing evidence from existing reviews on export performance literature. As we will see, as much as what is perceived about the determinants of export performance is actually in the form of how the relationships in various models are set up and how they link various variables to various performance measures. Eventually, by comparing the outcomes of existing reviews an overall export performance framework will be drawn and discussed.

Bilkey (1978) states: "the quality of management probably is the greatest single determinant of a firm's export success". Moreover, the owner-manager person has an essential place in SMEs. This fact forces us to pay special attention to the owner-manager as one of the determinants. Not to mention, the rising interest in marketing, and especially international market environment where information is crucial (Cadogan & Diamantopoulos 1995) the significance of information has a strong correlation to being successful.

Eventually, the conclusions and managerial implications will be discussed. Aditionally, recommendations will be suggested for export performance research international export in general.

1.2 Export Performance and its Determinants

This chapter is a detailed review of export performance studies that are available throughout many years. They cover several export philosophies, that's why an overview of the existing conceptual articles on export performance is given, and later followed by a review of empirical studies trying which are trying to explain export performance from the internal and external point of view. The goal of the literature review can be seen in two main streams. First one represents the export performance research at this moment, by discussing the existing and used conceptual theories. And secondly, to summarise this exhausting list of factors which influence a firms' export performance, by connecting mentioned empirical studies. In the end, the result will be a framework that considers the principal influences of export performance from literature and the firm-product-market that influence these correlations in the real world.

1.2.1 Conceptual Work

The digging for theory sends us into the sixties, when various researchers have studied how the exporting business phenomenon, however, the actual throughout research really began in the eighties when there was enough evidence provided to test the authors from sixties. Back then, most attention was paid to the behaviour of exporting firms without emphasising a lot on their performance. As an example can be Bilkey (1978) who conducted a review of forty-three studies that touched on exporting, out of which only four studies were aimed towards export performance of firms. Moreover, these four reviews identified successful exporters quite primitively- purely on whether or not they were active or not in exporting. As a result, any firm that was not engaged in foreign market at that time was considered a non-successful exporter. We can clearly see the problem in this interpretation of the export performance concept. It doesn't consider the volume of the across the border activities of the exporter, or the actual effect of such activities.

Later on, in the eighties and more importantly the nineties, internationalization spread so much that it became a serious topic in wider fields such as politics, the business world, and the scientific world. The number of authors who researched the companies' export performance grew significantly. Over these years, this increase resulted in numerous attempts to theoretically analyse the aspects of export performance. Most notably: Miesenbock (1987), Madsen (1987), Aaby & Slater (1989), Gemünden (1991), Zou & Stan (1998), Leonidou, Katsikeas & Piercy (1998), and Leonidou, Katsikeas & Samiee (2002). These studies all build on each other as the time advanced and eventually contributed on export performance measurement and its overall theory of determinants as we know it today. The following paragraphs summarise the important points of these studies for the use of this thesis. The ultimate goal is to end up with a table of the most influential categories of variables that can be used when scrutinising the export environment. In the end of each review there can be found a short conclusion pointing out the various aspects and highlights of that particular review and also a effort to link different parts (thoughts) together.

<u>Miesenbock (1987)</u>

This review is a strong pillar for its focus on small businesses and their exporting behaviour. Miesenbock comes up with an important conclusion that "the decision-maker is the single most important determinant in small business internationalization." Moreover, "the empirical studies in this review show that exporting is a sequential process, during which the firm increases gradually its export commitment." Additionally, he writes that it is impossible to clearly state which variables influence export performance the most, based on the publications reviewed. "The research needed is sophisticated in investigation contents as well as statistical methods. Simply listing of reasons for exporting, export stimuli, etc. is not likely to cause any progress."

Madsen (1987)

Madsen groups up seventeen export performance studies, which date between 1964 and 1985. He identifies the operational variables in these reports as indicators of twenty-three concepts ("unobservable or latent variables") that belong to four main categories which go into the Strategy Structure-Performance paradigm: "The basic idea is that the performance of an organization ('O-performance') is a result of a continuous interaction with other groups of variables, namely its own organizational structure ('O-structure'), the structure and performance of its environment ('E-structure'), and its own strategies ('strategy')." As can be deduced from this work, not many determinants have been related to all three performance concepts that we discuss, therefore the results are not as detailed as the later researches. This is because of the fact that the empirical studies reviewed the concepts in slightly different ways as well as because of significant situational dependency.

The author points out several limitations for his work: lack of interaction effects, the question of causality which is connected with it, and the limited amount of operational variables and concepts in each of the studies. Most of them investigate the direct effects of performance scarcely, and only small number of these studies mention the indirect effects of organizational and environmental structure on performance through strategy. Because of this Madsen raises an interesting question: "does 'commitment to exporting' cause good export performance or is it the other way around?"

It is quite important to note that none of the studies reviewed have an exhaustive list in number of variables. Quite often a variable "environment" is not mentioned or considered. The author however explains that "neglecting of environmental variables might be attributed to the fact that most of the studies are concerned with the investigated firms' total exports. In other words, the environment is not clearly defined, since it consists of many markets with differing characteristics". This disregarding does reduce the overall informational value of these studies, since, as discussed later, environmental variables can influence export performance. As a consequence, it can lead to errors and biased estimates. However when summarising, each one of the twenty-three concepts has partial impact on the whole big concept of the export performance, meaning that the errors are crucial in all studies reviewed, because they focus on just a part from all the concepts. To face this issue, author states “Clearly, only (very) extensive studies (if any) could cope with all these requirements at once. Taking just some of them into consideration, however, would still have the potential of pushing empirical export performance research further ahead.”

Aaby & Slater (1989)

Inspired by Bilkey (1978), Aaby & Slater publish their renowned article in 1989 on the managerial influences on export performance. The core of the work is the review of fifty-five empirical studies on export performance published between 1978 and 1988. This concludes in a framework that recognises four independent variable categories: ‘Environment’, ‘Competencies’, ‘Firm Characteristics’, and ‘Strategy’, accompanied by one dependent variable, ‘Performance’ (see Diagram below). As we can see category ‘Environment’ is incorporated, the actual review of the empirical studies focuses only “on aspects closely related to managerially controllable variables”.

The authors discuss several outcomes regarding the effect of these strongly controllable variables. When mentioning ‘Firm Characteristics’, the work shows us that the firm size is only significant when linked to other aspects that show financial strength or economies of scale. As can be studied ‘management commitment’, ‘management systems and planning’, and ‘export experience’ all have a positive impact on performance. Furthermore, management of the enterprise should have an international strategy, be ready to take risk and have a positive attitude towards the idea of exporting. Very interesting part is when authors explain many misperceptions when it comes to understanding the risk and costs of exporting. As for ‘Competencies’: “export success through technology depends on good management and what markets the firm decides to enter.” Most successful exporters have certain export policies, they plan ahead, and they keep on gathering market knowledge. The conclusions concerning the additional value of product quality and communication capability are unclear. As for ‘Strategy’, it is not surprising that exporters who are more involved focus more on industrial markets and have much broader world market coverage. The results for the marketing mix are only conclusively positive for the importance of distribution, delivery, and service as important determinants of export success. For the other elements (product, price, and promotion) the results do not clearly point towards either.

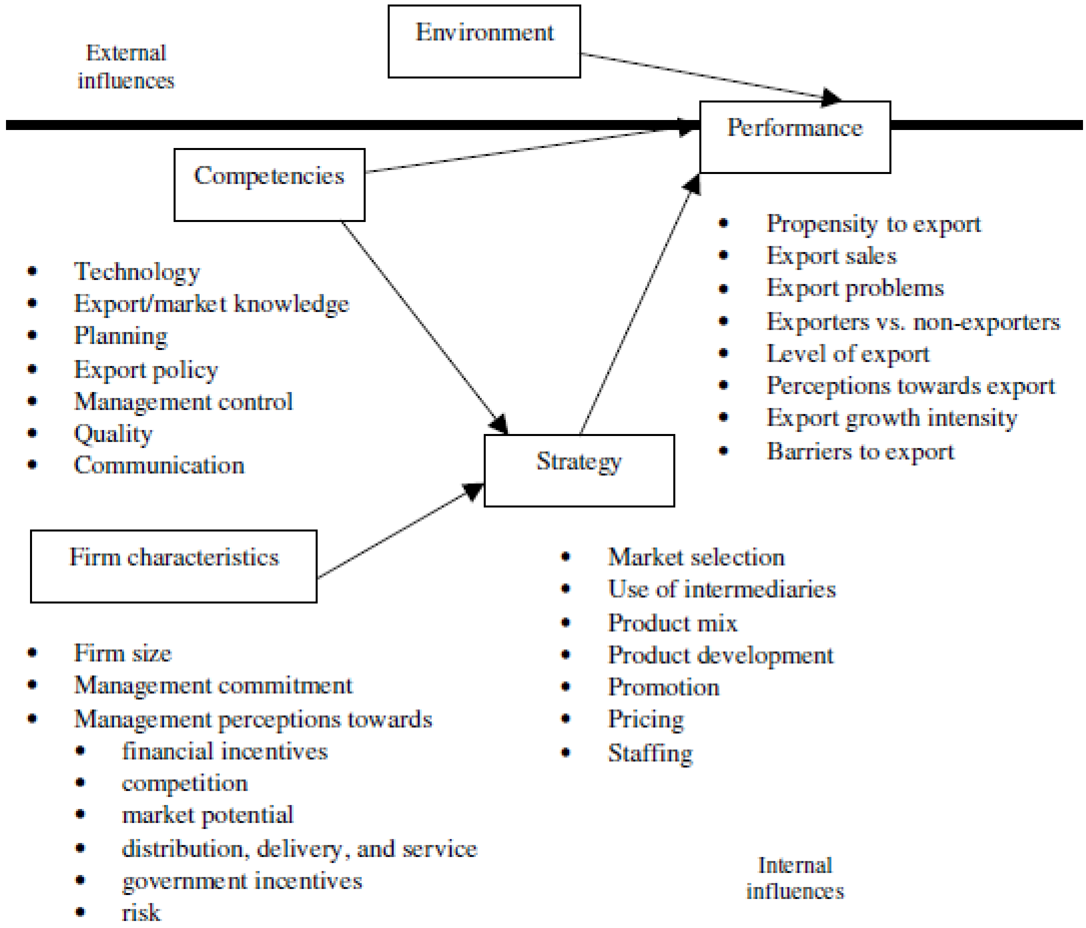


Diagram 1: Aaby & Slater model (Source: Aaby & Slater, 1989)

Importantly, some research recommendations are made by the authors. Regarding the research design, the authors emphasise that most studies are too simplistic due to their focus on simple two-side relationships (as in Madsen 1987). They state two major areas for improvement, i.e. the measurement of export performance and the use of longitudinal designs. The performance measure focuses still too much on the exporter/non-exporter dichotomy and objective export sales measures.

The reviewers favour to include sustainable profitability, and objectives of the firm. Furthermore, to make statements about the causation of export performance, longitudinal research is needed, for most studies are cross-sectional. Their final conclusion runs parallel to the goal of this research: “It is time to take what is known, develop new research propositions based on current knowledge and existing theory, and establish a focused research agenda.”

Chetty & Hamilton (1993) pick up Aaby & Slater to another level by bring together 111 studies to test the framework proposed by them. They provide “considerable support for their conceptual model of export performance by confirming, through meta-analysis, both the validity and relative importance of a number of key variables in each part of the general model.” However in the end, they fail to find proof for the inclusion of some variables, such as ‘management control system’, ’perception of competition’, and ‘use of intermediaries’. But most importantly they confirm that firm size indeed is only a causal factor in export success.

Styles & Amber (1994) propose a ‘revised hybrid model for future testing’ again, based on Aaby & Slater. The hybrid part in this model versus the Aaby & Slater model is in the inclusion of a concept ‘Relationships’, right next to the known categories ‘Environment’, ‘Firm’, ‘Strategy’, and ‘Export Performance’. This addition is based on the relational paradigm of that time as an alternative to the traditional marketing mix paradigm. “Under the relationship paradigm (RP), export marketing is driven by the sequential development of relationships.” Moreover, “The RP asserts that relationships and experience are primary and supplemented by objective data and analysis, rather than the reverse.” Aspects mentioned in the category ‘Relationships’ are the key factors in their new network of: relationship intensity, the reciprocity and the long-term commitment. It is important to note that they do not test the model directly however some recent empirical studies agree with this relational based approach and provide evidence for it.

Gemünden (1991)

As Bilkey (1978) inspired Aaby & Slater (1989), two years later Madsen (1987) inspired Gemünden (1991) and thus he went on to “perform a quantitative meta-analysis of these studies in order to identify the key success factors of export marketing, and to assess their influence by means of objective statistical procedures." His work consisted of fifty studies, published between 1964 and 1987. These studies employed over 700 indicators that author believed they influence the performance of more than 9,000 observed exporting enterprises in eighteen countries.

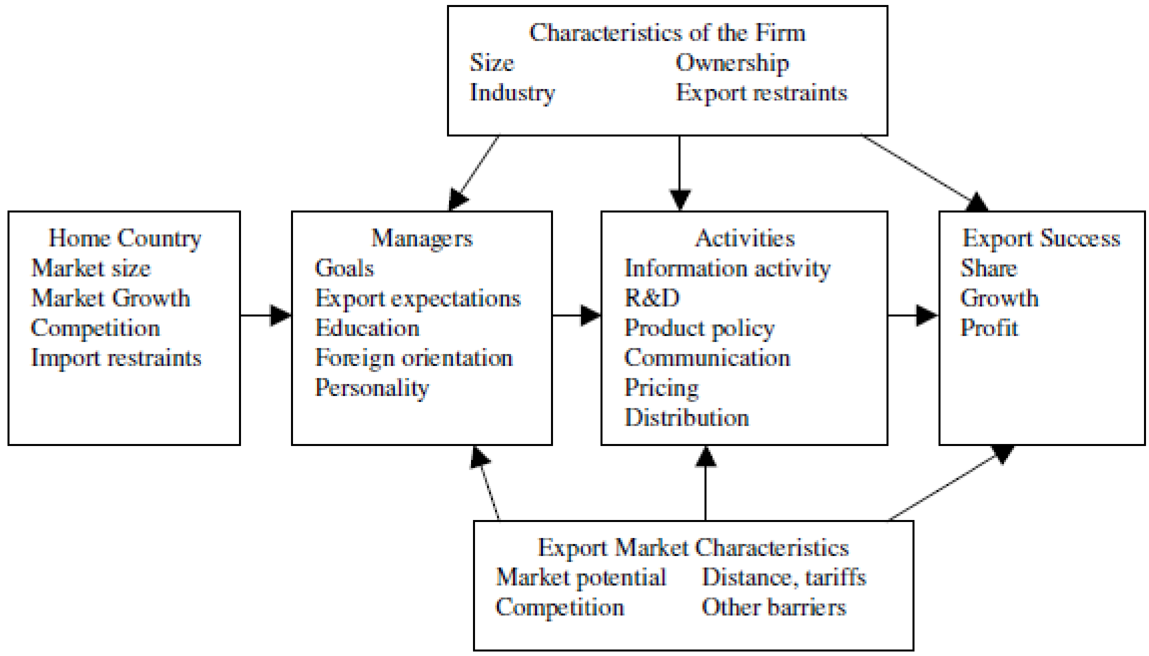


Diagram 2: Gemünden model (Source: Gemünden, 1991)

Additionally, Gemünden (1991) developed a conceptual framework, where he connected all variables in the articles (see Diagram below). The categories used to classify whole work are 'Export Market Characteristics', 'Home Country', 'Managers', 'Characteristics of the Firm', 'Activities', and 'Export Success'. It is interesting that Gemünden specifically distinguishes between characteristics of the manager and of the firm, which is different from approach by Aaby & Slater (1989), who grouped these aspects together. Unfortunately, only the direct relationships of factors with note 'Export Success' are examined. Very interesting is the comment on the measurement of export performance. After setting apart three indicators: export share, export growth, and export profit, Gemünden states that "There is neither a positive relationship between intensity and growth, nor between intensity and profit."

This leads to the conclusion that it does not necessarily make sense to develop only one model that tries to explains all three variables in one global concept, if these measures of export success are unrelated. “This means that export sales intensity is no good proxy for growth or profitability of exporting.”

