Factors Stimulating Export Business: An Empirical Investigation

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Abstract

The article reports the findings of an empirical investigation into the export stimulation behavior of Cypriot manufacturers. The study revealed that the thrust of the motivation originated from internal and proactive forces, in contrast to the findings of earlier research. Export stimuli were categorized into eight conceptually meaningful groups using factor analysis, with managerial and enterprise competence being the most significant stimulus. Overall, both organizational and internationalization parameters had a weak discriminating effect on the emerging stimulating factors; however, some of these parameters exhibited a significant differentiating role in relation to certain export stimuli. Several conclusions are extracted from the findings, and directions for future research are indicated.

Introduction

While trade between nations is an economic activity pursued in the world since ancient times, it experienced real growth only after the end of the Second World War due to a number of factors: the establishment of an international monetary framework; the construction of a world trading system; the absence of large-scale global warfare; the economic growth experienced by many countries; and the significant developments in transportation, communication, and information technology (Keegan 1995). At times, economists have tried to explain the engagement of nations in international trade by proposing several theories, the most frequently cited being those of absolute advantage, comparative advantage, factor endowment, demand similarity, and product life-

cycle (Czinkota et al. 1993). However, these theories, although important for macroeconomic policy purposes, are of limited usefulness when examining the export behavior of individual business concerns (Onkvisit and Shaw 1993).

For this reason, a number of scholars have adopted a micro-business perspective of international trade, by attempting to investigate the forces stimulating the firm's decision to initiate, develop or sustain export operations. For some of them, export stimuli - also called motives, incentives, triggering cues or attention evokers - are among the most dynamic and critical elements of the exporting process, in that they provide the real driving force behind the firm's expansion into international business (Olson and Wiedersheim-Paul 1978). These include, *inter alia*: possession of unique organizational competencies; existence of idle operating capacity;

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prevalence of home market constraints; pressures by domestic competitors; identification of business opportunities in overseas markets; and encouragement by external agents. It has been acknowledged, however, that these stimulating factors become operative only to the extent that they are brought to the attention of the executive who is responsible for making the strategic decisions of the organization (Miesenböck 1988).

It has also been postulated that the existence of an export stimulus is a necessary but insufficient condition for the firm's engagement in exporting (Simpson and Kujawa 1974; Olson and Wiedersheim-Paul 1978; Dichtl et al. 1984). Rather, this will depend on various background forces which facilitate or inhibit the effective activation of the latent stimulus. One set of these forces refers to characteristics pertaining to the organization, such as corporate size, business experience, and industry type (Bilkey and Tesar 1977; Wiedersheim-Paul et al. 1978; Cavusgil 1982; Garnier 1982; Moon and Lee 1990). There have also been some attempts to establish an association between export stimuli and a number of parameters describing various aspects of the firm's internationalization process (Pavord and Bogart 1975; Piercy 1981; Tesar and Tarleton 1982; Jaffe et al. 1988; Koh 1989; Katsikeas and Piercy 1993).

Despite the above contributions, there is as yet a limited systematic effort to empirically assess the impact of the complete set of stimuli on export management decisions, and subsequently associate this with multiple organizational and internationalization factors. This study attempts to fill this gap by setting the following objectives: first, to identify the most common export stimuli from the extant literature and then evaluate their relative impact on export behavior; second, to categorize stimulating factors into groups that would be conceptually meaningful; third, to examine the segregating role of certain organizational parameters on export stimuli perceptions; and fourth, to establish how factors stimulating exporting vary according to differences in company internationalization. In addressing these objectives the paper is or-

ganized as follows: in the next section, previous research on the subject is reviewed and assessed; the methodology used in carrying out the present investigation is subsequently explained; then, the results of the study are analyzed and discussed; the last section derives conclusions and implications from the study findings.

Previous Empirical Research

The literature on export stimuli is among the most well researched within the exporting discipline, as demonstrated by the fact that more than 30 studies have been hitherto carried out on the subject. The first study was undertaken in the early 1970s, and since then the investigation of export stimulation has grown at an accelerating pace, perhaps in response to today's rapid globalization of world economies (Douglas and Craig 1992). Research was initiated in the United States, and then spread gradually to other countries around the world; in fact, approximately half of this research took place in North America, while, with a few exceptions, the remainder was conducted in European countries. The majority of the studies investigated the export stimulation process of industrial rather than consumer goods producers, and in the majority of cases the unit of analysis was small- and medium-sized firms selling part or all of their products to overseas markets.

All studies researching export stimulating factors are presented chronologically in Table 1. Although each study adopted a different way of operationalizing the export stimulus construct, 20 items were found to be among the most commonly cited, which appear in descending order of frequency, intensity or importance.¹ Export stimuli were classified using Albaum et al.'s (1989) quadruple typology, namely internal-proactive, internal-reactive, external-proactive, and external-reactive. Specifically, internal stimuli are associated with influences endogenous to the firm, while external factors stem from the domestic or foreign environment in which the company operates (Simpson and Kujawa 1974; Wiedersheim-Paul et al. 1978; Kaynak and Stevenson 1982). On the other hand, proactive

Table 1: Rank ordering of export stimuli in various empirical studies

Research study Export stimuli	Simpson & Kijawara ^(a) (1974)	Pavord & Bogart (1975)	Rehino (1980)	Brooks & Rosen (1982)	Johnston & Cainkora (1982)	Joynt (1982)	Kaynak & Stevenson (1982)	Ogram (1982)	Tesar & Tarleton ^(b) (1982)	Kaynak & Kohari ^(c) (1984)	Karafa- kioglu (1986)	Kaynak et al. (1987)	Jaffe et al. (1988)	Leonidou (1988)
<i>Internal-proactive stimuli</i>														
Achievement of economies of scale	-	6	-	-	-	4	-	N.A.	-	-	-	-	-	-
Special managerial interest/urge/aspirations	-	3	-	-	4	-	-	N.A.	-	-	-	-	-	-
Products with unique qualities	-	-	-	-	2	-	-	-	2	1	7	-	-	-
Possession of a special competitive advantage	-	-	-	-	3-7	-	-	-	3-4-5	-	7	-	2-3	-
Potential for extra sales/profits	2	7	1	6	1	-	-	N.A.	-	4	-	-	1-4	2-5
Need to achieve corporate growth	-	-	-	6	-	-	-	-	-	-	6	-	-	3
<i>Internal-reactive stimuli</i>														
Offsetting sales of a seasonal product	-	-	-	-	-	-	-	N.A.	-	-	-	-	-	-
Utilization of idle operating capacity	4	5	6	1	N.A.	2	N.A.	N.A.	-	3	2	3	-	6
Stagnation/decline in domestic sales/profits	-	4	-	-	N.A.	-	-	-	11	4	-	6	-	8
Reducing dependence on/risk of domestic business	-	2	3	-	-	-	-	N.A.	-	-	-	-	-	-
<i>External-proactive stimuli</i>														
Encouragement by external agents/organizations	-	-	-	-	-	-	N.A.	N.A.	6	3	-	7	-	-
Identification of attractive foreign opportunities	-	8	-	4	-	-	N.A.	-	-	1	-	4	-	4
Exclusive information on foreign markets	-	-	-	4	N.A.	6	-	-	6	7	-	-	-	7
Government export assistance/incentives	-	-	4	-	5	-	-	N.A.	-	-	4	-	-	-
Contacts after participating in trade fairs/missions	5	-	-	-	-	-	-	N.A.	-	-	-	-	-	-
<i>External-reactive stimuli</i>														
Initiation of exports by domestic competitors	3	-	7	9	-	-	-	-	-	-	-	-	-	12
Competitive pressures in the domestic market	-	-	-	3	6	3	N.A.	N.A.	7	9	-	5	-	9
Favourable foreign exchange rates	-	-	-	8	-	-	-	-	-	-	-	-	-	-
Saturation/shrinkage of domestic market	5	1	2	7	N.A.	-	N.A.	N.A.	-	4	1	2	-	1
Receipt of unsolicited orders from abroad	1	-	-	2	-	1	N.A.	2	1	2	2	1	-	10
<i>Miscellaneous</i>	N.A	9	5,6,8	5,5,8,8	N.A.	5,7	N.A.	-	8,9, 10,11, 12	-	3	-	5	11

Notes: (a) The first column indicates the findings among exporters and the second of non-exporters.
(b) The first column concerns the results of the Wisconsin study and the second of the Virginian study.
(c) The first column presents the findings of the study in Nova Scotia and the second of the Texas study.
N.A.: Not available

Table 1: Rank ordering of export stimuli in various empirical studies (cont'd)

Research study Export stimuli	Albaum et al. (1989)	Ghauri& Kumar (1989)	Koh (1989)	Kohari ⁶⁰ (1989)	Diamant et al. (1990)	Kaymak ⁶⁰ (1990)	Sullivan & Bauer (1990)	Werner & Pak (1990)	Barrett& Kaymak ⁶⁰ (1992)	Ifjuz& Bush (1993)	Katsikas & Piercy (1993)	Leonidou (1993a)	Kaisi- keas (1996)	Ramases han&Sou tar(1996)	This study
Internal-proactive stimuli Achievements of economies of scale	-	-	-	-	-	-	1	-	-	16	8	2	11	-	5
Special managerial interest/urge/aspirations	4	-	4	5	9	3	9-15	-	-	6-9	3	9	1	-	3
Products with unique qualities	5	-	1	1	3	-	-	-	-	-	9	3	5	-	8
Possession of a special competitive advantage	8	-	3-6	-	7	-	13	-	-	-	-	11	-	-	6
Potential for extra sales/profits	2	-	-	-	-	-	-	-	-	1	-	1	4	2	1
Need to achieve corporate growth	1	-	-	-	1	-	2	6	8	4	1	2	4	1	2
Internal-reactive stimuli Offsetting sales of a seasonal product	9	-	-	-	-	4	-	4	-	-	-	9	-	-	13
Utilization of idle operating capacity	6	2	9	2	1	3	3	-	6	12	6	16	8	-	11
Stagnation/decline in domestic sales/profits	-	-	8	-	-	5	17	3	-	3	17	11	4	3	11
Reducing dependence on/risk of domestic business	3	-	7	-	-	-	8-12	-	2	-	2	4	4	-	7
External-proactive stimuli Encouragement by external agents/organizations	10	6	-	-	-	-	28-29	5-10	7	2-7-13	16	12	-	-	18
Identification of attractive foreign opportunities	-	-	-	-	-	-	-	-	1	-	-	8	-	-	4
Exclusive information on foreign markets	-	-	13	-	-	-	11	1	-	-	7	-	-	-	8
Government export assistance/incentives	-	-	15	8	-	-	30	-	-	8-10	15	7	6-7	-	16
Contacts after participating in trade fairs/missions	-	5	-	-	-	7-8	6-7	-	-	-	-	14	-	-	10
External-reactive stimuli Initiation of exports by domestic competitors	-	4	-	-	-	7	23	11	-	18	-	15	-	-	17
Competitive pressures in the domestic market	7	-	5	-	3	7	21-26	-	-	-	13	5	11	4	14
Favourable foreign exchange rates	-	-	-	-	-	-	-	7	-	-	5	-	9	-	12
Saturation/shrinkage of domestic market	4.8	3	10	6	2.4	3	5	9	-	5	14	10	12	3	9
Receipt of unsolicited orders from abroad	4	1	-	-	2	2	24	12	4	15	6	13	2	-	15
Miscellaneous	-	-	2,7,11 12,14	3,6, 7,9	2,4, 5,8	4	2,8,22	4,5,6,7, 10,14,1, 8,19,20, 27,28	4-5	9-9	10,14,17 19,20, 21	4,10,11, 12	17	3,6,9,10, 13	5

Notes: (d) The first column shows the results of the 1977 study and the second of the 1988 study.
(e) The first column presents the findings of the study in the Atlantic region and the second of the Prairie region.
(f) The first column presents the findings of initiating stimuli and the second of ongoing stimuli.
N.A.: Not available

stimuli denote the firm's interest in exploiting unique competencies or opportunities in overseas markets, while reactive motives exemplify a response to organizational or environmental pressures (Pavord and Bogart 1975; Johnston and Czinkota 1982; Leonidou 1988).