Regarding the meta-analysis itself, several difficulties arise: the extreme diversity of the volume of these studies (in unit of analysis, performance aspects, success factors, etc), the rather low quality of the data gathered for such research, the exploratory nature of the data analysis, the lack of theoretical arguments, and an insufficient disclosure of measurement and data-analytic procedures. Despite this, the review establishes four pillar export success factors that have been researched rather frequently: ‘firm size’, ‘information activities’, ‘R&D intensity’, and ‘export-oriented product adaptations and services’. “All four factors show a positive influence on export share of total sales, but only export oriented information activity also show a stronger positive influence on growth and profitability of export.” For most of the other variables, the results provided are not that satisfactory. As a conclusion the author writes: “It is surprising that information activity is positively related to all three measures of export success. It appears to be a variable which has been neglected in the export marketing field as a critical success factor.” He advises a deeper studying of “information search measures, information use measures, and communication measures.”

Zou & Stan (1998)

Zou & Stan’s (1998) main goal was to connect and improve the work done by Aaby & Slater (1989) while connecting it with Chetty & Hamilton (1993), by adding the external environment, and by updating these reviews. They found 50 articles (published between 1987 and 1997) that matched their criteria for work. They group export performance measures into seven categories: financial scales ‘profit’, and ‘growth’, and the non-financial scales ‘success’, ‘satisfaction’, and ‘goal achievement’, and composite scales. The variables are set into internal (“justified by the resource-based theory”) and external (“supported by the industrial organization theory”), as wells as into controllable versus non-controllable determinants. Diagram below shows these determinants, including the number of (positive/ negative/

non-significant) findings reported on the direct relationship between the respective determinant and export performance.

	Internal	External
Controllable	**Export Marketing Strategy** General export strategy (12/1/0) Export planning (19/3/12) Export organization (13/0/13) Market research utilization (6/1/6) Product adaptation (12/2/13) Product strengths (13/2/27) Price adaptation (7/1/6) Price competitiveness (3/0/7) Price determination (0/0/11) Promotion adaptation (3/3/2) Promotion intensity (15/2/11) Distribution channel adaptation (2/1/6) Distribution channel relationships (9/0/17) Distribution channel type (5/4/8) **Management Attitudes and Perceptions** Export commitment and support (15/0/2) International orientation (10/0/6) Proactive export motivation (1/0/4) Perceived export advantages (11/0/8) Perceived export barriers (1/6/9)	

Uncontrollable	**Management Characteristics** Manag. international experience (15/1/10) Manag. education / experience (11/3/20) **Firm's Characteristics and Competencies** Firm's size (9/5/23) Firm's international competence (12/3/7) Firm's age (0/3/3) Firm's technology (7/1/11) Firm's characteristics (4/1/1) Firm's capabilities / competencies (20/3/21)	**Industry Characteristics** Industry's technological intensity (4/0/1) Industry's level of stability (2/0/1) **Foreign Market Characteristics** Export market attractiveness (6/3/12) Export market competitiveness (1/0/5) Export market barriers (1/3/8) **Domestic Market Characteristics** Domestic market (2/2/6)

Diagram 3: Zou & Stan model (Source: Zou & Stan, 1998)

For some variables, the results are either thin (for industry characteristics) or inconclusive, as can be concluded our diagram. In numerous cases, positive associations are noted, however on the other hand almost as many non-significant associations are reported. This is due to the fact that published studies hardly report any significant negative results, favouring positive or non-significant results. Only in some instances, the positive associations clearly outweigh the non-significant and negative (‘general export strategy’, ‘export planning’, ‘promotion intensity’, ‘export commitment and support’, ‘international orientation’, ‘perceived export advantages’, ‘management’s international experience’, and ‘firm’s international competence’). It is important to note that the results of Zou & Stan (1998) only mention the direct effects.

Next important conclusion is that different variables influence the various performance indicators in a non-consistent manner. The authors indicate several major problems. “First, several conceptual frameworks developed so far are competing explanations for export performance.” For example, is environment direct, indirect determinant, or both? Other issues that come from these studies reviewed are again far from consistent conceptualization and measurement of export performance, the lack of agreement on the relevant factors and their measurement across the spectrum, on the unit of analysis, on the controlling for size of the firm. “Building on the significant progress made in the last decade in the export performance literature, research on the determinants of export performance should and could achieve a greater advancement toward mature theory in the next few decades.”

Leonidou, Katsikeas & Piercy (1998)

Leonidou, Katsikeas & Piercy (1998) put together 46 empirical studies (published between 1960 and 1995), focusing on “the effect of managerial factors in facilitating or inhibiting various dimensions of exporting”, although only 13 (!) studies concentrate on export performance (measured in financial terms). Managerial characteristics are compared using two dimensions: objective versus subjective characteristics and general versus specific characteristics (see Diagram below). The review shows that the majority of these 13 export success studies stem from the 1980s, are US-based, focus on industrial goods, and on SMEs, collect data through mail surveys, and use only one to three independent variables. The empirical results show gradually positive results for ‘educational level’ and ‘command of languages’, but for the other determinants, the number of studies is small to draw any concrete conclusions (see Diagram below).

	General	Specific
Objective	Age group (+/0, 2) Educational attainment (+/0, 5) Professional experience (+, 3)	Ethnic origin (not found) Language proficiency (+, 5) Time spent abroad (+/0, 4) Foreign travel (not found)
Subjective	Risk tolerance (+, 1) Innovativeness (not found) Flexibility (not found) Commitment (+, 2) Quality and dynamism (0, 1)	Risk perception (-, 1) Cost perception (not found) Profit perception (+, 1) Growth perception (not found) Complexity perception (-, 1)

Diagram 4: Leonidou, Katsikeas & Piercy model (Source: Leonidou, Katsikeas & Piercy, 1998)

Leonidou, Katsikeas & Piercy point out the "one-off" issue of most studies, the ethnocentric orientation, the insufficient construct operationalization, the diffused focus of the studies, and the emphasis on objective variables. In conclusion, they say that future empirical studies should include factors such as the organizational parameters or the external environment.

<u>Leonidou, Katsikeas & Samiee (2002)</u>

Building from the review above, Leonidou, Katsikeas & Samiee (2002) analyze 36 studies on marketing strategy determinants of export performance published since 1960. Their work "implies a unidirectional causal relationship: managerial, organizational, and environmental factors influence the firm's export targeting and marketing mix, that in turn affect export performance" (see Diagram below).

In their work, the link between export marketing strategy and export performance is analyzed only, putting aside the manager, or the environment factor. When it comes to operationalization of export performance, the authors identify twelve individual dimensions, although more than one fourth of the studies used a conjunction of various other dimensions (export intensity, export sales, export market share, ROI, etc.). In the end, the empirical results show the effectiveness of market segmentation, product quality, pricing strategy, dealer support and advertising on various performance indicators in export markets. The authors conclude in the end that "Despite the affirmative results observed at the overall export performance level, marketing strategy variables correlated significantly with only certain individual performance measures." Positive associations were found for quite significant sectors: export intensity, export sales growth, and export profit level, but "marketing strategy variables were poorly connected with export market share, profit contribution, and sales volume."

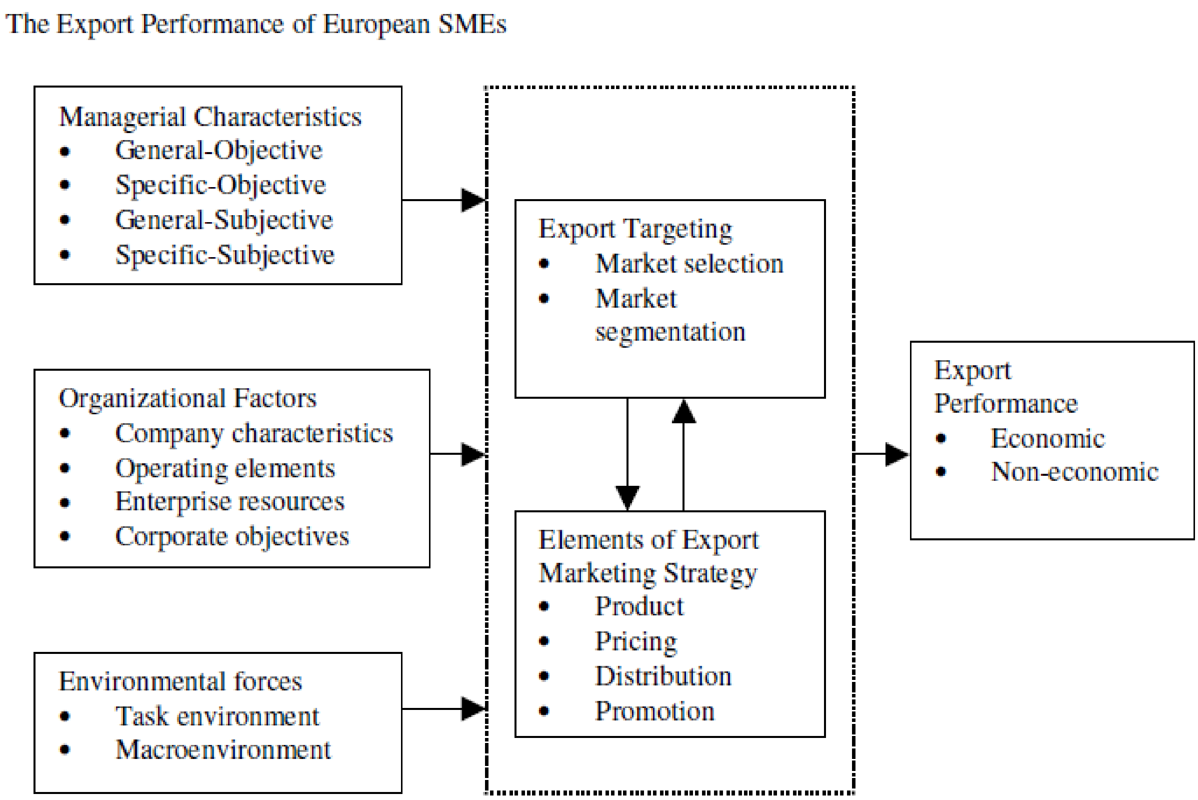


Diagram 5: Leonidou, Katsikeas & Samiee model (Leonidou, Katsikeas & Samiee, 2002)

Extending the Existing Reviews

The researches which we discussed above enhanced the knowledge about export performance, the measurement of this concept as well as the determinants leading to export success. As it is perfectly understandable, the research on export performance was growing, with a large boom in the eighties and nineties. However still, both the focus and actuality of these reviews call for even newer, and more updated review. Even the newer reviews suffer from the same old issues we discussed above. For example, the recent empirical study reviewed in Zou & Stan (1998) stems all the way back from 1997. The same goes for Leonidou, Katsikeas & Piercy (1998); what is more, they only focus on the managerial characteristics, and incorporate only

13 export performance studies. The problem in Zou & Stan (1998) is the mentioned focus only on direct effects, and the summarisation of associations without trying to bring them together into a common framework. Nonetheless, some may argue why 'management attitude and perceptions' are categorized as controllable determinants, while 'management characteristics' are not categorized as controllable determinants. The piece issued by Leonidou, Katsikeas & Samiee (2002) is quite recent compared to other discussed ones, however it also suffers from a short-sighted view, analyzing only marketing strategy variables. Most notably, the studies reviewed are from time period dating back to 1960 – 1996, leaving out the recent ones. Therefore, as we already mentioned there is a need for a newer review, incorporating studies that appeared at least around 2002, not to mention they should include all the possible factors while also trying to build unified framework which includes all indirect relationships at the same time.

Following diagram shows the correlation between classification, and the categories considered by Madsen (1987), Aaby & Slater (1989), Gemünden (1991), and Zou & Stan (1998). We use four categories to differentiate between the various determinants of export performance, 'Firm Characteristics', 'Managerial Characteristics', 'Export Activities', and 'Environment'.

Most of the factors that belong to the internal environment of the exporting firm, which are the background of the exporting process, are noted under 'Firm Characteristics' and 'managerial characteristics'. They are divided according to the source where they belong (firm or manager). Putting emphasis on SMEs, it is important to diferentiate between the effects which the manager has on the exporting performance, rather than the impact of the firm (cf. Gemünden 1991). This is contrary to what Aaby & Slater (1989) say. They separate 'firm characteristics' and 'competencies', but do not deeply elaborate on the manager issue. In work of Madsen (1987), this all belongs under 'O-structure', while Zou & Stan (1998) distinguish between firm and management variables, but as we focus on SMEs we'd prefer to look into the owner-manager factor rather than whole management.

Madsen (1987)	Aaby & Slater (1989)	Gemünden (1991)	Zou & Stan (1998)	This review (2003)
Strategy	strategy	activities	export marketing strategy	export behavior
O-structure	firm charact. competencies	firm character. managers	firm's character. & competencies management charact. management attitudes & perceptions	firm character. manager character. (objective & subjective)
E-structure	environment	home country export market character.	domestic market charact. foreign market charact. industry charact.	environment

Diagram 6: Merging of the models (Source: Own work)

Eventually, the theories used to describe the empirical studies lean towards the Zou & Stan (1998) review closely, while improving the older reviews by being more precise.

1.2.2 <u>Measurement of Export Performance</u>

As we could observe, the measurement of the dependent variable export performance has evolved significantly over time in two main directions: firstly, by using multiple measures instead of single measures, and, secondly, by incorporating subjective measures instead of objective ones (Diagram below). More and more researchers acknowledge that (export) performance is not a one-dimensional concept, which means that a multiple measure is much more in accordance with the complex nature of export performance. The sources provide us with a number of ways on how to treat (export) performance. Zou, Taylor & Osland (1998) elaborate between financial (or economic) outcomes, strategic (or non-economic) outcomes and perceptual or attitudinal measures (plus mutations of the three). When reviewing firm-level export performance reviews, Katsikeas, Leonidou & Morgan (2000) used a three-way categorization, meaning that economic (sales-related, profit-related, market share-related), non-economic (market-related, product-related, and miscellaneous), and generic measures (degree of satisfaction, perceived export success, and degree to which export objectives have been fulfilled). Other authors tend to divide export performance into the three simple dimensions of effectiveness, efficiency and adaptability (Styles 1998), or into sales-related measures, profit-related measures, and growth-related measures (Shoham 1996;

1998; 2000). All three of these measures can, of course, be analysed either objectively or subjectively, although the author prefers both at the same time. This diversification of the whole concept and the choice for objective and/or subjective proxies clearly shows itself again and again here.

Coming back to the empirical studies in this thesis, more and more studies use a number of measures for export performance, rather than using just one pillar. As we have seen, some research one dimensional export performance measure, while some use multidimensional measures. These can be marked as one-dimension/single-proxy measures (covering one dimension with one proxy), as one-dimension/multiple-proxy measures (covering one dimension with more than one proxy), or as multidimensional/multiple-proxy measures (covering more than one dimension with more than one proxy). Diagram 7 explains this seemingly rather complicated categorization at first, into simple and understandable structure at glance.

Dimensions / proxies	**Single**	**Multiple**
One-dimensional	One-dimensional single proxy (a)	One-dimensional multiple proxy (b)
Multidimensional	Not available	Multidimensional multiple proxy (c)

Diagram 7: Dimension model (Source: Own work)

Moreover, authors rely more and more on their own subjective measures of performance, using more perceived values, such as the ‘perceived relative export profitability’, or satisfaction variables. Others tend to introduce interesting factor: “the disconfirmation of expectations”. This idea of diving into expectations connects closely to the very idea of SMEs: the core role of the owner-manager in the enterprise. If we want to discuss the success of export in SMEs, an important part that cannot be overlooked is how pleased the owner-manager is with all the internationalization projects. Ultimately, if he is not satisfied, or if expectations are not met, he can decide not to continue with the internationalization and cut off the whole process.

1.2.3 Literature Synthesis: The Actual Review

In this section, the notions researched in the empirical studies are discussed and put into their corresponding category. Then, the results on the various variables inside the categories are structured, described, compared and analyzed. Each subsection ends with an overview of the variables found and the results are discussed in short peek.