During the 1970s², only a few studies attempted to investigate the issue of export stimulation, all of which took place in the United States. The pioneers of this research were Simpson and Kujawa (1974), whose landmark study among Tennessee manufacturers showed that both exporting and nonexporting firms are motivated more by external stimuli, particularly unsolicited orders from foreign customers, as opposed to stimuli of an internal nature. Another study by Pavord and Bogart (1975) revealed that the most influential motives reflected a reaction to adverse market conditions (e.g., home market saturation, reduction of dependence on indigenous customers, and compensation for declining domestic sales), as opposed to an aggressive approach toward exporting. The third study was conducted by Tesar and Tarleton (1982) in the Wisconsin area, and concluded that the leading factors in the initiation of aggressive exports had a proactive nature (e.g., unique product qualities and technological advantages), while passive exporters were stimulated more by reactive forces (e.g., general enquiries from abroad and encouragement by external agents). In the same period, Kothari (1989) attempted to examine the export stimulation profile of small Texan firms and found that the most powerful stimulus was the production of goods with unique qualities, closely followed by the existence of idle plant capacity. Finally, a study by Rabino (1980) conceived stimuli as advantages resulting from export operations, and in this respect he found that the most significant were increased sales, diversification of markets and products, hedging against downturn of the domestic economy, DISC - providing a tax shelter for a portion of total corporate income, and reduction in distribution costs.

The *early 1980s* witnessed the first attempt to study the subject matter in a collective manner by U.S., Canadian, and Norwegian re-

searchers. Most of these investigations demonstrated that fortuitous orders from abroad and the availability of excess production capacity are the most influential factors stimulating export initiation (Brooks and Rosson 1982; Joynt 1982; Ogram 1982; Tesar and Tarleton 1982). These findings supported earlier conclusions in the field that the firm's initial engagement in exporting is more likely to occur after exposure to external rather than internal stimulating factors. It was also confirmed that firms are usually motivated by more than one stimulus, thus illustrating the complexity of the initial export decision. A Canadian study conducted by Kaynak and Stevenson (1982) attempted to factor analyze a list of stimuli triggering off the undertaking of the first export order; two types of factors emerged from their analysis, labeled 'export push' and 'export pull', with the former found more significant. In a well-designed study, Johnston and Czinkota (1982) researched the export stimulation behavior of a special group of U.S. industrial goods producers; their results were somewhat contradictory to earlier research, since it was found that exporters were motivated mainly by proactive stimuli, rather than reactive factors.

In the *mid-1980s*, there was a gradual shift in the geographic focus of export stimulation research from the United States to other countries. In adopting a comparative approach, Kaynak and Kothari (1984) found a different export initiation pattern between Texan and Nova Scotia exporters: while the former were affected by possession of unique skills, knowledge and products, excess operating capacity, and better utilization of corporate resources, the latter were motivated more by identification of foreign market opportunities, receipt of unsolicited orders, and availability of idle operating capacity. In the same period, a Turkish study carried out by Karafakioglu (1986) supported the findings of other researchers that the majority of firms enter exports not because of differential advantages, but because of external factors, such as shrinking domestic demand, competitive pressures, and unsolicited orders. The last factor was again the major reason stimulating the initiation of exports of Swedish firms in Kaynak et al.'s (1987) re-

search, followed by the declining/saturated demand in the home market and the existence of underutilized production capacity. However, a study carried out by Jaffe et al. (1988) found antithetical results: Israeli exporters were essentially motivated by internal-proactive factors, such as the possession of special competitive advantages. During this period, a study investigating the export initiation process of Cypriot exporters revealed that most firms were affected more by proactive than reactive stimuli, exemplifying an aggressiveness toward exporting (Leonidou 1988); however, a closer examination of the results, in light of the unique geopolitical conditions prevailing in the region, threw some doubt on the findings and, instead, it was concluded that the actual export behavior of indigenous firms was passive.

The *late 1980s* were marked by an excessive number of studies on the subject, conducted mainly outside the United States, signaling a growing interest in understanding the dynamics of export stimulation. In exploring what motivates U.S. manufacturers in their current exporting efforts, Koh (1989) found that the possession of a unique product, profit advantage, and technological competence were the three top stimulating factors. However, different results were reported in another American study conducted in the same period by Kothari (1989), showing that exporters are strongly motivated by reactive stimuli, such as the existence of idle operating capacity and saturated home market conditions. Kaynak's (1990) study in the Atlantic and Prairie regions of Canada also underlined the high motivating power of utilizing production capacity in initiating exports. In contrast, in an exhaustive research conducted in the forest products sector of five countries, Sullivan and Bauerschmidt (1990) stressed the role of internal factors - namely the need to achieve economies of scale, corporate growth, and capacity utilization - as the principal forces stimulating exporting. Three studies investigating the export stimulation of Scandinavian firms produced the following results: while Albaum et al. (1989) in Denmark and Diamantopoulos et al. (1990) in Finland stressed the desire to achieve export-led

corporate growth as being by far the dominant motivation, a Swedish study by Ghauri and Kumar (1989) showed once again that the primary stimulus to initiating exports was the receipt of an unsolicited order from abroad, followed by the need to utilize free production capacity, and overcome the difficulties arising from a saturated home market. Finally, Weaver and Pak's (1990) study in South Korea demonstrated for the first time that the most important factor influencing the firm's decision to sell abroad was the availability of export-related information, followed by a patriotic duty to contribute to national economic development.

In the *1990s*, a slowdown in this stream of research occurred, with only six empirical studies inquiring into the subject. A U.S. research conducted by Ifju and Bush (1993) in the hardwood lumber industry concluded that neither external nor internal stimuli influences are dominant in the decision to initiate exports, and that export stimulants are independent of company size and eventual involvement in overseas markets. Barker and Kaynak (1992) attempted to compare stimulation between initiating and subsequent phases of exporting of Canadian firms, and found more or less the same motivation pattern; the only exception was the receipt of fortuitous orders from abroad, which, although quite important during export initiation, was no longer as critical once the firm was engaged in exporting. In a robust study among Greek food exporters, Katsikeas and Piercy (1993) found a more proactive than reactive motivation structure underlying export activities; this research was among the first to analyze export stimulation demographically, with export involvement found to significantly affect a number of stimuli. Two other independent studies were also conducted in Cyprus during this period: the first focused on nonexporting firms and found that the desire to achieve extra growth, sales and profits from exporting was the most important motivator (Leonidou 1995a); the second investigated motivators of ongoing export business, emphasizing the presence of an internationally minded manager as the principal driving force (Katsikeas 1996). Finally, an Australian study by Ramase-

shan and Soutar (1996) revealed that the most important export incentive is the existence of limited opportunities in the home market, followed by the ability to attract higher prices in foreign markets, and the need to stabilize demand.