Environment

No company operates completely isolated. It has to deal with external environment to a certain extent. Often, this creates a complex game for the manager; even more when the enterprise is engaging outside the domestic market. Despite of these clear facts, the literature on export performance has often ignored the environment as an agent of export performance. Largely, studies only focus on the managerially controllable or internal aspects. Only few studies incorporate external aspects in their research, with even fewer considering characteristics of both the domestic market and the export market combined. What is more, the description of the external setting of the firm can be so specific from place to place that it is almost impossible, as this means including everything outside the firm which could impact business would be exhausting and futile on conclusion. The empirical results clearly reflect this complexity. Only few studies incorporate uncontrollable aspects outside the firm, as we have seen, the variables researched can greatly vary amongst the studies. After content analyzing the variables belonging to the environment in the studies reviewed, the following three general external aspects can be concluded:

- the attractiveness of the export market
- the attractiveness of the home market
- the influence of the domestic government

Even though this division is commonly used, some studies combine these aspects into more sophisticated ones, which often ends up with treating these aspects as barriers, or stimuli to which a enterprise can react or ignore it. They are very often compared as internal versus external stimuli, or as reactive versus proactive stimuli. Internal factors come from motives internal to the organization, while external factors belong to ones coming from outside of the firm. Proactive factors are actions or market opportunities to which the company reacts, as opposed to reactive motives which refer to environmental pressures from outside, which company has to respond to. In this section, we are discussing only the external stimuli or barriers.

Export Market Attractiveness

The variables that come forward while investigating the attractiveness of the export market relate to the economic, socio-cultural and the political situation in a specific country. Furthermore, the divergence between the export and home market on some of these aspects are being scrutinised.

Regarding variables that are most importantly regulations, potential demand, the economical and political situation, the Kaynak & Kuan (1993) work is one of the most extensive one regarding environmental determinants. They perform a "discriminant analysis" in order to identify the external variables outstanding between enterprises with high and low export performances on export sales, export ratio, export profit and export profit ratio. Unfortunately, the results are not that unified because of the different performance measures. Contrary to common belief and to the authors' surprise, export sales bloom in a market, which is economically undeveloped, less industrialized, has a less positive leniency towards the foreign products, a more strict import rules, along with more standards, while at the same time, unemployment rates tend to be lower, and foreign exchange are is more convenient. This can go hand in hand with relation to the contribution of exporting to total profit: "the foreign market environment in which the high performers operate is characterized by unstable public policy, very low untapped and unexpected demand, but very convenient foreign exchange." For export profitability, "the suitable foreign target market environment are more industrialized places, where the quality control standards are more inter-acceptable and price competition pressure and market price fluctuations are lower". That's why the impact of the export market differs with the performance measures which occur, with export ratio being unaffected. Moreover, different variables bring about higher sales compared to the higher profit, which also applies to Baldauf, Cravens, & Wagner (2000). They declare that the perception of foreign political environment (inflation rates, exchange rates, and import restrictions) affect the export sales in a negative way, while export ratio and export effectiveness are left totally unchanged. Similarly, the socio-cultural environment (customs, culture, and religion) should have no influence at all on performance of the enterprise. Coming back to managerial perspective, Balabanis & Katsikea (2003) find that a dynamic, unstable environment forces managers to adopt an entrepreneurial, more adventurous posture, thereby bolstering their export performance.

Next significant aspect of the export market attractiveness is the competition in the host country. Beamish, Craig & McLellan (1993) state, that "the presence of direct competition in foreign markets negatively affects export ratio" (although only for Canadian and not for UK firms), whereas "competition does not influence export profitability". Thirkell & Dau (1998) do not think the foreign competition changes the performance directly, but indirectly by increasing the need for a marketing orientation and adaptation. The reviews show that with more intense competition, the firm increases its marketing orientation, which eventually improves export performance. Robertson & Chetty (2000) put competition in "the hostility of the domestic and foreign environment" (market risk, investment and marketing opportunities, and the level of competition plus hindrances) in their study, and subsequently link this to the management orientation perspective. They hypothesize that "the more hostile the environment, the more entrepreneurial the strategic orientation should be to perform successfully". They say that enterprises should acknowledge that "the entrepreneurial approach is desirable as it is able to perform successfully in all contextual situations". Contrary to this, Balabanis & Katsikea (2003) are not able to work out the same hypothesized effect of environmental hostility on the entrepreneurial posture of managers, although they still indentify a direct negative effect on economic export performance. To conclude, higher competition seems to be a threat, but might be overcome by sub sequential familiarisation to the market.

Shoham (1999) introduces economic, socio-cultural, and political externals, only as the differences (mutations) between the home and export market on some aspects (competitive structure, physical climate, local laws, etc.), next to the image of the exporting country, and the influence of the local government, thus introducing a more comparative approach. He hypothesizes that the foreign environment encourages enterprises to adapt the marketing mix. In the end only the similarity, and the foreign governmental influence are found to be significant in this approach, while product and promotion adaptation is to enhance performance. Similarly, Johnson & Arunthanes (1995) claim that 'government regulation', 'infra structural differences', 'market lag' (difference in product life cycle), 'competitive intensity', 'cultural differences', and 'end-user differences in preferences and tastes' heightens product adaptation, improving export market share, sales growth, and profit. The conclusion in their work shows that when governmental regulations and infrastructure are more diverse, the actual adaptation level rises. In conclusion, differences between the home and export market ask for more adaptation, whether they are regarding governmental rules or market peculiarities. Wagner (1995) also claims that the more 'distant' the export market is geographically, the higher the planning proneness of the exporter is. Balabanis & Katsikea (2003) decided to include environment diversity as well, but a non-significant effect on both entrepreneurial posture and export performance is found. Examining interaction effects, they do establish that firms exporting to culturally dissimilar countries may benefit slightly more from the adoption of an entrepreneurial approach. Looking at the level of the economy and infrastructure in the host country, Das (1994) finds that their successful exporters export to developed countries, but without including indirect relationships with locals.

Home Market

When speaking about the home market, Nakos, Brouthers & Brouthers (1998) struggle to find big proof for the impact of domestic competition helping out export battles: enterprises in highly competitive home markets appear to have higher profitability, but no higher export sales than firms in less competitive home markets. Contrary to that, Das (1994) does find that successful exporters operate in unstable environments. Naidu & Prasad (1994) claim that "companies in export intensive industries learn to become more regular exporters." They support this statement by saying that "When competitor firms are engaged in export activity, this serves as a great incentive for firms to pursue exporting on a regular basis." Therefore, some copying behaviour takes place in the business.

Government

Up to this point we have only discussed government as a burden to the enterprises (regulations, standards, etc.). However, governments can often provide support for exporters. Commonly in the form of information or assistance provided to exporting companies in special programs or institutions. Holzmüller & Kasper (1991) and Holzmüller & Stöttinger (1996) both find that there is an indirect effect of quality of export consultancy provided by the Federal Chamber of Trade and Industry, by financial institutions, and by government agencies on the export ratio and the change herein to be positive through the competitive position held in foreign markets and the foreign orientation of the manager.

Some authors have tried to ask managers for a list of stimuli or, on the other hand, a list of problems that enhanced or interfered in their export. Evangelista's research (1994) finds that the ones who struggle (measured in manager's satisfaction with export performance) perceive problems with obtaining capital as relatively more limiting than high performers. Katsikeas, Piercy & Ioannidis (1996) put emphasis on both barriers, and stimuli for their affect on export performance. Respondents were asked how frequently eight possible problems were experienced during the export operations, and to what extent each item negatively affected the firm's export operations. Quite interesting facts came out. Of these, two were externally related (the problem of national policy, and of domestic currency devaluation), but they have little influence on the achievement of the ultimate export goals. Concerning the stimuli, Katsikeas, Piercy & Ioannidis (1996) do obtain results for a positive perceived impact of national policy, although "domestic market pressures, fortuitous conditions, and exogenous market conditions" are not significant. Baldauf, Cravens & Wagner (2000) find that the proactive external motives (physical closeness to customer abroad, obtaining tax advantages, development of new sales territories, and taking advantage of promising foreign business) appear to be positively related to export effectiveness and export intensity (no significant impact on export sales), while reactive external motives (competitive pressures in domestic market, overproduction in domestic market, disadvantageous legal changes in domestic market, and increased fixed costs) deteriorate export intensity (export effectiveness and export sales go unchanged). Summarising, reacting to negative pressures seems not to improve export performance, while opportunities in foreign markets as a stimulus can be advantageous.

Conclusion

Interestingly enough, only a few significant direct effects have been found, which seems to be opposite for various studies, or various performance measures we discussed. The most solid results were found for indirect effects from market differences on the adaptation level and orientation of management, however we have to emphasise they are indirect. National policy does not necessarily have to create only barriers, it can have a positive effect, directly, but also indirectly, as export assistance improves companies' position and management orientation.

<u>Firm Characteristics</u>

Next to the external environment, the internal environment plays a crucial role in shaping the context in which the exporting activities are conducted and/or the export performance is achieved. Thus, the organization or SME itself is a non-ignorable factor in the quest for export performance determinants. Let's divide the firm concept into background characteristics (or demographics) and firm competencies. The background characteristics found in this review relate to firm size, company age, industry specifics, firm structure, and firm culture. Although not exactly the same by definition, competencies are also referred to using related terms, such as capabilities, competitive advantages or expertise. These incorporate some or all aspects of overall (international) experience, managing-, marketing-, and exporting competencies.

Firm Size

With regard to SME demographics, the influence of 'firm size' on export performance has been researched extensively, using various operationalizations. The most popular proxy is 'number of employees', followed by 'sales volume'. The effects of size measured as total sales are only estimated directly in the studies reviewed. The majority of these results are non-significant. The few significant results do show a positive effect of 'total sales', but merely on export sales, and not on other performance indicators. In contrast, firm size as the number of employees is often assumed to impact performance directly and indirectly through behaviour. That is, having more employees increases export planning and information collection, the competitive market position, the marketing orientation, the entrepreneurial posture and changes in the structure in the (export) organization. Larger firms attach less importance to 'foreign market accessibility', 'export competence', and 'distribution competitiveness'. These authors accredit their results to "the resource constraints inherent in smaller firms", giving lead to the inference that the number of employees affects the way the organization views exporting. Using the resource based view as well, Wolff & Pett (2000) hypothesize that firms with less employees follow narrower based competitive patterns than larger firms do. To their surprise, they have to dispel this hypothesis: "It is not the breadth or quantity of resources but the types of resources available to the firm that determine a firm's competitive patterns and competitive action". Concerning the direct effects of the size of the work force, some proof can be found that having more employees implies higher export sales, although most studies find a non-significant relationship. The proof for the influence of employee accumulation on export intensity is inconclusive with finding a higher, and a lower export ratio. Wagner (1995) does mention that the positive impact of firm size decreases with size, consistent with the hypothesis that a positive relationship should exist, but only up to a point. It is also stated that the general consensus is that firm size (as measured by annual sales or number of employees) increases the probability of exporting, but that no general support can be found for the assumption that firm size positively impacts export intensity. The limited resources argument only takes into account internal resources, while organizations try to stabilize their environment through relationships with external actors. Similarly, the effect on export effectiveness (profit) is found to be both positive and negative. Therefore, notwithstanding the popularity of firm size as an antecedent of export strategy and/or performance, the results on firm size are not conclusive and cannot be generalized, although some evidence exists that a firm with more employees has higher export sales. An important criticism is the question whether firm size causes or is caused by export performance. After all, firm size can be both cause and effect of export performance. Yet, most studies assume a unidirectional path from firm size to export performance. Longitudinal studies are needed to see whether this relationship is recursive.

Firm History

Concerning the firm's history, the studies provide some evidence that younger companies achieve better on the international market, although the majority of the estimates are non-significant.

Technology Level of the Product

The technology level of the product is sometimes proxied by measuring the specific industry in which the company operates, as the type of product differs per sector. The industry (consumer-product exporters are more successful) does affect export performance both directly and indirectly through the factors deemed important for international success, or through product adaptation. Other studies specifically investigate the technical nature of the firm's offer. Overall, the technical complexity of the product seems not to have a significant direct effect on export performance, although Wagner (1995) finds the innovation level (which encompasses the technology level as well) to impact export ratio positively for three out of four industries. Regarding indirect relationships, a technologically intensive product offering induces firms to plan more, to be more marketing orientated, and to gain a better competitive market position.

Structure and Culture

Just a few studies incorporate structural and cultural characteristics. Some evidence is found on firm ownership, the administrative efficiency, and the formality present in the organization. Bijmolt & Zwart (1994), and Nakos, Brouthers & Brouthers (1998) both find that a firm benefits if it is part of another firm, especially when this is an international firm. So, foreign owned firms outperform domestically owned firms, logically due to the enhanced level of international experience available in the company. Conversely, Wagner (1995) finds for two out of four industries that being part of a multi-established company is not beneficial for export ratio. Holzmüller & Kasper (1991) find that "firms with a more efficient administration turn out to be more successful in export business", and to have an improved foreign orientation. In the same studies, the degree of formality in the organization ('Y-orientation in values') affects the competitive market position negatively, but hardly affects export performance. This coincides with their findings on the internal culture of a firm; a high ‘dynamic cultural orientation’ (*i.e.* more task- and people-oriented than power- and role-oriented) contributes to export performance (‘export ratio’ and ‘change in export ratio’) both directly, and indirectly through the position that the firm holds in international markets and also stating that firms with a more organic structure have a more entrepreneurial posture, herewith increasing economic export performance.

Firm Experience

The second part of the firm variables reviewed concern the competencies or capabilities of the firm. The best-examined competence variable is the firm experience, either in general business or in export business. Whereas the day-to-day business experience is barely modelled and, when taken into the model, found to be of no significance for exporting performance, the exporting experience is examined extensively. Most studies measure export experience as the number of years a firm exports. Most of the direct relationships hypothesized turn out to be non-significant. As for the significant relationships found: For ‘export sales’ only one positive result can be found, for ‘export ratio’ two one for ‘expected export ratio’, while for ‘export profit’ the significant results show one negative result. Using composite measures for export performance, Thirkell & Dau (1998), and Leonidou & Kaleka (1998) both find a strong positive effect of ‘export market knowledge’ on ‘overall export performance’, whereas Naidu & Prasad (1994) find inexperienced exporters to perform better, albeit that experienced exporters are more regular exporters. According to the authors, “Over time, experienced exporters become more realistic about the profit impact of exporting, tempering their profitability expectations.” Incorporating indirect effects as well, Bijmolt & Zwart (1994) find that the export policy improves when exporters are more experienced. Once more, the evidence of these studies is not conclusive, but slightly tends towards export experience having a positive effect.

A critical note on the use of years as a proxy is not redundant, as experience can develop from much more than simply years in exporting, *e.g.*, from the learning effect from intense contact with the foreign market. Furthermore, the implication “the older, the wiser” does not necessarily hold. One can imagine that people doing something for a couple of years are more rusted and not as alert and innovative as ‘fresh’ people. On the other hand, experience in years gives the company a set of historic actions to learn from and to improve their actions upon, whenever a similar situation comes along. Yet, “years in exporting” correlates strongly with the age of the firm, and “the older an organization, the more formalized its behaviour” (Mintzberg 1989, p. 106). We already established the negative impacts of bureaucracy and firm age on export performance in the previous section. (Nakos, Brouthers & Brouthers 1998) introduce a somewhat different view by hypothesizing that a U-shaped relationship might exist that linear regression techniques are unable to detect. “It might be that both highly experienced and new, younger firms have higher performance than average experience firms.” Unfortunately, no evidence can be found for this statement.

In author’s view, one dimension of experience can be measured by using years in exporting business, but the measurement improves when complemented with other proxies, capturing all dimensions. Examples are ‘the number of markets’ and ‘the frequency of visiting markets’, as both activities essentially tap into the concept of international experience. Talking of export experience is more real when looking further than just the number of years people are in international business. Experience also stems from international activities, and the level of these activities. Some authors explicitly include other proxies for experience. Katsikeas, Piercy & Ioannidis (1996) explicitly use the number of export countries, next to the number of years, as they distinguish between the length (years) and scope (number of countries) of export experience. Another example is Thirkell & Dau (1998) who use a multi-faceted concept named ‘export market knowledge’, measured by a combination of the number of years in exporting, the number of export countries and the number of market visits. Unfortunately, most studies use just one proxy for export experience. Reasoning even further, we can state that export experience should be replaced with a measure named ‘international experience’, placing just as much importance on international experience stemming from importing as from exporting. After all, importing also implies dealing with companies abroad, which all leads to experiential knowledge on international business.

Other Capabilities

In addition to a broad concept as 'export experience', capabilities related to general and specific aspects of management, marketing and exporting activities come forward in the review. These are all tested in direct relationship with export performance, foregoing any indirect impact, with the exception of Julien & Ramangalahy (2003). By using a composite 'export competencies' construction (comprising of the competencies with regard to overall export competence, to marketing, to export ability, and to information) Julien & Ramangalahy (2003) find a strong positive association with the 'competitive strategy' of the exporting SME. In turn, a good competitive strategy boosts export performance (reputation, export sales growth, export profitability, and export intensity). Besides, the more competent an SME is in exporting, the more important it considers export information.