Five major conclusions can be derived from the preceding review of the export stimulation literature. First, certain factors, namely the receipt of unsolicited orders from abroad, the availability of unutilized operating capacity, and saturation/shrinkage of the domestic market, exhibited overall a highly stimulating impact on export business. Second, it seems that the effect of some export stimuli varies in accordance with the time frame, geographic focus, and industrial coverage of the investigations undertaken. Third, it cannot be clearly inferred from the existing results which of Albaum et al.'s (1989) four categories had a systematically strong motivating impact on export management decisions. Fourth, only a few studies attempted to link organizational demographics with export stimuli perceptions, but even in these cases limited dimensions were examined. Finally, the association between company internationalization and export stimulation has also received scant research attention, with only certain stimuli being significantly correlated.

Research Design

The objectives of the study were addressed within the context of Cyprus, a small European country located in the eastern part of the Mediterranean basin. Apart from providing the base of the principal investigator's research institution, Cyprus offers a fertile ground for carrying out this type of inquiry for a number of reasons: it has an economy which is extremely sensitive to foreign trade, as indicated by the fact that exports represent approximately one-third of its gross domestic product (Central Bank of Cyprus 1995); in recent decades, it has changed the orientation of its foreign economic policy from import substitution to that of export development (World Bank 1988); and, it has experienced a persistent balance of trade deficit, largely attrib-

utable to lack of competitiveness of indigenous producers, deteriorating economic conditions, and unfavorable foreign exchange rates (Cyprus Ministry of Commerce, Industry, and Tourism 1995).

The target population consisted of all those manufacturing companies currently selling part or all of their products to overseas markets.³ A total of 1,149 firms belonging to different industrial sectors were identified from the most recent directory of Cypriot exporters (Cyprus Chamber of Commerce and Industry 1994). All these firms were contacted by telephone to determine whether or not they were willing to participate in the study; of these, 321 firms had to be excluded, mainly because they had closed down, ceased export operations, or changed address. Of the remainder, only 138 companies showed a real interest in taking part in the study and interviews were subsequently arranged. Some of the reasons given for nonparticipation included lack of time due to excessive workload, absence of the key decision-maker, and reluctance to provide outsiders with information. An attempt was made to check for differences between responding and nonresponding firms on certain demographic aspects, but no significant results were revealed.⁴

In each participant firm, personal interviews were held with the individual primarily responsible for making export management decisions. In most cases, this was the general manager (usually the owner), marketing manager or a specially appointed export officer.⁵ Interviews were based on a structured questionnaire which consisted of three major parts: the first explored the firm's export history, as well as company involvement in overseas operations; the second gathered information on ongoing factors stimulating its involvement in exporting; the final part focused on data vital to the company's demographics. Prior to launching the full-scale study, the questionnaire was tested for clarity, length, and ease of response with nine firms and the necessary corrections were made. Each completed questionnaire was checked on a systematic basis for completeness, consistency and legibil-

ity. Of these, only 100 questionnaires were found to be sufficiently useful for further processing.⁶

For the purposes of the present investigation, three sets of variables were used, namely export stimulating factors, organizational characteristics, and internationalization parameters. In order to draw comparisons with earlier research on the subject, this study employed the 20 export stimuli emerging from the previous review of the pertinent literature; these were measured on a five-point Likert scale, indicating the degree of agreement/disagreement with the statement that the specific stimulus had a serious impact on their ongoing export decisions. Organizational factors were also identified from the exporting bibliography, this being industry type, number of employees, sales turnover, business profits, corporate assets, organizational age, background affiliations, and domestic market share. Finally, internationalization parameters incorporated the firm's export experience, export regularity, export aggressiveness, foreign market entry mode, psychic distance, number of foreign markets, export sale intensity, and export profit contribution.⁷

The findings of this research should be seen within the context of a number of limitations: first, the fact that the study took place in Cyprus implies that the results should be interpreted under the specific environmental conditions prevailing in the island, such as economic situation, external trade policy, and foreign exchange rates; second, the execution of the study at a specific point in time implies that the results provide just a snapshot of the export motivation pattern of Cypriot firms, without grasping the dynamic nature of stimuli and how these change over time; third, the cross-sectional nature of the sample does not take into account variations on export stimuli perceptions caused by industry-specific factors, such as technological intensity, level of competition, and market structure; fourth, the manufacturing sector in Cyprus is characterized by firms having relatively small size, family-owned status, and centralized management, largely attributable to the small size of

the domestic market, which in turn might affect the nature of export stimulation; fifth, although every possible effort has been made to secure a large sample size, the final effective sample consisted of only 100 firms, which, however, was representative of the population of the exporting firms in the island; sixth, due to constraints in interview time, export stimuli were measured on the basis of their impact on ongoing export management decisions, whereas it would be more appropriate to examine each stimulus separately for its frequency, intensity, and importance; finally, the dichotomous or ordinal nature of some data, particularly those pertaining to organizational and internationalization parameters, has limited the potential of using certain more powerful analytical techniques, such as regression analysis.⁸

Analysis of Results

This section analyses the results of the study with respect to each of the four research objectives, namely: the assessment of the relative impact of stimulating factors on ongoing export management decisions; the categorization of export stimuli into conceptually meaningful groups; the examination of the discriminating effect of organizational parameters on export stimulation; and the identification of differences in export stimuli perceptions due to internationalization factors.

Relative impact of export stimuli

Of the stimulating factors examined, the potential to achieve extra sales and profits from export operations was the principal reason for export engagement given by most firms ($\bar{x}$ = 4.34) (see last column of Table 1). This was very closely followed by the company's desire to grow, particularly in light of the limited opportunities offered in the home market ($\bar{x}$ = 4.31). Both of these stimuli have been repeatedly cited in the export literature as serious motivators during the various stages in export development, including pre-engagement (e.g., Simpson and Kujawa 1974; Leonidou 1995a), initial (e.g., Sullivan and Bauerschmidt 1990; Ifju and Bush

1993) and advanced (e.g., Johnston and Czinkota 1982; Katsikeas and Piercy 1993). To some extent this finding can be justified by the fact that sales, profit, and growth ambitions are among the most important goals of an organization, and overseas markets usually provide a fertile ground for their fulfilment (Albaum et al. 1989). Third in rank was another stimulus intrinsic to the firm, namely that of special managerial interest in developing exports ($\bar{x}$ = 4.18); this interest can be created, for example, by the decision maker living, travelling or working abroad, and reinforced through contacts with external reference groups, such as trade and professional associations (Leonidou et al. 1997). Another powerful export motive was the identification of lucrative market opportunities abroad ($\bar{x}$ = 4.02), which seems to be highly associated with the aforementioned stimuli, since the more managers regard exports as a profit and growth venue for their organizations, the greater the search for foreign market alternatives (Albaum et al. 1989). A final stimulus with a relatively high impact was the possibility of achieving economies of scale from exports ($\bar{x}$ = 3.89), with the scale effects basically reflecting the size limitations of the domestic market.

Ten other stimulating factors were ranked in middle positions, with heavily concentrated mean values, ranging from $\bar{x}$ = 3.04 to $\bar{x}$ = 3.56. This implies a relatively uniform but modest stimulating impact on export management decisions. However, some of these results were surprising, particularly regarding the effect of stimuli related to the home market, such as the need to spread business risks, existence of saturation/shrinkage market conditions, and stagnation/decline in domestic sales and profits. One would expect these factors to score highly, especially in light of the fact that the size of the Cyprus market is small - whether this is measured in terms of geographic, demographic or economic terms. The existence of idle operating capacity, although a critical export stimulus in past empirical research (e.g., Brooks and Rosson 1982; Joynt 1982; Ghauri and Kumar 1989; Kothari 1989; Kaynak 1990), in this study was moderately influential ($\bar{x}$ = 3.13); this can be ex-

plained on the grounds that the overwhelming majority of manufacturing concerns in Cyprus are small, suffering from limited and substandard production capabilities (World Bank 1988). Finally, the results with regard to two other motives, namely possession of a special competitive advantage and existence of products with unique qualities, are reasonable, taking into consideration the infant state of business in Cyprus, which makes it impossible for many firms on the island to develop strong advantages against competition in international markets.

The remaining stimulating factors exhibited a low impact, these being in descending order: competitive pressures in the domestic market ($\bar{x}$ = 2.88); receipt of unsolicited orders from abroad ($\bar{x}$ = 2.86); provision of government export assistance/incentives ($\bar{x}$ = 2.74), the initiation of exports by domestic competitors ($\bar{x}$ = 2.61); and encouragement by external agents/organizations ($\bar{x}$ = 2.48). The results with respect to three of these export stimuli are of particular interest, since they show serious contradictions with earlier research on the subject. The first concerns export stimulation through the receipt of fortuitous orders, which in many studies appears to be highly influential (e.g., Simpson and Kujawa 1974; Pavord and Bogart 1975; Tesar and Tarleton 1982; Karafakioglu 1986; Ghauri and Kumar 1989); one possible explanation for the contradicting results of this study lies in the fact that unsolicited enquiries are very important in getting initial export orders, but as firms become more experienced in overseas markets other less fortuitous reasons lie behind the motivation to sustain engagement in exporting (Leonidou 1995b). The second is government export promotion programs which, in the case of Cypriot exporters, seem to have a minimal impact on exporters; in fact, some of the participant firms complained that these programs are inadequate, incomplete and in many cases ineffective. The third stimulus refers to the marginal role played by home-based organizations, such as chambers of commerce, industry associations, and financial institutions, in motivating indigenous exporting firms; this finding is supported by evidence obtained from other studies

investigating export stimulation (e.g., Albaum et al. 1989; Sullivan and Bauershmiddt 1990; Katsikeas and Piercy 1993).

Categorization of stimulating factors

Factor analysis was used to analyze the structure of the interrelationships among the above 20 export stimuli and identify groups of variables that would be conceptually meaningful in describing export stimulation.⁹ The factor loadings and communalities produced by the varimax orthogonal rotation are presented in Table 2, as well as the respective eigenvalues and percentage of variance explained. The results of the factor analysis suggested an eight-dimensional structure accounting for approximately 68.7 percent of the variance in the complete set of export stimuli.¹⁰ Given this structure, the initial list of stimuli was combined into eight scales, each containing the average of the items loading at .40 or above.¹¹ For each scale, summated scores were estimated by adding the mean values received by the export stimuli contained in the specific factor and then dividing the sum by the number of these stimuli.¹² To assess the reliability of the summated scales, the Cronbach coefficient alpha was estimated, revealing values ranging from $\alpha = .49$ to $\alpha = .67$. These coefficients indicate a low to modest reliability, taking into account Nunally and Bernstein's (1994) criterion for construct validation research; thus further purification is required to ensure reliability. However, due to the exploratory nature of this study, and time and cost constraints, it was decided to cautiously use these scales for further analysis.

The *first* of the eight factors connects three stimuli: reducing dependence on/risk of domestic business, saturation/shrinkage of the home market, and stagnation/decline of domestic sales and profits. These reflect constraints in the indigenous market that put the firm's future prosperity and even survival at stake, thus necessitating a strategy of expansion to overseas markets (Albaum et al. 1989). In fact, these constraints become more acute in the case of companies operating in domestic markets character-

ized by small size, slow growth, and limited business prospects (Bognár 1969). This factor can, therefore, be best described as 'domestic market constraints'. Notably, this parameter explained most of the variance in the eight-factor solution, but its composite mean score was slightly above the average ($\bar{x} = 3.30$).

The *second* factor combines three stimuli that refer to the identification of attractive opportunities abroad, the potential for the company to achieve extra sales and profits through export operations, and the prevalence of attractive foreign exchange rates. These denote lucrative benefits accruing from overseas operations that provide an alternative way for the firm to improve its financial position other than the domestic market (Noonan 1985; Terpstra and Sarathy 1994). Consequently, 'export benefits/ opportunities' provides a suitable name for this factor. The fact that two stimuli incorporated into this dimension were among the most highly ranked, namely attractive foreign opportunities and export-led sales/profits, resulted in this achieving one of the highest compound mean scores ($\bar{x} = 3.81$).

The *third* factor was heavily loaded by two stimulating aspects, namely the receipt of unsolicited orders from overseas customers and the need to offset the sales of a seasonal product. The former stimulus has been widely cited in the exporting literature as a major motivating force, particularly in the case of firms that attempt to enter foreign markets for the first time (e.g., Simpson and Kujawa 1974; Joynt 1982; Tesar and Tarleton 1982), and emphasizes an unplanned or passive engagement in export business. On the other hand, extending sales of seasonal products also incorporates some accidental elements - especially in the case of firms with products resistant to business cycles, in the sense that companies attempt to stabilize their eroding sales through foreign market exploration (Albaum et al. 1989). Both stimuli are characterized by a relatively casual approach to exporting and, therefore, this factor is called 'unsolicited forces' ($\bar{x} = 2.95$).