Concerning the direct effects, the wide-ranging capabilities of general management, personnel management, production, and planning have no significant influence on respondents' satisfaction with export performance (Evangelista 1994), nor on export ratio (Moini 1995), nor on export performance as a composite (Katsikeas, Piercy & Ioannidis 1996), while expertise in finance, and marketing positively impacts export performance. On the more specific marketing capabilities, Moini (1995) finds that competitive advantages in product quality, technology, service, or newness do not affect export ratio, whereas the availability of a patented product is beneficial. Next, Beamish, Craig & McLellan (1993) find the broader concept of 'product superiority' to be non-significant. Yet, exporters tend to be more satisfied when they possess a higher capability in product R&D (Evangelista 1994). Concerning price, a competitively priced product seems not to be significant. The conclusions related to place are minimal and inconsistent, with distribution capability being ignorable in Evangelista (1994), and advantageous in Moini (1995). Similarly, the results for the capabilities of information collection and utilization capabilities are ambiguous (Kaynak & Kuan 1993), although the availability of a business plan is constructive.

Summary Firm Characteristics

To summarize, firm characteristics have an impact on exporting activities and/or export performance, but not all of them have and not to the same extent. The best researched characteristics are firm size and export experience, but it is hard to make some explicit conclusions. A few cautious inferences are that larger firms perform better (especially measured in export sales), plan more, and that more experienced firms do gain from that knowledge. Besides, firm culture should be people- and task-oriented, the structure not too formal. The firm benefits from (international) mother firm, but the evidence is not too strong. The competencies do not give an equivocal picture either, but overall exporters should try to gain a marketing competence. The results pertaining to the other competencies are not clear, mainly because of the small base of empirical evidence. Diagram 8 gives a summary of the direct and indirect relationships between firm characteristics and export performance that have been tested in the studies reviewed.

	direct effects tested	indirect effects tested (on)
Background variables		
firm size	*	* (on manager attitude, export activities)
company age	*	not tested
structure	*	* (on manager attitude)
culture	*	not tested
technology level/ industry	*	* (on export activities)
Competencies		
export experience	*	* (on export activities)
general capabilities	*	not tested
marketing capabilities	*	not tested
product competencies	*	not tested

Diagram 8: Summary of firm's characteristics (Source: Own work)

Managerial Characteristics

Next to 'firm characteristics', a second important internal determinant of export performance are the characteristics of the owner-manager. After all, the features of the firm as well as the manager are fixed internal conditions, influencing both the activities implemented by an SME and, subsequently, performance. Especially in an SME, the manager can be seen as a decision-making nucleus of the firm (Kuratko & Hodgetts 2001). Almost half of the export performance studies in this review contain variables concerning the ‘Manager’. To capture the essence of the characteristics, we distinguish between (1) objective managerial characteristics, and (2) subjective or psychosocial managerial characteristics. Objective managerial characteristics concern both (demographic) descriptives, such as the manager’s age, and capabilities, such as international experience. On the other hand, subjective features concern the way the decision-maker views the world, and, thus, also business and exporting.

Objective Managerial Characteristics

The objective managerial variables researched for their impact on export performance are the manager’s age, education level, nationality, professional and export experience (here, the manager’s experience is researched and not the firm’s experience as in the previous section), and language competencies.

Age

Overall, the studies provide no evidence for a significant direct relationship between age and export ratio. On the other hand, Holzmüller & Kasper (1991), and Holzmüller & Stöttinger (1996) find a negative indirect impact on export ratio, with older managers having lower ‘dynamic cultural orientation’, a higher tendency towards ‘Y-orientation’, and lower ‘psychic stress tolerance’. Concerning the impact of age on other performance indicators than export ratio, the studies reviewed are less univocal and fragmented. That is, the effect on perceived export satisfaction is non-significant in Evangelista (1994), negative on export sales in Kaynak & Kuan (1993), while the results for the impact on profitability are mixed.

Education

Although some authors do not detect any significant impact of education, or find a negative influence. Some evidence exists that higher educated managers perform better on the international market. For example, Nakos, Brouthers & Brouthers (1998) find a direct positive effect on both export ratio and export profitability. Holzmüller &

Kasper (1991), and Holzmüller & Stöttinger (1996) also report that a higher educated manager performs better by having a higher dynamic cultural orientation, while relying more on a Y-orientation of values. The same picture emerges for the impact of foreign education and perceived export profitability (Koh 1991): “These findings imply that exporters who are knowledgeable about exporting and their export markets tend to adopt marketing strategies that lead to better performance.” Therefore, education might not have a strong direct effect on performance, but the quality of managers’ exporting decisions varies depending on the manager’s schooling level, with a higher educated manager taking decisions that are more successful.

Export Experience

Next to the knowledge acquired through education, the manager gains export experience when internationalizing. For this, several proxies have been used. Holzmüller & Kasper (1991) find that a foreign nationality and the number of days spent on business trips abroad both impact export ratio positively. Kaynak & Kuan (1993) confirm this positive impact of travelling abroad on export sales and export profit margin, but not on export ratio or profitability. They also investigate the impact of the foreign affiliation of managers, but this only affects the export ratio. Besides, Axinn (1988), and Nakos, Brouthers & Brouthers (1998) deduce that firms with managers with more experience abroad achieve higher export ratio and profitability, whereas both Das (1994) and Evangelista (1994) find that the number of years lived or worked abroad does not seem to heighten the export intensity or the level of export satisfaction felt. Das (1994) also concludes that successful exporters have less past export experience, although the managers are longer in their position, thus might have more overall business experience. Similarly, Stump, Athaide & Axinn (1998) find the percentage of managers with overseas experience to be non-significant for export ratio and profit. According to the authors, this might be because the impact should not be modelled directly but indirectly, mediated by export commitment. Others declare that their respondents do not think that ‘international management outlook’ (including managerial export experience) is important for achieving the export goals.

Languages

The fluency with which managers speak foreign languages is another competence that is closely linked to export experience. Although some record non-significant results (Moini 1995), the command of foreign languages seems to improve export ratio and export profitability both directly, and indirectly by increasing the firms competitive position, the foreign orientation and the psychic stress tolerance (Holzmüller & Stöttinger 1996).

Overall, the owner-manager of a high performing export company seems young, well educated on both domestic and international business, with experience abroad (either by job, courses, or vacations), and speaks his foreign languages fluently.

Subjective Managerial Characteristics

The subjective managerial characteristics all evolve around the manager's general personality, his attitude towards (operational aspects) exporting, and his perceptions and beliefs (as far as they relate to exporting and export performance). This managerial attitude towards exporting is also labelled attitudinal commitment or export motivation of management.

General Personality

First, the findings on the manager's general personality are brought together. A manager who is less rigid, more willing to change, or to accept product-policy risks generates higher export sales growth according to Dichtl, Köglmayr & Müller (1990). In addition, the better a manager tolerates psychical stress, the better the foreign orientation of the manager ('higher attitude towards stays abroad' and 'higher economic world-mindedness'), which in turn increases export performance (Holzmüller & Stöttinger 1996). These variables could be labelled as risk-taking propensity, or how well equipped the manager is in handling uncertainty (for instance from exporting). The entrepreneurial posture tested by Balabanis & Katsikea (2003) goes even further, encompassing both, innovativeness, pro-activeness, and risk-taking, and also seems to have a positive effect on export performance.

Attitude towards Exporting in General

Next to general personality attributes, quite some interest has been given to the managerial attitude towards the exporting process (also labelled the attitudinal commitment, or the export motivation). The export motivation of management relates closely to this attitudinal commitment, which can be either proactive or reactive. A proactive motivation proves oneself in the manager wanting to pursue the opportunities in exporting actively, showing commitment, while a reactive orientation manifests oneself in reacting to (mostly negative) stimuli from outside the firm. All authors find a positive and significant influence of the attitude towards exporting on all types of performance measures. The exception is Evangelista (1994) who concludes that the attitudinal commitment does not increase the perceived satisfaction. The literature also shows, that a proactive spirit enlarges export performance, both directly (Wood & Robertson 1997) and indirectly by instigating management to raise prices and to institute an export department (Koh 1991). Holzmüller & Kasper (1991) proxy exporting motivation by measuring the respondents' attitude towards stays abroad, concluding that a more positive preposition improves export ratio. Lastly, Baldauf, Cravens & Wagner (2000) find the proactive motive of a manager who wants to attain international reputation to relate positively to export effectiveness and export ratio (but not to export sales).Therefore, a proactive attitude of managers towards exporting, i.e. really wanting to export, turns out to be an important factor in explaining export performance.

Attitude towards Specific Aspects of Exporting

In addition to the attitude towards exporting in general, managers often have preformed ideas or attitudes on specific aspects of exporting, such as complexity, risk, or costs. That is, starting (or continuing) export can be highly complex, risky, or costly and, therefore, is sometimes unattractive in the eyes of managers. For that reason, Axinn (1988) regards exporting to foreign markets as an innovation to the firm. Subsequently, tests whether the characteristics of the innovation 'export' impact export ratio. It appears that the compatibility, trial ability, and observability of exporting have no influence, while a higher perceived relative advantage and a lower perceived complexity of exporting both improve export performance. Yet, Katsikeas, Piercy & Ioannidis (1996) find that managers do not think that the perceived complexity of exporting is of importance for the achievement of export goals.

Other authors emphasize the risk aspect (either as general risk in exporting or compared with domestic business risk). The majority concludes that the perceived risk of exporting has no impact. Next, Bijmolt & Zwart (1994) do find that higher perceived risk of geographical distance has a positive impact on export success. Dichtl, Köglmayr & Müller (1990) focus on psychic distance, and find that managers who experience a greater-than-average psychic distance to foreign markets or countries have lower sales growth than their counterparts do.

The studies reviewed show a non-significant relationship of perceived costs and profitability of export business with export performance. To put these findings in perspective, the fact that this review focuses on *exporting* firms, implies that firms already set their first step in the exporting process. It is conceivable that the perceived risk, profitability and complexity of exporting have a stronger impact on an SME that wants to initiate exporting. This is confirmed by Roux (1987) in his study on the impact of the manager's attitudes toward risk on *export entry*, where he concludes that "By finding that individual characteristics prevail over firm factors in predicting the export entry in small and medium-sized firms, this research reinforces previous behaviourally based studies of exporting."

Attitude towards Priority of Exporting

Next to these perceptions with regard to the difficulties of exporting, managers often have a specific opinion on the importance or priority of exporting. Kaynak & Kuan (1993) observe that when respondents perceive exporting as a major daily task, both the export ratio and the export profit ratio improve, although the export sales and export profitability do not alter. The priority given to export policy related to domestic policy boosts export performance both directly and indirectly through the establishment of an export department or by increasing the actual regularity of implementing exporting activities. By contrast, Diamantopoulos & Inglis (1988) do not find any significant result on export ratio. Similarly, Katsikeas, Piercy & Ioannidis (1996) find that the managerial belief that export is important is of no significance for the achievement of export goals.

Summary Managerial Characteristics

Diagram 9 gives a summary of the relationships found on the manager's impact on the export performance. It appears that the objective managerial characteristics have a strong indirect effect on export performance, both through export behaviour, and by shaping the attitude of the manager. It appears that manager, who has more competencies on the internationalization field, performs better because he is more able to take the right decisions. Next, the subjective attitude of the manager has a direct and indirect impact as well, mostly through export behaviour. The general picture is that managers who dare to take more risks, and are more proactive or positive minded towards exporting, take actions that are more suitable and perform better.

	direct effects tested	**indirect effects tested (on)**
Objective characteristics		
Age	*	* (on attitude)
Education	*	* (on attitude & export activities)
Export experience	*	not tested
Language fluency	*	* (on attitude & export activities)
Subjective characteristics		
General personality	*	* (on attitude)
Attitude towards exporting	*	* (on export activities)
Attitude towards specific aspects of exporting	*	not tested
Attitude towards priority of exporting	*	* (on export activities)

Diagram 9: Summary of managerial characteristics (Source: Own work)

Export Activities

In the previous three sections, we focused on the surroundings and conditions for exporting, *i.e.* the environment, firm characteristics and features of the manager. Together these encompass the external and internal context in which the firm operates. In this section, the focus is on the firm's actual behaviour in the exporting process (also labelled ‘export strategy’, ‘export behaviour’, or ‘export policy’). This internal category of export performance determinants is very broad, and has been researched extensively. Because of the breadth of this category, content analysis has been performed to find structure in the various strategic variables. After carefully assessing the various export-related activities as operationalized in the studies reviewed, the following sub-categorization is proposed and implemented:

- Firm’s behavioural orientation on exporting;
- Competitive and expansion strategy;
- Behavioural commitment of resources:
    - Amount of planning;
    - Information behaviour;
    - Structure;
- Market mix variables:
    - International channel management;
    - International pricing policy;
    - International product policy, and
    - International promotion policy.

In the following sub-sections, these categories are discussed in depth for their impact on the different export performance measures.

Firm’s Behavioural Orientation on Exporting

This first category relates to the general mode of doing business internationally, and deals with the way the firm carries out his business abroad, or the firm’s behavioural orientation on exporting. This can be either proactive, or reactive, and is, as such, closely linked to the managerial exporting attitude brought forward in previous section. The main difference is that here the actual activities are being discussed, instead of the attitude that managers have towards doing business. In particular, the focus is on the translation of the attitudinal motivation into behavioural components; the actual manifests of the managerial attitude towards exporting. For instance, an exporter with a proactive attitudinal motivation generally searches actively for possibilities and customers abroad, while an exporter with a reactive motivation by and large starts exporting unintended, *e.g.*, after receiving an unsolicited order from abroad.

The mode in which exporting was actually initiated is the first demonstration of this behavioural translation of a reactive or proactive stance. Beamish, Craig & McLellan (1993) find minimal proof for the hypothesized negative effect of firms that began exporting due to an unsolicited order (*i.e.* reactive). The same can be said for Diamantopoulos & Inglis (1988) who ask whether export initiation was a consequence of external factors or a conscious decision by management. Others investigate the general outlook on business activities. The overall tenure of these studies is that proactive, entrepreneurial, or aggressive exporting has a positive impact on export performance. Using contingency theory, Robertson & Chetty (2000) conclude that a conservative firm in a benign environment performs equally well as an entrepreneurial firm operating in a hostile environment. In addition, Francis & Collins-Dodd (2000) state that “conservative strategies in turbulent markets prevent firms from taking advantage of fast-mover opportunities, changing market entry barriers, or rapidly evolving market life cycles that require a direct presence and immediate information”. Therefore, an entrepreneurial approach is profitable in any circumstance, while a conservative outlook only seems suitable in a benign, more stable environment. On a marketing level, Kotler & Armstrong (2004) describe a product, production, selling, social marketing, and marketing orientation. All orientations imply taking different type of decisions on activities. For instance, the product orientation is mainly concerned with product quality, while a marketing orientation revolves around finding out more on the needs of the customer. Shoham (2000) shows that not every orientation is optimal under each marketing condition. “With the exception of a selling orientation and, to a point, a social marketing orientation, the other orientations appear to be equally viable as drivers of export performance.” He ends with: “Our results suggest that a marketing orientation, in and by itself, may be insufficient to enhance all faces of export performance”.

This all suggests that looking actively for opportunities to market your product abroad and being close to the market is better than to sit back and wait until you have to react to outside stimuli. Yet, this is dependent on the market conditions.

The Competitive and Expansion Strategy

The general strategic orientation of the firm translates into the competitive and marketing strategies. When investigating the generic competitive strategies, Baldauf, Cravens & Wagner (2000) deduce that ", differentiation strategies are important for firms' survival, but they are inversely related to export intensity and export sales." They explain this finding assuming that "lower market shares are leading to lower sales", and that firms deal with a more demanding customer base. On the other hand, maintaining a low cost strategy deteriorates export profitability but has no impact on export sales or export ratio. Besides, the market position strategy selected (*i.e.* market leader versus follower) does not affect export sales or export ratio.

Another decision in international marketing is the choice for an expansion strategy, *i.e.* whether the firm follows a concentration or diversification strategy. Although various proxies have been used, the expansion strategy is often measured by the number of different export countries covered by a firm. Most studies in the review find direct and positive relationships between market coverage and export performance (mostly with export sales and export ratio). Some authors find non-significant relationships (various performance measures), while only one study finds a negative relationship (with export ratio). For example, Lee & Yang (1990) divide their sample into three groups, depending on the expansion strategy used by the firms. The results show that the market diversification group outperforms the two other groups (market concentric diversification and market concentration) in both export intensity and the export sales growth. Other aspects of diversification researched are the use of market segmentation, the geographical distance to the foreign market, the number of geographically separated markets, the number of regions, the diversity of markets, and the export to LDC's or industrialized countries, but these are measured only in singular studies. For example, Diamantopoulos & Inglis (1988) have to reject the hypothesis that exporting to many countries improves performance, but they do find proof that exporting to many regions (as a bundling of multiple countries) is beneficial for export ratio. Similarly, Kaynak & Kuan (1993) find the number of geographically separated countries not to be significant for any export performance measure.