Table 2: Principal components analysis of export stimuli

Factors Export stimuli	Domestic market constraints	Export benefits/ opportunities	Fortuitous reasons	Managerial/ enterprise competence	External agent incentives	Internal company problems	Product/information exclusivity	Domestic competition	Communalities
Reducing dependence on/risk of domestic business	.59166	.01163	.23199	.23442	-.00312	.16108	.04797	-.10448	.49815
Saturation/shrinkage of domestic market	.79943	.05380	.12408	-.11089	-.12510	-.08629	.19951	.01247	.73295
Stagnation/decline of domestic sales/profits	.80246	.05542	-.01198	-.01725	.14296	.12881	-.09562	.15882	.71885
Identification of attractive foreign opportunities	-.00335	.81286	.11902	.10440	.11043	.01566	-.01904	-.08367	.70563
Potential for extra sales/profits	.16898	.75117	.17779	.06496	-.10730	.17226	.09936	-.06227	.68358
Favourable foreign exchange rates	.25349	.54887	.02633	-.34281	.22926	-.23037	.33131	.20506	.56163
Receipt of unsolicited orders from abroad	.08037	.26495	.72949	-.15320	.17250	-.06219	.00337	.07766	.67197
Offsetting sales of a seasonal product	.15883	.05759	.73907	.02127	.13160	.02035	.07651	.14559	.62001
Special managerial interest/urge/aspirations	-.06039	.07332	.03040	.86281	-.16249	-.01693	.14647	-.08430	.80964
Possession of a special competitive advantage	.27641	.23789	-.27034	.65468	.26708	.05780	.02969	.24123	.76844
Encouragement by external agents/organizations	-.04424	-.35527	.13978	.06895	.86380	.13220	.07522	.05402	.79969
Government export assistance/incentives	.12641	.11173	.25316	-.31451	.65104	-.06446	.21762	-.15941	.69224
Achievement of economies of scale	.09196	-.01341	-.09928	-.06332	-.06347	.86848	.13970	.02196	.80079
Utilization of idle operating capacity	.31358	.09236	.35838	.00570	.16023	.47663	-.02395	-.33858	.60340
Need to achieve extra corporate growth	-.00128	.33403	.04888	.19709	.27286	.60418	.07414	.18970	.63378
Contacts after participating in trade fairs/missions	.05084	-.05672	.27883	.01069	.10427	.14577	.72087	-.01863	.63579
Exclusive information on foreign markets	-.11435	.41302	-.09327	-.22234	.20169	.10894	.43761	.40145	.64739
Products with unique qualities	.05266	.10768	-.11609	.15282	.06072	.04369	.74484	.05415	.61451
Initiation of exports by domestic competitors	.04415	-.10106	.41947	.10278	-.12936	.04249	.05431	.74072	.76883
Competitive pressures in the domestic market	.42511	-.48467	.03583	-.10667	.14123	.03662	-.02672	.57301	.77863
<i>Eigenvalues</i>	3.55	2.15	1.90	1.53	1.33	1.22	1.06	1.00	
<i>% of variance explained</i>	17.80	10.70	9.50	7.60	6.60	6.10	5.30	5.00	68.70
<i>Cronbach's alpha</i>	0.67	0.53	0.62	0.49	0.60	0.49	0.50	0.54	
<i>Compound mean score</i>	3.30	3.81	2.95	3.87	2.61	3.77	3.37	2.74	

The *fourth* factor links two other export motivators that are directly connected with company strengths, namely the existence of a special interest by the principal decision-maker in export business and the possession of comparative advantages against competitors. As indicated in the pertinent literature, managerial competence and determination play a critical role in stimulating the export activities of the firm, particularly in the case of smaller companies where export decisions are under the responsibility of a single decision maker (Aaby and Slater 1989; Chetty and Hamilton 1993). This stimulus is conceptually connected with competence in one or more enterprise areas, such as marketing, finance and production, which often acts as a catalyst for a company to initiate and develop exports (Brooks and Rosson 1982; Johnston and Czinkota 1982). 'Managerial/ enterprise competence' provides an appropriate term for this factor. Notably, this factor received the highest summated mean score ($\bar{x} = 3.87$), demonstrating a substantial stimulating effect on exporting.

The *fifth* factor covers two stimuli that are straightforward in their conceptual interpretation. The first concerns organizations in the private sector, such as banks, chambers of commerce and industry associations, whose purpose is to encourage firms to initiate and subsequently develop exports. The second also refers to an external stimulation effort, but this time originating from the public sector, such as ministries and government agencies. Both stimuli emphasize the role of actors outside the firm in facilitating engagement in exporting through, for example, the provision and guaranteeing of loans, organizing trade fairs and exhibitions, and publishing basic information about overseas markets (Howard and Herremans 1988; Seringhaus 1993); for this reason the underlying factor was given the label 'external agent incentives'. The fact that the constituent stimuli had a weak individual impact resulted in the emerging factor receiving the lowest composite mean score ($\bar{x} = 2.61$).

The *sixth* factor incorporates three stimulating forces, namely the desire to achieve

scale economies, utilize idle factory capacity, and obtain corporate growth. The common denominator of these variables is that they reflect problems within the company structure caused by the limited potential of the home market. For instance, through exporting, firms seek to reduce their unit costs, utilize free resources, and increase their assets (Noonan 1985; Terpstra and Sarathy 1994). All these are, therefore, problem-solving oriented stimuli in the sense that they constitute problems for the firm, which, if not alleviated through exporting, will severely affect corporate financial performance. 'Internal company problems' provides an appropriate label to capture the underlying dimension of these variables. In terms of stimulating impact this factor was very strong, as demonstrated by its relatively high summated mean score ($\bar{x} = 3.71$).

The *seventh* factor groups the responses of three other motives, namely business contacts obtained from trade fairs/missions, possession of exclusive information about foreign markets, and production of goods with unique qualities. The conceptual linkage among these stimuli lies in the fact that they refer to the firm's privilege to possess something special in the international marketplace, whether in the form of contacts, information, or products. These are basically proactive stimuli, indicating the firm's intention to set up the preconditions for a promising exporting effort (Johnston and Czinkota 1982). For this reason these are labeled as 'product/information exclusivity'. The moderate motivational role of the individual variables comprising this factor are also reflected in the calculated compound mean score ($\bar{x} = 3.37$).

The *eighth* and final factor includes two highly interrelated stimuli focusing on competition in the home market: pressures exerted on the firm by stiff domestic competition, as well as the engagement of other firms in the same industry in export operations. Both of these stimuli were repeatedly investigated by other exporting researchers (Brooks and Rosson 1982; Leonidou 1988; Sullivan and Bauerschmidt 1990), signifying the role of competition in the firm's export decision process. However, in this study the

competitive effects were relatively minimal, as demonstrated by the low ranking received by these two stimuli. As a result this factor, which could be best described as 'domestic competition', exhibited a low composite stimulating impact ($\bar{x} = 2.74$).

Organizational analysis

The above interpretation of the factor analysis results shows that there is a sound conceptual explanation for the variables contained in each of the eight dimensions, which can be further analyzed in identifying the discriminating role of organizational factors on export stimulation. As stated in the methodology section, eight organizational parameters were employed: industry type, number of employees, sales turnover, business profits, corporate assets, organizational age, background affiliations, and domestic market share. For analytical purposes, each of these parameters was split into two groups, in most cases using the median and/or mean as determinants of the cut-off points. Differences in responses between these groups were subsequently assessed by employing the Student-*t* test (see Table 3).

The *type of industry* in which firms operate, whether consumer or industrial, played a minimal differentiating role in export stimulation, since it affected only one of the eight factors that emerged from the factor analysis, namely that of fortuitous reasons ($t = 1.80$, $p < 0.10$). Specifically, firms manufacturing consumer products exhibited much greater exposure to unsolicited inquiries from overseas customers regarding product, price, or distribution information compared to producers of industrial goods; moreover, the nature of consumer goods is such that it permits greater vulnerability to seasonality effects (the second stimulus contained in this factor), as opposed to industrial products which are more resistant to business cycles (Albaum et al. 1989).¹³

The *number of employees* in the company was significantly associated with managerial perceptions of domestic market constraints and

competition. It was found, for example, that firms employing a small staff were motivated more by limitations of the home market, causing saturated demand, stagnant business, and declining profits ($t = 2.05$, $p < 0.05$); this finding is to some extent paradoxical, since one would expect larger firms to seek opportunities in foreign markets due to limited opportunities offered by the small size of the domestic market (Albaum et al. 1989). Competition from other indigenous manufacturers had a greater stimulating effect in the case of companies with few employees ($t = 1.69$, $p < 0.10$), denoting greater sensitivity of small firms to problems associated with keen competition.

Corporate *sales turnover* also played a serious differentiating role with respect to two other stimulating factors. The first is domestic market constraints, which were more strongly felt by firms with limited revenues ($t = 2.87$, $p < 0.05$), indicating that their management perceives export markets as a promising venue for generating additional corporate sales. The second stimulus refers to managerial and other enterprise competence, which had a greater impact among firms with a larger sales volume ($t = -2.38$, $p < 0.05$); this finding could be partly explained by the fact that large companies usually have more competent and dynamic management able to appreciate the usefulness of exporting, as well as greater availability of organizational resources that are crucial for export strategy implementation (Abdel-Malek 1978; Garnier 1982; Calof 1994; Tyebjee 1994).

Business profitability had a segregating impact, similar to that observed in the case of the number of employees. More explicitly, non-profitable firms were more sensitive to the domestic market constraints stimulus ($t = -1.89$, $p < 0.10$), one component of which refers to the limited profit opportunities in the home market (Rabino 1980; Johnston and Czinkota 1982; Ifju and Bush 1993). Corporate profitability was also highly connected to pressure from domestic competitors: non-profitable firms were seriously hindered by competition in the indigenous market, which subsequently acted as a serious impe-

Table 3: Organizational analysis of export stimulation factors

Export stimulation factors Organizational parameters	Domestic market constraints	Export benefits/ opportunities	Fortui- tous forces	Managerial/ enterprise competence	External agent incentives	Internal company problems	Product/ information exclusivity	Domestic competition
<u>Industry type</u>								
consumer (n=77)	3.24	3.83	3.05	3.83	2.65	3.76	3.43	2.81
industrial (n=23)	3.49	3.73	2.59	3.98	2.45	3.81	3.14	2.50
t-value	-1.02	0.59	1.80*	-0.79	0.70	-0.36	1.40	1.32
<u>Number of employees</u>								
smaller (n=49)	3.50	3.73	3.03	3.77	2.71	3.73	3.36	2.91
larger (n=51)	3.10	3.90	2.87	3.96	2.51	3.81	3.36	2.58
t-value	2.05**	-1.10	0.74	-1.24	0.86	-0.49	0.00	1.69*
<u>Sales turnover</u>								
low (n=41)	3.63	3.75	3.12	3.66	2.79	3.73	3.36	2.86
high (n=59)	3.07	3.86	2.83	4.02	2.48	3.78	3.37	2.65
t-value	2.87**	-0.70	1.25	-2.38**	1.29	-0.45	-0.01	1.06
<u>Business profits</u>								
nonprofitable (n=47)	3.49	3.71	2.95	3.76	2.61	3.67	3.32	3.93
profitable (n=53)	3.12	3.90	2.94	3.96	2.62	3.86	3.41	2.57
t-value	1.89*	-1.25	0.07	-1.31	-0.04	-1.30	-0.52	1.79*
<u>Corporate assets</u>								
low (n=40)	3.46	3.74	3.04	3.73	2.65	3.69	3.29	2.86
high (n=60)	3.18	3.85	2.89	3.96	2.58	3.82	3.42	2.66
t-value	1.36	-0.72	0.67	-1.46	0.27	-0.91	-0.70	1.01
<u>Organizational age</u>								
younger (n=42)	3.41	3.85	3.05	3.71	2.94	3.81	3.29	2.71
older (n=58)	3.21	3.78	2.88	3.98	2.37	3.74	3.43	2.76
t-value	1.01	0.47	0.78	-1.80	2.43**	0.48	-0.79	-0.24
<u>Background organization</u>								
nonexistent (n=74)	3.29	3.80	2.95	3.77	2.51	3.72	3.35	2.76
existent (n=26)	3.31	3.85	2.96	4.17	2.90	3.92	3.43	2.70
t-value	-0.04	-0.32	-0.06	-2.31**	-1.42	-1.18	-0.40	0.25
<u>Domestic market share</u>								
small (n=52)	3.41	3.75	2.96	3.67	2.72	3.65	3.33	2.79
large (47)	3.17	3.88	2.94	4.07	2.49	3.90	3.41	2.69
t-value	1.19	-0.86	0.12	-2.74***	0.97	-1.82*	-0.48	0.49

Note: *Statistically significant at 0.10,

**Statistically significant at 0.05,

***Statistically significant at 0.01

tus in their decision to develop export business ($t = 1.79$, $p < 0.10$).