Concluding, the evidence from the studies above does suggest that the more diversified the exporter is, or the more countries are served, the higher overall export performance is. In the authors view, the results should be considered with some caution, as there is tautology in measuring the number of countries exported to and the export sales or export intensity. Beamish, Craig & McLellan (1993) acknowledge this: “It cannot be ascertained whether this is a causal relationship or a representation of an evolutionary cycle.” After all, hardly any significant results can be found for the impact of the number of countries on export effectiveness, as most results concern sales or intensity. It might not just be the absolute number of countries that is important, but the choice for specific countries, considering aspects such as the industrialization level or the geographical dispersion of these countries. Exporting to multiple countries might be more interesting if the countries are somewhat developed and not so widely distributed (*i.e.* regions).

The Commitment of Resources

A third level of activities thought to have an impact on the export performance of firms is the behavioural commitment of resources, or the amount of resources committed to exporting. For example, Evangelista (1994) finds that translating attitudinal commitment into actual behaviour (measured as a composite of allocated funds, travel, priority and pro-activeness) heightens the managers’ satisfaction with exporting. Others also find that the lack of focus and commitment on foreign markets negatively explains the difference in export sales between high and low performing exporters (but not for export ratio or export growth). In the exporting process, firms can reallocate these resources either to export planning, to the collection of export information, to restructuring the work force especially for the exporting activities, or to all three. The following paragraphs discuss these three options of resource commitment.

Planning

Most strategic management literature stresses that a manager should *plan*, set objectives and state corresponding strategies to be able to perform successfully. The export performance literature suggests the same, using proxies such as strategic planning, functional planning and budgeting planning (Samiee & Walters, 1990), the propensity to undertake export planning, the intensity of planning, or export planning as an overall composite. All but one show the positive performance impact of allocating resources to general export planning activities. The exception is Katsikeas, Piercy & Ioannidis (1996), who find a negative impact on the managers' *perceptions* of export performance objectives of the use of export planning and control (measured dichotomously). They attribute this result to the lack of specialized personnel in planning and control in Greek firms, and the need to response immediately to outside stimuli, which a formal planning structure might prevent. Next, Samiee & Walters (1990) fail to find any significant impact of planning on export profit, notwithstanding the improvement in export ratio and the number of export markets. The authors note: "Planning activity does not guarantee either good plans or effective implementation of plans."

The results show that firms should demonstrate other, more specific, export planning activities as well: firms benefit from establishing separate export development budgets, (export) goals, a written export plan, a foreign price policy, and a promotion plan for abroad. Overall, it appears that SMEs benefit greatly from both general and specific export planning activities.

Use of Information

To plan effectively firms should dedicate resources to the collection and use of information to reduce uncertainty and to understand the needs of the market. As for this *information behaviour*, a useful distinction is that between export marketing research, export market intelligence, and export market assistance.

Several authors conclude that the extent to which firms use *export market research* impacts export performance directly (Hart & Tzokas 1999). Others also examine the indirect effect of formal information, with frequent and extensive international marketing research leading to better strategic decisions, which subsequently boosts performance. Julien & Ramangalahy (2003) establish a positive indirect association from the use of formal information sources (related to industry, assistance, and written information) on export performance as well through the competitive strategy.

The results concerning the benefits of *export assistance* are mixed. For example, Diamantopoulos & Inglis (1988) find that the number of governmental and trade agencies consulted does not impact export ratio. High involved exporters have a lessened need for outside help, maybe due to the higher developed internal capacity of these firms compared with less involved exporters. On the other hand, Donthu & Kim (1993) find that using more governmental and private agencies companies (summated to one variable) improves management's perceptions of profit. The discrepancy between these results is probably because the operationalization in both studies is inherently different. First, private agencies pertain to the category 'export market research', and not 'export assistance'. This might be the reason for the positive results in Donthu & Kim (1993). Another reason might be that managers who use many agencies might perceive this as beneficial. This is not reflected in export ratio, which is an objective measure. Overall, export assistance might be too general to be of use in the course of internationalization.

Similarly, the results regarding *export market intelligence* or *informal information*, gained through day-to-day business, are mixed, but tend to be positive. Several authors find that visits to foreign markets are advantageous. Moini (1995) states that: "Frequent visits to foreign markets attending trade shows are absolutely critical in developing the export markets." Yet, De Luz (1993) finds that certain managers deem visits to the export market not to be important, confirming the findings of Koh & Robicheaux (1988), who all uncover that the frequency (regularity) of face-to-face contacts with dealers is non-significant.

Next to collecting information, the subsequent *use* can affect export performance. Souchon & Diamantopoulos (1997) find that the immediate use of export market research (export intelligence and export assistance) enhances the international performance. According to the authors, the reason for this lies in the fact that 'immediate use' of the information is measured, while much intelligence and assistance information is stored for future research and can enhance performance in the longer run. Reasoning the other way around, Julien & Ramangalahy (2003) ask respondents how important they consider several information categories (which is, of course, closely related to the usefulness of the information type). They find that respondents that perceive a certain type of export information important, the subsequent use of the respective information sources increases.

The overall picture emerging from this literature is that it is beneficial for the exporting firm to collect data and to use it subsequently in export-related decisions. Especially important is formal research, with some smaller impact stemming from export intelligence, while the utility of export assistance is ambiguous.

Restructuring the Organization

Lastly, the behavioural commitment of resources in *restructuring the organization* is investigated. This restructuring can be accomplished by committing manpower or the amount of time devoted to exporting, or by establishing a specific structural arrangement for the export activities. Largely, exporting performance is enhanced by devoting special manpower to exporting. Spending money on specific export courses for personnel also turns out to benefit export performance (Bijmolt & Zwart 1994). Nevertheless, Diamantopoulos & Inglis (1988) rightly question the causality of this relationship found in cross-sectional studies: “another plausible explanation is that more staff are allocated to the export side of business as a *result* of greater export activity.” Lages & Montgomery (2001) confirm that previous export performance is an antecedent of the firm’s commitment to exporting (besides, it impacts the way managers define their exporting strategies).

The structural arrangement of export activities is usually operationalized as a statement concerning the presence or absence of a separate export manager or department (either at home or abroad). Without going into specifics of this adjustment, both Samiee & Walters (1990), and Bijmolt & Zwart (1994) find that adjusting the organization structure explicitly for exporting activities boosts export performance (though a non-significant effect on export profits is found, partly due to the costs in the adjustment of the organizational structure). More specifically, this adjustment can be a special manager/executive responsible for export and/or a separate export department either at home or in the export country. For example, Beamish *et al.* (1999) distinguish between export (1) as part of domestic business (*i.e.* no special organizational arrangement), (2) by using a domestic-based export unit or overseas agents, and (3) by using company-based employees who are based in export markets, overseas subsidiaries and/or a joint venture. These internationalization stages (as labelled by the authors) appear not to impact export ratio, but the latter stages outperform the first on export revenue. In short, the results show that employing a distinct manager is beneficiary while raising a separate export unit brings about no significant advantages.

Kaynak & Kuan (1993) also investigate the structure within the export department (*i.e.* administrative autonomy, number of hierarchical levels, and the role of formalization), but find hardly any significant results. Lastly, Katsikeas, Piercy & Ioannidis (1996) find that managers do not perceive the problem of a poorly organized export department to be unfavourable in the accomplishment of export objectives.

When we combine the results mentioned above, devoting manpower especially for exporting seems rewarding, but this does not necessarily imply that a special structural arrangement should be employed.

Marketing Mix Variables

The last subcategory in export behaviour, received most attention compared to the other behavioural categories. The marketing mix includes product, price, place, and promotion. In international situations, the question arises how to shape these four traditional Ps for the foreign nations. De Luz (1993) adds the concept of firm reputation, which can be considered as the summated outcome of all marketing mix activities. He finds that managers perceive the overall reputation of the company to affect the 5-year growth of export sales positively. Next, Bourantas & Halikias (1990) enter an overall factor ‘export marketing’. This development of marketing activities affects export ratio positively. Although named ‘competitive strategy’ by Julien & Ramangalahy (2003), their strategic construct is rather an overall assessment of marketing activities (a composite of overall marketing, segmentation, products, distribution, and promotion), and relates positively to export performance. In contrast to these overall constructs, most studies focus on specific or individual marketing mix variables. Within these studies, we can roughly distinguish two main issues, namely the issue of *international channel management* and *(the standardization or adaptation of) product, price and promotion*.

International Channel Management

The issue of international channel management encompasses two broad aspects, namely the actual design of the channel, and the relationship with members within the channel chosen.

Channel design touches upon issues such as the standardization of the export channel, the length of the channel, and what specific channel members are used. As for standardizing the distribution channel design, the results are mostly non-significant, implying that adaptation of the channel for the international market is not a necessity for success. Robertson & Chetty (2000) do find that there should be a fit between orientation and channel structure (with an entrepreneurial management channel structure can be either mechanic or organic, while a mechanic structure outperforms an organic structure in a conservative firm).

When choosing a channel structure, an important aspect is channel length. Although Leonidou & Kaleka (1998) find very weak evidence for the need for a short channel, Koh (1991) finds that selling to foreign end-users raises perceived relative profitability compared to selling through foreign middlemen or a export agent. These last two studies also suggest that managers perceive the relative profitability to be higher when they use their own export unit instead of the domestic marketing unit or a export agent. Here, centralization of international channel management seems to be the case. Likewise, Beamish, Craig & McLellan (1993) find that it is not important to involve the representatives in coordinating the marketing plan or to hold them responsible for setting sales goals.

Next to these results on the structure of the exporting channel, the choice of the actual channel members is important. Bijmolt & Zwart (1994) show that listing and evaluating distribution channels and possible trading partners is favourable. On the other hand, some conclude that using foreign market entry and customer selection criteria has no impact on the perceived accomplishment of export goals. This is quite similar to Beamish, Craig & McClellan's conclusion (1993) that the investigation of different methods of distribution only impacts UK export ratio (and not sales or export performance). They also conclude that less satisfied performers deem finding and instructing overseas distributors as more limiting than more satisfied performers.

Concluding, the international channel might not need specific adaptation, especially when management has an entrepreneurial outlook. Besides, the firms are probably better off keeping property (and, thus, control) in their own hands, but, when outsourcing some chain functions, the possibilities should be screened and evaluated (although evidence for this conclusion is rather weak).

A second part of export channel issues is the *relationship between the seller and the buyer*, which is investigated quite ad hoc. Leonidou & Kaleka (1998) use the relational paradigm to explore several aspects within the relational atmosphere. They find the commitment to, communication in, cooperation in, dependence in, trust in, and the satisfaction with the relationship to impact performance positively. On the other hand, the adaptation to, conflict in, distance in and understanding in the relationship were non-significant. The authors state that "this, in turn, implies that harmonious exporter-importer relationships go hand-in-hand with the firm's expansion in overseas markets." Harmonious relationships are meant to be long lasting. Beamish, Craig & McLellan (1993) found that maintaining ongoing distribution arrangements is important for Canadian SMEs, but not for UK firms. Similarly, De Luz (1993) observes that managers find motivating the distributor or offering promotions directed at the dealer non-significant in achieving success (although the sign of the first is positive). In building and maintaining relationships, offering support to channel members could be a crucial aspect. Beamish, Craig & McLellan (1993) only find a positive impact of the provided assistance to the foreign representative for UK SMEs and not for Canadian ones, while Koh (1991) finds non-significant relationships for the level of dealer support. Some conclude that channel support in the form of visits and trained personnel positively impacts export sales and the growth in international profits, although the international profits or the growth in export sales are not altered. In addition, Thirkell & Dau (1998) find that managers perceive meeting deadlines, after sales maintenance, physical demonstrations, and training customer employees to enhance export performance. De Luz (1993) also finds that meeting the delivery dates is influencing the export sales growth positively. He also shows that 'delivery' can pose a problem, by finding that poor performing exporters think the problem of production and delivery to be more limiting than more satisfied performers. Contrary, Katsikeas, Piercy & Ioannidis (1996) find that managers do not perceive the difficulties and costs of exogenous logistic operations as problematic. On the whole, the relationship between the firm and his (foreign) channel members seems to be important, and has to be fed by continuing support and effort, stressing the importance of inter-firm relationships in exporting.

International Product Policy

In exporting, one of the main questions is whether the firm should consider product adaptation for the foreign markets. Quite some studies reviewed deal with this question, either by investigating the adaptation of the product itself or of the product line. Besides, specific aspects of the product received interest.

Several studies fail to find a significant relationship between *product adaptation* (or the counterpart standardization) and export performance (Diamantopoulos & Inglis 1988; Bourantas & Halikias 1990[58]; Koh 1991; Beamish, Craig & McLellan 1993; Shoham 1996). Other studies urge for adaptation or standardization, partly depending on the performance measure in question. For example, De Luz (1993) advices firms *not* to adapt their product to the foreign market, as a nearly significant positive impact from product standardization on the five-year export sales growth is found. In addition, the same study concludes that matching customer specifications or offering special warranties does not relate significantly with performance, a second argument against adaptation. Refining these results by using various performance measures, Kaynak & Kuan (1993) conclude that "… product standardization is conductive to export-oriented corporations pursuing a bigger share of sales and/or profit from export business while product differentiation is the driving force that makes the export profitable" for Taiwanese firms. Yet, Donthu & Kim (1993) do find a customized product to affect export sales growth positively. In addition, Nakos, Brouthers & Brouthers (1998) find product adaptation to heighten firm's export ratio and perceived profitability of exporting versus domestic business. Shoham (1999) also deduces that a standardized product worsens static export performance (which is a composite of export sales, ratio, profitability, and satisfaction), although the link with growth in performance is non-significant. Johnson & Arunthanes (1995) distinguish between ideal and actual adaptation of the product. In this, ideal product adaptation (instigated by government regulations and the market lag, but, surprisingly, not by differences in end-user preferences) influences actual product adaptation positively. In turn, actual product adaptation affects sales growth positively, but bears no relationship with export profit or export market share. As a specific aspect of product modification, Koh & Robicheaux (1988), and Koh (1991) state that it does not matter whether a firm uses his own brand name or not.

One could also adapt to market needs, by adding other products or services to the *product line* especially for the foreign countries. For instance, Beamish, Craig, & McLellan (1993) found that offering complementary products in the foreign market benefits performance for Canadian exporters, but not for UK firms. According to the authors, the explanation for this result lies in the 'blind spot' that Canadian exporters have for the limited range of their offering, as they focus on U.S. markets, versus UK exporters who already offer a much broader range of products for various countries. Shoham (1996) also focuses on the standardization of product lines, concluding that adapting the number of product lines enhances profits, while adapting the number of items in product lines harms profits. Other studies show that export sales increases with an extensive product line (Diamantopoulos & Inglis 1988; Beamish, Craig & McLellan 1993; Kaynak & Kuan 1993; Leonidou & Kaleka 1998).

Other *product-related variables* are the uniqueness and quality of the export product. It appears that the product uniqueness is not important, and neither are sufficient inventories (Beamish, Craig & McLellan 1993; De Luz 1993; Katsikeas, Piercy & Ioannidis 1996; Thirkell & Dau 1998). Koh (1991) also finds the management's perception of the uniqueness of the product offer to be unrelated to the management's perceptions of the exporting profitability of exporting versus domestic. Concerning the product quality, the results are mixed. In Katsikeas, Deng & Wortzel (1997) the factor 'product competitiveness' does not have any impact on the degree of internationalization, encompassing 'product quality control', but also 'competitive pricing', and 'packaging'. This non-significant result can be due to the somewhat different nature of the underlying items, such as price and product packaging. Similarly, Katsikeas, Piercy & Ioannidis (1996) unexpectedly conclude that a poorly designed product with a poor quality does not influence the achievement of export objectives. Thirkell & Dau (1998) find 'product quality' and 'meeting the delivery deadline' to improve an export performance composite, while the respondents in De Luz's study (1993) do not perceive the quality of the product to be important for export sales growth. Yet, De Luz (1993) does find that meeting delivery dates is of utmost importance in the managers' eyes (service in general is not). Therefore, maybe it is not the technical quality of the product that is important, but the consumer quality, reflected in keeping deadlines and customer service. To back this up, Beamish, Craig & McLellan (1993) find positive and very significant results for the perceived importance of customer service on both performance measures in both countries. Yet, Kaynak & Kuan (1993) advise high performers on export profitability to localize after sales service to a lesser extent. They also find that with a technologically intense export product export sales drop dramatically, although an innovative export product impacts all export performance proxies positively: "Taiwanese firms successful in exporting turn out to be those who are innovation-conscious" . De Luz (1993) confirms this negative importance of an advanced technology product, although Beamish, Craig & McLellan (1993) find mostly non-significant results.

Overall, the results concerning product adaptation are far from conclusive, although the inclination is towards adapting and extending the product offer towards the needs of the foreign market. Besides, the product should not be too technological for a fast penetration of the market. Diamantopoulos & Inglis (1988) do remark that a distinction should be made between product adaptation due to the product offering versus the pressure of legal requirements of the market. After all, these last are unavoidable adaptations, and, as such, no discriminating determinants. Johnson & Arunthanes (1995) adhere to this distinction in the antecedents, but only find proof for the impact of legal requirements, and not for market pressures.

International Pricing Policy

The next market instrument discussed is the *price* of the product. Again, the results are mixed. For instance, Shoham (1996) shows that companies should adapt their price to improve profits and profit growth, although there is no evidence for sales or sales growth. In a later study, Shoham (1999) investigates a composite performance measure, including both sales and profit variables, leading to the advice to standardize price to improve performance growth, although static performance is not impacted at all. These contradictory results are probably due to the non-consistent operationalization of performance. Firms can adapt their price to the competitors in the market, or to consumers' wishes. Bourantas & Halikias (1990) conclude that being price-competitive is rewarding for export ratio, which is backed up by Holzmüller & Kasper (1991), and by Holzmüller & Stöttinger (1996). Kaynak & Kuan (1993) also find that 'pricing discrimination' improves export profitability, although the study does not define 'discrimination', *i.e.* higher or lower than domestic price or competition. Contrary, De Luz (1993), and Shoham & Kropp (1998) find that a low price negatively influences export sales. According to Koh & Robicheaux (1988) and Koh (1991), setting foreign prices higher than domestic prices also contributes to the profitability of the firm. Yet, Katsikeas, Piercy & Ioannidis (1996) find that managers do not perceive the lack of competitive prices to be significant in achieving export goals. The review also shows that it does not really matter which export pricing currency or quotation strategy is chosen and whether the prices are set by the manufacturer or by the channel members (Koh & Robicheaux 1988; Koh 1991; Beamish, Craig & McLellan 1993; Kaynak & Kuan 1993). In short, adapting the price for the foreign market and the relative price asked might affect various performance measures differently.

International Promotion Policy

The fourth, and last traditional marketing instrument is promotion. Questions researched involve the promotion adaptation and the effectiveness of certain media. Concerning the *adaptation of promotion*, Shoham (1996) shows that the budget should be standardized: "[I]t may be that budgets have a more universal appeal." Although the budget calls for standardization, Shoham (1996; 1999) clearly shows the positive impact of adapting promotion (in advertising content) on export sales, export profits, and the growth herein. This is partly backed up by Kaynak & Kuan (1993). Yet, Beamish, Craig & McLellan (1993) demonstrate the strong positive effect of using the *own* sales force on export ratio, pleading for standardization. When choosing for adapting promotion, knowledge of the market is indispensable. Thirkell & Dau (1998) find cultural affinity, which includes both 'command of foreign languages' and 'effectiveness of the promotion campaign compared to competitors', to be an important determinant of export performance. They say that "…higher levels of language and cultural skill may translate into a more effective communications program", leading to an adaptation view. Exporters do perceive information communication with the foreign market problematic in achieving their export goals (Katsikeas, Piercy & Ioannidis 1996). After the decision for adaptation or standardizing the promotion, the next step to take in the decision process is which specific *media* to use in the promotion campaign. It appears that managers do not perceive promotion directed at the end-user or trade show exhibits important for export sales growth (De Luz 1993). Similarly, advertising (encompassing 'heavy advertising', 'building brand awareness', and 'building a reputation') seems not important for export sales or profit. It might even harm international profit growth for US manufacturing exporters (Shoham & Kropp 1998). The reason for this finding might be the self-selection effect, as the sample mainly existed of firms with low overall advertising and promotion levels. Considering the above, the results on the international promotion policy are still rather fragmented and do not point to a specific direction.

1.3 The Information Behaviour of Exporting SMEs

Information is an increasingly important input in the internationalization process. As Czinkota (2000) suggests: "Information and its management is even more important in the international setting, where entirely new parameters and environments are encountered". International expansion makes business environments more turbulent, more complex and, consequently, harder to predict. A large body of market research literature (*e.g.*, Douglas & Craig 1989) suggests that proper use of market information reduces these uncertainties in the firm's decision process, improving the firm's ability to cope with opportunities and threats on the export market, and, consequently, the firm's competitiveness. Gemünden (1991) specifically dedicates part of his review to the important role of information activity for exporters, as this is the only activity found to have a positive relationship with all three export performance measures used (export profitability, export growth, and export intensity). This significance of 'the firm's utilization of international marketing research' is also found in Zou & Stan's (1998) review, and in our review. The overall conclusion clearly is that information acquisition and use especially improves business in international business, which is more uncertain than domestic business.

The need for and acquisition of foreign market information should be considerable among (new) exporters. This is consistent with the findings of Rose & Shoham (2002), who find that "acquiring and responding to market information are particularly important in an export marketing context, where changes in the economic, political, and consumer environment are likely". They also state that "exporting generally increases the complexity and dynamism of the external environment, which increases the need for market intelligence and responsiveness". As strategic marketing literature shows, the search for information is an important part of the market orientation concept (*e.g.*, Kohli & Jaworski 1990; Narver & Slater 1990). Lately, the interest for exporters, international information behaviour and market orientation has come together in the attention for an *international* concept of market orientation. Therefore, the first section elaborates on this conceptual background of international information behaviour. Based on this theoretical discussion, three questions are raised. First, what does this international information behaviour look like for the SMEs in our longitudinal data set? Second, I investigate whether information behaviour is impacted by the specific personality of the manager, in view of the pivotal role of the manager in SMEs. Third, the impact of the acquisition on export performance is explored, partly based on the findings in first part. These last two topics will be investigated both in a static and a longitudinal manner.

1.3.1 Role of Information in Internationalization

If we consider exporting as an innovation (*cf.* Axinn 1988), the importance of information in internationalization becomes even more obvious. For example, Julien (1998, p.40) states "[I]n other words, innovation means listening to the environment and thus requires implicit or fairly well-organized technological, competitive, and commercial scanning". In this section, the conceptual background of information as part of an international market orientation is unfolded, including the theoretical relationships between information behaviour, managerial personality, and export performance.

International Market Orientation

In marketing literature, *market orientation* is a well-known and often researched construct (Kohli & Jaworski 1990; Narver & Slater 1990; Jaworski & Kohli 1993; Kohli, Jaworski & Kumar 1993). Kohli & Jaworski (1990) define market orientation as the generation and dissemination of information, and the subsequent use hereof in adapting the firm's offer to the needs of the customer. In a later study, they find market orientation to be positively related to 'overall performance' as seen by managers (Jaworski & Kohli 1993), comparable to the positive link of 'marketing orientation' on 'business performance' established in Narver & Slater (1990), and in Slater & Narver (2000). Therefore, it might be imperative for businesses to be market-oriented when doing business. The logical question is, whether this applies to international business as well.

Based on these general constructs of market orientation, Cadogan & Diamantopoulos (1995) offer an *export-oriented* measure of market orientation. After all, as the international performance often is evaluated separately from national performance, there is need for an international derivation of market orientation. This export-oriented market orientation consists of four components, namely export intelligence generation, dissemination, responsiveness, and a coordinating mechanism. The first component concerns all actions that lead to the establishment of export market intelligence by a firm. The other three components of the concept concern the internal sharing of intelligence (dissemination) to come to an integration and interpretation of the information on which actions are designed and implemented (responsiveness), governed by an internal coordinating mechanism that should solve all frictions.

International Information Collection

Despite the interdependency of the four aspects of international market orientation, in this chapter I choose to focus on the first part of export market orientation, *i.e.* the intelligence generation, or, in other words, the information acquisition behaviour of firms. As a first step in obtaining an export market orientation, this acquisition of information on customers and competitors is a key element.

To obtain this intelligence, numerous sources of information are available. Several researchers occupied themselves with the specific information used by exporting firms, categorizing them according to the type of information. Both Johanson & Vahlne (1977), and Seringhaus (1986; 1993) distinguish between objective and experiential information. Objective information embodies published (often statistical) information from primary or secondary sources, while experiential knowledge is personally acquired through direct market or customer contact. Another classification is that between formal and informal information (*e.g.*, Hart, Web & Jones 1994). More specifically, Souchon & Diamantopoulos (1996, 1999) classify the information acquisition genres into export market research (*i.e.* formal, systematic and objective information gathering), export assistance (*i.e.* governmental export promotion), and export market intelligence (*i.e.* informal information gathering, through day-to-day business). In a way, the three categorizations can be easily integrated, as formal information incorporates both export market research and export assistance, and informal information can be seen as export market intelligence.

International Information Collection in Industrial SMEs

To be market-oriented a firm needs to collect information. Yet, often there appear to be differences between large firms and SMEs in their acquisition behaviour. Julien (1998, p.40) states: "Technological and commercial information is expensive, and changes quickly. It is essential to the long-term vision, and is taken into account by large firms through their research centers and other specialized departments. Small businesses are particularly vulnerable in this area because of the limited resources they are able to devote to creating, obtaining and assessing information". The question arises, therefore, whether the size of the firm affects information acquisition behaviour. If we consider firm size as a resource, and information as costly, larger firms will have more resources, and, thus, collect more (formal) information (Mohan-Neill 1995). Diamantopoulos *et al.* (1990) conclude that companies systematically using export market information are larger than nonusers. Samiee & Walters (1990) find similar results; with large companies more actively collecting export market information than smaller firms do.

More specifically, SMEs often find export market research too costly and, therefore, mainly rely on export market intelligence (Souchon & Diamantopoulos 1996). Julien (1998) confirms this, and deems that "small businesses must join or construct networks that allow them to obtain information they need at a lower cost". Belich & Dubinsky (1995) also study the extent to which small companies use internal versus external sources. Their results suggest that this choice is partly related to the management strategy, claiming that, due to the dominant position of the owner-manager in SMEs, smaller companies sometimes give priority to subjective and personal goals, resulting in a less objective use of external information sources. The results of a later study also suggest that information processing within small firms may not mirror patterns of activities in their larger counterparts (Belich & Dubinsky 1999).

Resulting, smaller firms gather less information than their larger counterparts, especially less formal information, partly due to the scarcity of resources and the personality of the owner-manager.

A minor remark on the fact that the INTERSTRATOS data set consists of *manufacturing* SMEs: it appears that industrial firms collect less intelligence than consumer companies (Avlonitis & Gounaris 1997). Therefore, the question is how much intelligence the industrial SMEs in the INTERSTRATOS data set collect.

Information and Export Performance

As mentioned above, firms holding a market orientation, collecting and using information, have better firm output than firms who are less market-oriented: a market orientation leads to a better use of core capabilities and transforms these to competitive advantages, thereby boosting business performance (Slater & Narver 1994). In view of the relatively young line of research on *international* market orientation, only little empirical proof can be found for the impact of *international* market orientation on *export* performance.

Does & De Mortanges (1998) find a positive significant influence of overall market-orientation only on *subjective* measures of export performance, but not on *objective* measures. So, managers tend to believe that being market-oriented is rewarding. Cadogan, Diamantopoulos & De Mortanges (1999) relate each of the four dimensions of their international market orientation concept with export performance. For this, they use three performance measures, *i.e.* export sales revenue divided by total number of employees, a weighted performance index (assessing the performance relative to management’s objectives and the firm’s satisfaction with the achievement of each objective), and a global assessment of the firm’s export success. All four dimensions correlate positively with the performance measures. On the other hand, Rose & Shoham (2002) conclude that export sales is neither significantly related to overall (general) market orientation, nor to any of its components. Yet, change in export sales, export profits, and change in export profits relate both significantly and positively to overall market orientation, intelligence generation, and responsiveness, but not to intelligence dissemination. They adhere this result to the fact that dissemination of information is less important in SMEs due to the size of these enterprises.

More empirical results can be found on the relationship between the first component of international market orientation, *i.e.* intelligence creation through the collection of information and on export performance. Julien & Ramangalahy (2003) hypothesize for instance that "[T]he SMEs' limited capacity to acquire information and use sources is a major factor explaining their low level of involvement and performance on export markets". Therefore, there seems to be a strong relationship between collecting information and output. In this, researchers investigate either the effect of information search and the amount of information sources consulted in general, by dividing the information collected into formal/informal or into assistance/research/intelligence sources, or even by examining specific information sources.

Related to the hypothesis stated above, Julien & Ramangalahy (2003) conclude that the collected information does impact export performance positively through competitive strategy. Years earlier, Donthu & Kim (1993) already find an increase in the overall number of information sources consulted to improve export performance. On the other hand, using the same proxy, Diamantopoulos & Inglis (1988) conclude that more export intensive firms consult *fewer* information sources. According to the authors, due to a learning effect these firms obtain a higher internal capacity to cope with the complexity of exporting, diminishing the need for external information sources.

Other studies focus on the effects of specific types of information. Bijmolt & Zwart (1994) find a positive impact of export market research on export performance, prescribing the necessity of an analysis of the export country, the competitors, and the consumers. Similarly, Christensen *et al* (1987) find successful exporters to be three times as likely to enter a foreign market based on detailed market studies than non-successful ones. Dominguez & Sequeira (1993) conclude the same concerning these formal methods of information acquisition. Moini (1995) also recommends a systematic formal exploration of export market possibilities, next to informal visits to foreign markets, as do Katsikeas, Piercy & Ioannidis (1996), and Hart & Tzokas (1999). Koh (1991) even finds indirect positive results through the improvement of strategic decisions, thereby enhancing performance. A few studies find nonsignificant results for research activities (Madsen 1989; Bourantas & Halikias 1990; Koh 1991; De Luz 1993).

Another form of formal information acquisition is the use of export assistance. Yet, the results are mixed. Reid (1984) finds that governmental promotion programs raise the likelihood of exporting to a new foreign market within the next year (which is positively related to export performance), but Cafferata & Mensi (1995) conclude that SMEs experience the assistance provided by government and local agencies to be inadequate. Christensen *et al.* (1987) also conclude that the successful exporters in their sample exploited generalized market information less than ex-exporters, although they do note that such generalized data can be important bases for subsequent detailed market studies and, therefore, are not without use. “As firms gain export experience and rely less and less on public and private information sources, their information needs probably become too specific for ordinary information sources to satisfy them” (Denis & Depelteau 1985). Contrary, Cavusgil & Naor (1987) find that exporters search more information through the US Department of Commerce and through the State Agency than nonexporters. Furthermore, Bell *et al.* (1991) found 62 percent of the Irish SMEs in their sample to have obtained export sales that were directly attributable to participation in export marketing training programs. Lastly, Dominguez & Sequeira (1993) do not find any significant results for export promotion agencies.

Many studies conclude that SMEs benefit greatly from informal- or export market intelligence, including information acquired through relationships with foreign distributors and customers, and through visiting trade fairs or the export market (Reid 1984; Denis & Depelteau 1985; Cavusgil & Naor 1987; Cavusgil & Zou 1994; Styles & Amber 1994; Moini 1995). For example, Moini (1995) finds visits to foreign markets to be imperative in the development of export markets. On the other hand, Koh & Robicheaux (1988), Koh (1991), and Katsikeas, Piercy & Ioannidis (1996) all find that the frequency (or regularity) of face-to-face contacts with dealers is nonsignificant. Dominguez & Sequeira (1993) also fail to prove the significance of informal market intelligence.

Summarizing, export market research and intelligence both tend to improve the outcomes of the export planning process, while export assistance is often too general to be of specific use, although a cautious conclusion might be that it does enhance export performance. This is in accordance with Denis' & Depelteau's (1985) conclusion on exporting SMEs: "The study reveals the overwhelming influence on export expansion of information acquired from business transactions as opposed to reliance on private or public information services".

Personality of the Manager

Various antecedents precede strategic activities, such as the personality of the manager. Yet, this is a rarely investigated concept in the studies on international market orientation. In their first conceptualization of the international market orientation, Cadogan & Diamantopoulos (1995) already criticize that most researchers look upon market orientation from a behaviourist approach, foregoing influences of unobservable phenomena such as ways of thinking. See for instance Avlonitis & Gounaris (1999), who summarize the literature on the development of market orientation, and conclude that the development of this concept is influenced "only by company-specific factors but also by market-specific ones", but do not mention any management-related factors. Based on Aaby & Slater (1989), Cadogan & Diamantopoulos (1995) plead for the inclusion of cognitions, given the importance of manager's in shaping export success. Avlonitis & Gounaris (1997) also distinguish between market orientation as both behaviour ánd attitude, finding a close interrelationship between the two. In 2000, Narver & Slater replicate their famous 1990-study, extending it with a measure for 'entrepreneurial orientation', next to 'market orientation' (Slater & Narver 2000). The 'entrepreneurial orientation' is build up around the innovativeness, risk taking, and competitive aggressiveness of the enterprise. Although both orientations were tested as independent regressors of business performance, there appears to be a strong positive and significant correlation between the two concepts. Therefore, there might be a link *between* the attitude of the owner-manager and the market-oriented behaviour that the firm displays.

As indicated by Belich & Dubinsky (1995; 1999), information behaviour in internationalizing small firms is partly determined by the decision-maker's priorities.

This is in line with Churchill & Lewis (1983), who find that managers of small companies not only act for the good of the firm, but also make decisions that satisfy *personal* goals. Several other instances of the impact of managers on (international) information behaviour can be found. For instance, the individual needs of the decision-maker should be used in shaping export assistance programs, rather than the needs of the organizations where these managers are employed (Gray 1997). Moreover, Walters (1996) concludes that the information acquisition activity in the firms in his survey is heavily influenced by management's commitment to exporting. This is confirmed by Cadogan *et al.* (2001), who test management's commitment with exporting as part of 'export leadership', and find that a higher commitment positively influence export market-oriented behaviour.

The manager's personality influences the information behaviour not only through shaping the goals and needs, but also through the way managers cope with uncertainty. As said before, (perceived) uncertainty in international settings induces firms to collect information. For example, Wright & Ashill (1998) hypothesize that the more uncertainty management perceives (due to a highly diverse and volatile environment), the higher the information needs will be. Related to this way of thinking, Menon & Varadarajan (1992) found the volatility of the environment to influence the uncertainty as *perceived* by management and, thus, to influence the propensity to seek and use information. Lang & Calantone (1997) conclude that manager's perception of the environment influences the information seeking behaviour: higher perceived threats or opportunities in the environment increase small firms information seeking. Therefore, the perception of uncertainty by managers influences the information acquisition behaviour. This notion of perceived uncertainty is closely linked to the risk-taking propensity as defined by Ahmed (1985): Risk-taking propensity is dealing with uncertainties and the degree of readiness to bear it. This risk preference is one of the most important characteristics of small business owners/entrepreneurs (*e.g.*, Lumpkin & Dess 1996). As scanning the environment can solve the uncertainty in the environment (Milliken 1987), the entrepreneur with a low risk-taking propensity (or, a high perceived uncertainty), could be expected to search for *more* information to solve this uncertainty. On the other hand, as exporting is often an innovating activity (see Axinn 1988), with all potential barriers, risk-avoiding managers could also decide *not* to search for information as they might look upon exporting as a too risky strategy. Kohli & Jaworski

(1990) conceptualize senior management factors as an important antecedent of market orientation, including the ‘risk aversion of top management’ (negative impact), and ‘top management attitude towards change’ (positive). Being responsive to changing customer/client needs, can be seen as a continuous innovative behaviour. Based on this model, in a later study, Jaworski & Kohli (1993) hypothesize that a risk-averse top management leads to employees generating fewer market knowledge for fear of a failure. Avlonitis & Gounaris (1999) actually prove that de extent of riskaversion negatively relates to the development of market orientation.

Therefore, if a market orientation improves performance, and risk-averseness deteriorates market orientation, a negative attitude towards risk does not pay off. Besides, the export performance literature shows that attitudes also have direct effects on export performance as well. Concerning the risk attitude in an international setting, this has been measured both as a general personality trait and as a specific precondition towards the risk of exporting. For example, Dichtl, Köglmayr & Müller (1990) find that a manager who is less rigid, more willing to change, or to accept product-policy risks generates higher export sales growth. Yet, other authors find non-significant direct effects on export performance from the attitude towards risk in exporting (Kaynak & Kuan 1993; Bijmolt & Zwart 1994; Moini 1995). On a general performance level, Hoskisson, Hitt & Hill (1991) find a positive relationship between risk-taking and performance. Besides, they turn the direction of the relationship between performance and managerial risk orientation around, hypothesizing that a poor performance induces managers to become less risk averse (*cf.* Cyert & March 1963). In their study on Ghanaian manufacturing companies, Pattillo & Soderbom (2000) confirm that “firms with more risk averse managers who face high risks have lower profit rate variability and lower mean profit rates”. According to the authors, an explanation can be found in theory, which “predicts that the higher the risk aversion indicator, the greater should be the attempt at profit smoothing (lower variance) with attendant lower expected profits”. Moreover, Naman & Slevin (1993) establish that a lack of entrepreneurial style (*i.e.* being risk-taking, proactive, and innovative) in a demanding environment worsens financial performance.

1.4 Summary

The theoretical framework is a good starting point for answering the central question of this thesis, which pertains to finding factors that explain the level of export performance of an SME either directly or indirectly. For this, nine conceptual studies on export performance are examined, followed by a review of empirical studies that research export performance and the determinants of this output variable. The conceptual studies enabled us to classify determinants into several categories. These categories pertain to the environment, the firm, the manager, and the export activities. As the focus of this thesis is on SMEs, the manager is an important category. Therefore, the author distinguishes between objective and subjective managerial characteristics. The nature of these characteristics is inherently different from the characteristics of the management team, used by most studies. In SMEs, often the manager him- or herself takes the decisions, instead of a (more rational) management team. Besides, the literature synthesis of the empirical studies leads to an examination of the measurement of export performance. That is, the most commonly used measures are identified (export sales and export ratio), and the development towards including multi-dimensional measures, and subjective measures next to objective measures.

2 Problem Analysis and Current Situation

2.1 Export

When trying to develop, SMEs often seek information, knowledge or inspiration in their particular geographic areas. Small firms share knowledge and experience through various formal as well as informal flows and thus implementing new workflows, innovations, adjustments or even products into their business. The development of internet has hugely helped SMEs to lower cost while at the same time increase reach and efficiency in recruiting process, expanding process as well as when looking for new opportunities across the border.

There is a negative correlation between the size of the SME's home country population and its level of international activity. Small countries (Estonia, Denmark, Sweden, Czech Republic and Slovenia) appear to be "sharks" in terms of grabbing the export opportunities by having a higher percentage of exporters per capita than the EU average of 25%. France, Germany and UK score below average. From this, we can say that this is quite logical, since the smaller home country the smaller market and when you want to expand, you have to go abroad while in the big countries you can go just into the new region of the same country.

Table below clearly illustrates that cross border business is more important for SMEs from the EU Member States (both EU15 and EU12) than for non-EU countries. This can be reasoned by the fact that the EU states have much more friendly trade relationships as well as less barriers for exporting and thus not seeing such barrier in making it into the next member country. What is also interesting is that Non-EU countries in Europe are more targeted by the 'old' 15 Member States (EU15) than for the new Member States (EU12).

Export regions	*EU15*	*EU12*	*non-EU*	*Total*
Cross border regions	49%	46%	35%	47%
Other European Union	76%	83%	57%	76%
Russia	12%	7%	2%	10%
Other European countries	30%	20%	24%	27%
Middle East	17%	3%	16%	14%
North Africa	19%	1%	3%	14%
Other Africa	14%	1%	7%	11%
Japan	8%	1%	10%	7%
China	11%	3%	8%	9%
India	9%	0%	4%	7%
Other Asia	9%	2%	12%	8%
North America	21%	3%	12%	17%
Brazil	9%	1%	1%	7%
Other South and Central America	12%	3%	5%	10%
Australia/New Zealand	10%	0%	3%	8%
Total	100%	100%	100%	100%
Total N, unweighted	1957	1129	447	3533

Source: Survey 2009, Internationalisation of European SMEs EIM/GDCC (N=9480).

Diagram 10: Major world regions for exporting for EU15, EU12 and non-EU countries (percentage of exporters, as more answers could be given, columns do not total)

More remote countries such as markets in Middle East, Africa, Japan, China, India, other Asia, South and Central America and Australia and New Zealand are all much more important for SMEs in the old 15 Member States, but not as much for the 12 new Member States. Only Japan and other Asia are an exemption.

Another chart indicates that cross border options, other EU and other Europe are quite important for manufacturing, transport and communication sectors. We can observe that the percentage of SMEs in the table from transport and communication is two to three times higher than for other sectors. The construction sector shows a higher than average involvement in regions such as China, other Europe and especially other Africa. This can be quite understandable in China and Africa as local authorities or businesses perceive European know-how much more advanced and having done something by businesses from European countries can be perceived as a trademark of future success.

Export regions	*Manu-fact-uring*	*Con-struc-tion*	*Whole-sale trade*	*Retail trade*	*Trans-port & comm.*	*Busi-ness services*	*Per-sonal services*	*Total*
Cross border regions	52%	48%	48%	39%	55%	47%	44%	47%
Other European Union	81%	62%	72%	66%	85%	82%	77%	76%
Russia	12%	6%	6%	7%	31%	9%	3%	10%
Other European countries	35%	34%	30%	22%	44%	17%	19%	27%
Middle East	14%	9%	13%	5%	30%	12%	29%	14%
North Africa	17%	8%	14%	10%	28%	11%	11%	14%
Other Africa	10%	21%	7%	13%	27%	7%	7%	11%
Japan	7%	9%	2%	1%	25%	5%	13%	7%
China	12%	13%	9%	2%	30%	5%	6%	9%
India	11%	1%	1%	1%	27%	5%	6%	7%
Other Asia	9%	5%	4%	3%	28%	7%	4%	8%
North America	23%	9%	6%	9%	38%	21%	16%	17%
Brazil	6%	2%	7%	2%	29%	7%	3%	7%
Other South and Central America	10%	1%	3%	12%	33%	6%	4%	10%
Australia/New Zealand	12%	2%	4%	3%	26%	5%	4%	8%
Total	100%	100%	100%	100%	100%	100%	100%	100%
Total N, unweighted	1484	148	363	459	157	651	271	3533

Source: Survey 2009, Internationalisation of European SMEs EIM/GDCC (N=9480).

Diagram 11: Major world regions for exporting by sector (as more answers could be given, columns do not total)

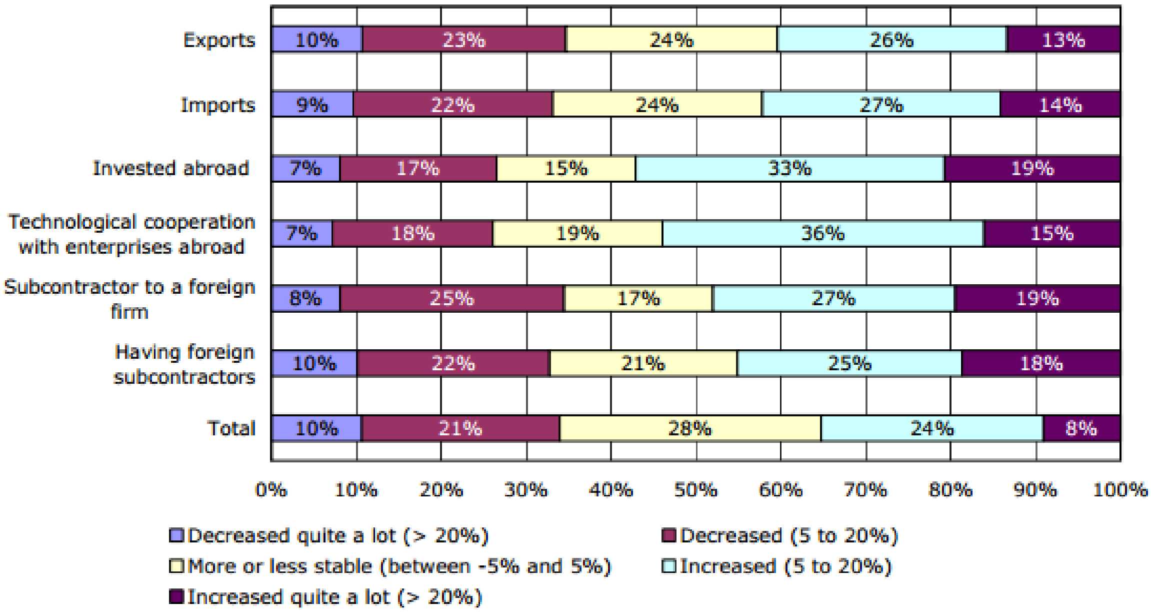
Next chart nicely divides SMEs even further into Micro, Small and Medium businesses to give us even more detailed look on the export performance of EU enterprises. It is apparent from the chart that the larger enterprises, the more export they produce. This can be demonstrated by summing the percentages per column: Micro 260%; Small 333% and Medium-sized 449%. However this pattern is not universal and we can see that North Africa is relatively more important for micro than for small enterprises.

Export regions	*Micro*	*Small*	*Medium*	*Total*
Cross border regions	45%	60%	62%	47%
Other European Union	75%	81%	90%	76%
Russia	9%	17%	27%	10%
Other European countries	27%	31%	42%	27%
Middle East	13%	17%	28%	14%
North Africa	14%	14%	21%	14%
Other Africa	11%	12%	23%	11%
Japan	6%	12%	18%	7%
China	9%	13%	18%	9%
India	6%	10%	17%	7%
Other Asia	7%	12%	18%	8%
North America	16%	22%	30%	17%
Brazil	7%	10%	17%	7%
Other South and Central America	9%	11%	20%	10%
Australia/New Zealand	7%	11%	19%	8%
Total	100%	100%	100%	100%
Total N, unweighted	862	1261	1410	3533

Source: Survey 2009, Internationalisation of European SMEs EIM/GDCC (N=9480).

Diagram 12: Major world regions for exporting by size class

Picture below illustrates that there is a positive correlation between being internationally active and reporting high turnover growth. This is particularly observable for SMEs that invest abroad, SMEs that are subcontractors of a foreign enterprise and SMEs that have foreign subcontractors. For these, the percentage of enterprises reporting that turnover increased significantly from 2007 to 2008 and we can see that it is about 20%, against an average of only 8% overall. If we count total turnover increases then enterprises that invested abroad and that had technological cooperation show especially positive results. This is especially supportive to the theoretical part where we discussed such initial steps and planning boost export performance a lot, to be precise over 50% compared to the average of 33%.



Source: Survey 2009, Internationalisation of European SMEs EIM/GDCC (N=9480).

Diagram 13: Change in turnover 2007-2008 of European SMEs by mode of internationalisation in the period 2006-2008

2.2 Technological

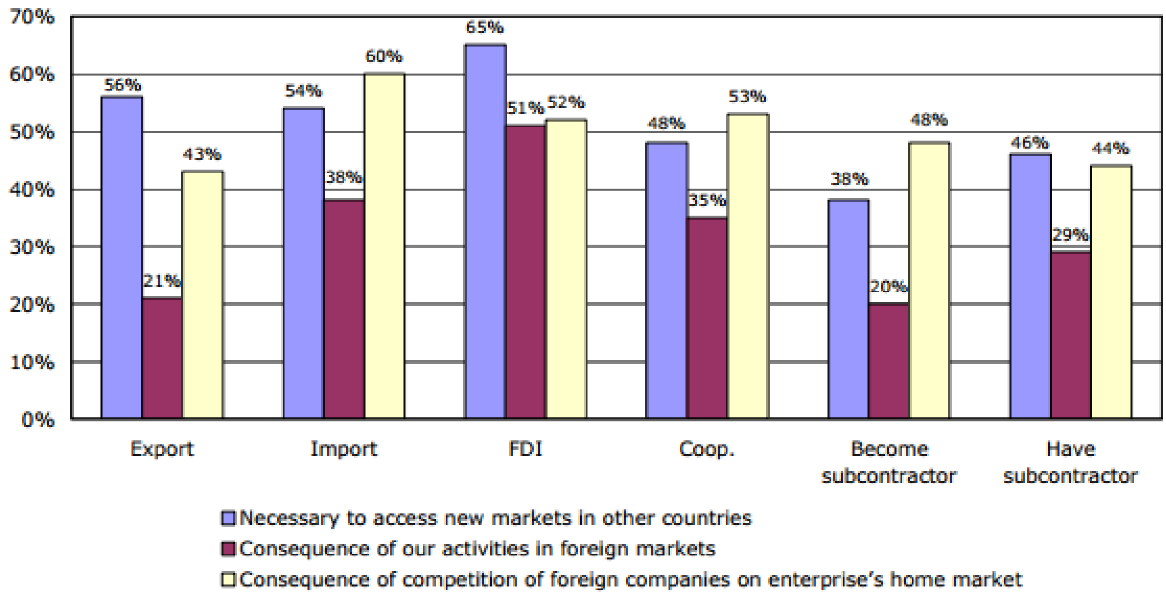
Some fields of business require the development of products or services before even entering the foreign markets. Many of the enterprises are required to do this R&D themselves mainly because it is considered as one of the competitive advantages which logically, not many companies like to share. This can be observed in the following chart. It shows that internationally active firms score above this average (37%), while non-internationally active firms score below this average (19%). Fifth of the SMEs that conducted the developed of their products or services say that this was an inevitable result of activities in foreign markets. Other researches show that the internationalisation alone pushes businesses into innovation and development. This is quite logical because if you want to keep the advantage, you need to progress.

	Internationally active	*Only plans to become active*	*No international activity*
Necessary to access new markets in other countries	37%	59%	19%
Consequence of our activities in foreign markets	30%	9%	7%
Consequence of competition from foreign companies on enterprise's home market	44%	20%	19%
Total N, unweighted	3248	126	725

Source: Survey 2009, Internationalisation of European SMEs EIM/GDCC (N=9480).

Diagram 14: Process innovations and internationalisation

Chart below indicates the main reasons why firms with certain tendencies to internationalise developed new products or services by themselves. It is apparent that enterprises without any particular plans score lower than those who had prepared. Firms with concrete plans to invest abroad indicate more often than firms with concrete plans for other international activities that the development of new products or services was a consequence of foreign market activities. Also, firms with plans for international activities indicate much more often than firms with no such plans that the development of new products or services was the consequence of foreign competition in the home market This is also quite supportive to the previous chapters that discuss how preparation and planning is crucial when approaching or considering an expansion to foreign market. An old saying pushes in “if you fail to plan, then prepare to fail”.



Source: Survey 2009, Internationalisation of European SMEs EIM/GDCC (N=9480).

Diagram 15: Reasons for developing new products/services by itself and concrete plans for international activities in the near future (2009-2011)

The survey also shows that 7% of the SMEs from 33 different countries nurture technological cooperation with enterprises abroad (micro 7%; small 12% and medium-sized 22%). The country that is the leader in this regard is Germany which we can see is by far the country most mentioned (18% of questioned enterprises).

Rank	*Country*	*%*
1	Germany	18%
2	United States	8%
3	France	7%
4	United Kingdom	7%
5	Austria	6%
6	Netherlands	6%
7	Italy	5%
8	Switzerland	4%
9	Spain	4%
10	China	3%

Source: Survey 2009, Internationalisation of European SMEs EIM/GDCC (N=9480).

Diagram 16: The top-10 of countries that SMEs have technical cooperation with

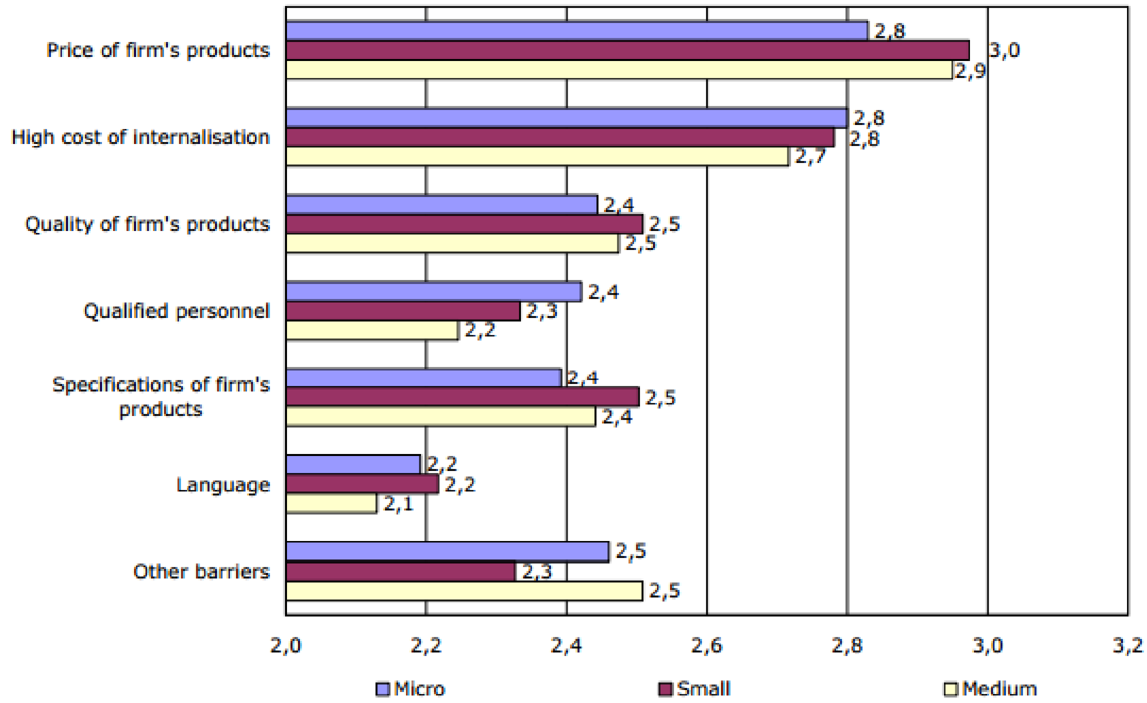
2.3 E-commerce

Above we have also discusses how new technologies such as internet boosted the competitive abilities of European SMEs. The basic step seems to be having own online presentation or more simply a website. 65% of SMEs report that have own website. When broken down into micro, small and medium-sized, the figure ranges from 63%, 80% and 90% respectively. Similar figures are found for all Member States, however with certain variations that can be observed, largely associated to the cultural reasons. For the six large economies, the average figure for Italy is relatively low at 57% but for Germany it is as high as 82%. The interesting facts are observable also when focusing the research by business sectors with construction (47%); retail trade (55%) and transport and communication (59%) score below average, whereas business services (71%); wholesale trade (73%); manufacturing (74%) and personal services (74%) score above average. This again is quite understandable when taking into consideration the nature of businesses and the importance of good presentation for the customers.

2.4 Barriers

As discussed in theoretical part there are two types of barriers, internal and external. We will focus on the internal ones since the external ones are quite redundant due to the nature of European Union law unification and free trade tendencies.

Internal barriers are commonly related to the characteristics of each business sectors. The results visible in chart below by size of firm are shown on a scale ranging from 1 'not at all important' to 5 'very important'. About 5% state that they have no barriers at all and another 6% report that they can’t really access the importance of such barriers.



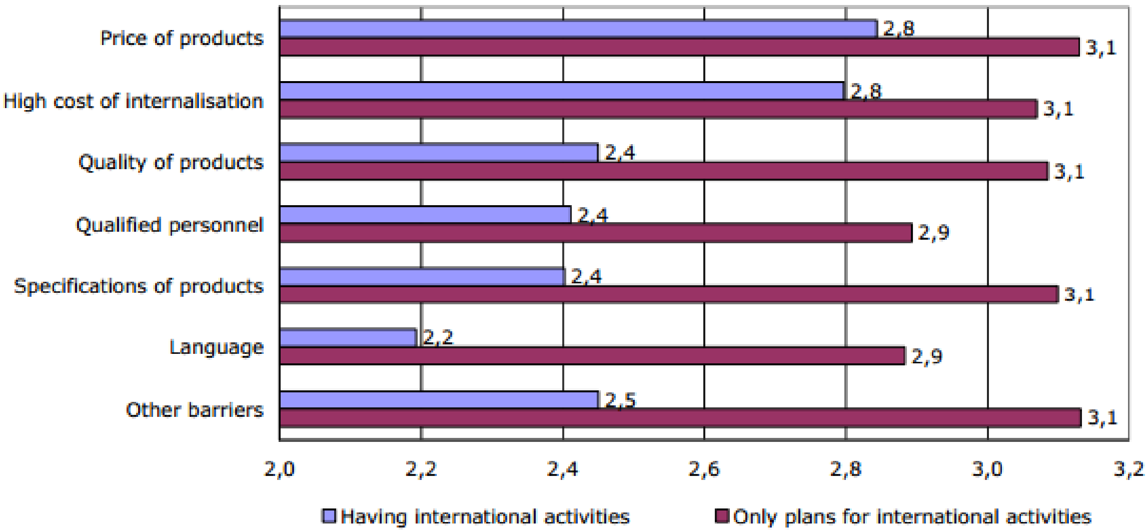
Source: Survey 2009, Internationalisation of European SMEs EIM/GDCC (N=9480).

Diagram 17: Importance of internal barriers for internationalisation (size of businesses)

As the economical differences among the European Union countries are still vast it is quite understandable that the main reported barrier is the price of the products or services of the enterprise. This is associated to the price levels in each country. Therefore, the integration is on everyone's mind which aims to increase efficiency of SMEs. The main ways to do this can be further cooperation between enterprises to help each other assimilate on each other markets as well as shared research and development in order to maintain competitive advantage. As R&D can be costly, it is sometimes to require joint effort.

As seen in the chart, the second most important barrier is the high cost of internationalisation. Despite of each government having a dedicated department that is supposed to help small enterprises assimilate to country's market the tendencies that going abroad is difficult prevail. Other than that, it is notable that the difference of issue recognition is not that high when talking to micro, small and medium-sized businesses, all perceive the barriers more or less in the same way.

From the next chart it is quite apparent that a so called fear factor is observable for SMEs that are only preparing to enter into international market and put much more importance on such issues as opposed to those who are already conducting cross-border business. On the same scale (1- not important at all) to 5- very important), the difference is easily observable. In summary more than 20% higher for SMEs which are not yet internationally active.



Source: Survey 2009, Internationalisation of European SMEs EIM/GDCC (N=9480).

Diagram 18: Importance of internal barriers for internationalisation (Already situated vs. planning to expand)

Despite the efforts of government departments to decrease the fear of conducting business in foreign country the problem is still quite apparent and the author believes even further activities can be done by both government and existing SMEs. The spread of information should go hand in hand with spread of network communication and information sharing via internet websites. It is also nice to see that the enterprises which have not yet encountered cross-border trade are worried and concerned about the activities which will eventually force them into putting more effort into preparation and eventually coping better with harsh reality once going abroad.

3 Proposals and Contribution of Suggested Solutions

It is widely known that SMEs are biggest contributors to employment in European countries and form a skeleton of the European economy. National governments know this and for this reason design dedicated support programmes. However, are they effective? Do owners of SMEs believe in them? Do you want to follow them and be same as the competition?

These are just few of the questions that come to ones' mind right away. Much can be accounted to the culture of the region and level of doubt that people harbour towards state authorities. We need to take into consideration: if it can work perfectly in Netherlands, why not in Central Europe? Of course the support programmes are not going to grab your hand and guide you to success with you just hanging around. Active participation is essential. This support comes in two streams: state support and private support programmes.

The country's government bodies have various programmes for supporting SMEs (discussed in chapters above) but the single most significant part is that they are the holders and providers of countless subsidies to business sectors, mainly from the EU budget. Subsidies are the most loved and at the same time the most hated policy in European Union. There are several risks and barriers when it comes to going for subsidy. First, when you want to obtain a subsidy there may be quite narrow specifications that have to be met in order to apply for financial aid, sometimes they can even seem contra productive. In order to ensure the maximum potential of use of such funding, this burden has to be reduced as much as possible. Once obtaining the subsidy you come into risk of having to pay it back if not following strict rules. Also, the subsidies' main idea is to "promote business without discriminating competition" meaning there are subsidies only for limited areas of business. However money is the most important resource so enterprises will do anything to get their hands on any kind of subsidy possible.

But how are you supposed to know how to apply, how to obtain and how to follow subsidy rules of country you have just entered (or plan to enter)? In Central Europe it has been a long lasting culture that your enterprise is strictly yours and you don't let anyone in to poke theirs nose around. Scandinavian countries offer completely opposite philosophy: Why waste time with bureaucracy and paperwork when time spend on performing your actual product or work is more valuable? Let others do it and dedicate all the time to your unique business idea! Don't worry to let them in. Many firms in Finland in fact make living out of taking care of all your accounting, invoicing, communication with authorities, legal advisory, etc. This tailored package lets enterprises and owners focus on their work and production and not being bothered by running around various government offices. It is a nice vision, however legislation of European Countries can be very different and the level of delegation of powers limited. One of the major steps can be introducing electronic signature into various spheres of bureaucracy thus easing it up by significant portion.

Not to mention that there are settled consultant multi-national companies in almost every European country. They offer unified advisory services tailored to the specific country legislation which can be perfect for planning an export plan. These companies can provide SMEs with budget estimate, market research as well as other vital help which is essential for the early stages of export process. After all, you want to know if the plan to export has a chance for success, right?

The main issue that exporters often find it difficult to export with success is because they adopt a product-focused approach. This means that they obtain an order, complete the order and then they retreat back to home country. It is obviously doable in the short-term however for the long-term success requires more sophisticated plan.

It may sound as a cliché, however by following just few golden rules might make the difference between boom and bust. In order to be competitive, exporting SMEs need a coherent, forward-looking business strategy. Improving efficiency, reducing costs and enhancing the reputation of their products is a must. Here are some suggestions how to do so:

- Creating a market-oriented strategy
- Maximising efficiency in marketing and branding of products
- Nurturing relationships in supply networks
- Maintaining quality level of product (or service) that is adjusted to the local market
- Maximising the use of information and communication technologies

The last point has an increasing importance. The world is getting devoured by internet and the level of globalisation is rising. The kids of “dot-com” boom in year 2000 are now thirteen years older and can be considered a strong buying power easily influenced just by smart and fancy marketing on internet. In past two years it has gone even further. Having a smart, good looking web presentation is simply not enough, that’s why many firms storm into smart phone application field and by many users its availability is the determining factor. Compared to the costs that such package consisting of web page and smart phone app carries, the contribution can be huge even for SME of size around 10 employees.

There has been a lot of discussion about costs. One can imagine that providing unified amount is impossible. There are just too many variables involved; however we can distinguish the most important ones while also highlighting the areas that can be source of effective saving. All this is also very dependent on the business sector we are targeting (production, services, sales, etc.). However there is one thing that can be done in every sector to save money regardless of its type: promoting the implementation of eco-innovations and green technologies among SMEs, in particular through supporting development of clusters in green technologies; eliminating key hurdles to the deployment of eco-innovations; and raising awareness among companies about the adoption of eco-management and audit schemes. Just to give few examples:

- Modernisation of equipment used for energy production for own needs leads to further savings
- Modernisation and repairing of premises can provide decrease of the losses in the electricity and warmth networks
- Use of residual energy
- Revising and innovating of production processes decreases energy requirements
- Use of secondary raw materials

Environmental management systems are also one of the ways towards the increased competitiveness among exporting businesses. The “green” reputation is highly regarded in many European countries.

There is much more that can be done in the field of saving. Over the years there has been major decrease in several areas such as costs of communication and transport, why can’t we also reduce some other costs? One of the biggest drivers for saving is competitiveness which forces enterprises to constantly innovate and improve.

Conclusions

This master thesis elaborated on the export performance of European small and medium businesses. Its aim was to introduce readers to the thought process behind preparing and reacting to different scenarios. It explained what the main fears are for firms as well as what they see as the biggest opportunity.

The first part was designed to provide vital theoretical background of how the approach to exporting philosophy has changed over the years and what various studies put emphasis on. There was also a brief comparison between the most significant movements.

In the analytical part the thesis discussed data and study conducted by European Union directly on the subject. Thanks to number of supporting charts and diagrams it was shown what the current state and trends of SMEs are when it comes to exporting or just even preparing to export.

In the third, more essay-like, part the author’s ideas were presented. It considers the theoretical framework and along with the analytical part connected with real life cases in mind it discusses current state as well as suggests improvements for the future.

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List of Diagrams