Corporate assets have often been cited in the exporting literature as another indicator of company size. Unlike number of employees and sales turnover, the amount of assets possessed by the firm had no differentiating role whatsoever on export stimulation, even at $\alpha \leq 0.10$. Despite insignificant results, the pattern of differences in the responses between firms owning limited and substantial assets on each stimulating factor was consistent with that observed in the case of the two previous measurements of company size (namely, number of employees and sales turnover). In other words, firms with limited assets showed more sensitivity to domestic market constraints and local competition, but were less stimulated by managerial/enterprise competence.

The results on the linkage between *organizational age* and export stimulation were statistically significant only in the case of one out of the total eight factors examined, namely that of external agent incentives ($t = 2.43$, $p < 0.05$). It was revealed, for example, that firms with few years of business experience tend to be highly motivated by outside agents in their exporting efforts compared to older corporations. This implies that newly-established manufacturers depend on the advice and support of such external organizations as government agencies, chambers of commerce, and financial institutions to go international, probably due to limited resources, information and knowhow in handling export business.

The existence of a *background organization* that would provide the firm with back-up support was another parameter, which, however, was significantly associated with only one stimulating factor, that of managerial/enterprise advantages ($t = -2.31$, $p < 0.05$). Analytically, the study found that firms affiliated with other organizations show a stronger preference for this stimulus, as opposed to companies lacking ties with other business units. This finding can be justified by the fact that a group of companies creates a wider pool of financial, marketing,

technological, and other resources, from which the exporting firm can derive competitive advantages. Business affiliations are also conducive to an internationally minded management, especially if some firms in the background organization are of foreign origin (McConnel 1979).

The last organizational dimension is *domestic market share* - to some researchers another indicator of company size (e.g., Moon and Lee 1990) - whose differentiating role is confined to a pair of stimulating factors. The first concerns managerial and enterprise advantages, where it was found that firms possessing a large share in their respective industries tend to attach greater emphasis to this stimulus, as opposed to companies with a small market share ($t = -2.74$, $p < 0.01$); this is to be expected, taking into consideration the fact that management drive and competitive edge are essential elements in building market share. The second stimulus refers to internal company problems, which was stressed by firms with a large share, probably due to a feeling that the domestically built business had reached its limit, thus requiring them to expand internationally ($t = -1.82$, $p < 0.10$).

Internationalization analysis

This section analyzes the link between export stimulation behavior and parameters characterizing the firm's internationalization process, that is, export experience, export regularity, export aggressiveness, foreign market entry mode, psychic distance, number of foreign markets, export sale intensity, and export profit contribution. As in the case of the organizational analysis, internationalization parameters were dichotomized, often using as a base the median and/or the mean score. Then, to check for variations between the resulting categories as to export stimuli perceptions, the Student-*t* test was employed. The results of this analysis are presented in Table 4, while a more detailed explanation is provided in the following.

Export experience proved to have a very low discriminating effect on export motivation,

Table 4: Internationalization analysis of export stimulation factors

Export stimulation factors Internationalization parameters	Domestic market constraints	Export benefits/ opportunities	Fortui- tous reasons	Managerial/ enterprise competence	External agent incentives	Internal company problems	Product/ information exclusivity	Domestic competition
<u>Export experience</u> novice (n=38)	3.50	3.87	3.21	3.78	2.79	3.66	3.39	2.85
experienced (n=62)	3.17	3.77	2.79	3.92	2.50	3.83	3.35	2.67
<i>t</i> -value	1.65	0.60	1.94*	-0.94	1.18	-1.13	0.24	0.91
<u>Export regularity</u> intermittent (n=31)	3.54	3.76	3.24	3.74	2.77	3.70	3.27	3.09
continuous (n=69)	3.18	3.83	2.81	3.92	2.53	3.80	3.41	2.58
<i>t</i> -value	1.68*	-0.42	1.85*	-1.12	0.92	-0.68	-0.75	2.50**
<u>Export aggressiveness</u> passive (n=20)	3.26	3.72	3.32	3.66	3.03	3.37	3.21	3.05
active (n=80)	3.31	3.83	2.86	3.92	2.51	3.87	3.40	2.66
<i>t</i> -value	-0.19	-0.59	1.67*	-1.35	1.71*	-2.86***	-0.86	1.55
<u>Foreign market entry mode</u> indirect (n=10)	3.57	3.71	3.44	4.05	2.72	3.63	3.55	2.83
direct (n=90)	3.28	3.82	2.90	3.85	2.60	3.78	3.35	2.73
<i>t</i> -value	0.77	-0.40	1.46	0.79	0.29	-0.60	0.67	0.29
<u>Psychic distance</u> low (n=56)	3.43	3.85	2.94	3.81	2.47	3.75	3.44	2.83
high (n=44)	3.13	3.77	2.95	3.94	2.79	3.79	3.26	2.63
<i>t</i> -value	1.46	0.50	-0.07	-0.89	-1.33	-0.52	1.03	1.02
<u>Number of foreign markets</u> concentrators (n=44)	3.48	3.80	3.01	3.66	2.61	3.56	3.31	2.92
spreaders (n=56)	3.15	3.81	2.90	4.04	2.60	3.93	3.41	2.60
<i>t</i> -value	1.66*	-0.09	0.51	-2.54**	0.02	-2.61***	-0.57	1.63
<u>Export sales intensity</u> nonintensifiers (n=62)	3.33	3.79	3.11	3.81	2.59	3.74	3.29	2.93
intensifiers (n=38)	3.22	3.84	2.67	3.97	2.65	3.81	3.49	2.43
<i>t</i> -value	0.53	-0.36	1.99**	-1.04	-0.24	-0.48	-1.06	2.60**
<u>Export profit contribution</u> low (n=72)	3.39	3.80	3.07	3.81	2.59	3.76	3.31	2.82
high (n=28)	3.19	3.83	2.63	4.02	2.67	3.80	3.52	2.54
<i>t</i> -value	0.65	-0.18	1.84*	-1.19	-0.28	-0.28	-1.07	1.28

Note: *Statistically significant at 0.10,

**Statistically significant at 0.05,

***Statistically significant at 0.01

since it was significantly associated with only one of the total eight stimuli, that of fortuitous forces ($t=1.94$, $p<0.10$). This stimulus was evaluated more highly by firms with a limited presence in export business, implying that novice exporters are more likely to be attracted by unsolicited orders from overseas customers than experienced exporters. This finding is in harmony with the results of earlier research on the subject, which concluded that accidental factors are important motivators during the initiation phase of exporting when the firm is exploring the feasibility of selling abroad (Simpson and Kujawa 1974; Joynt 1982; Tesar and Tarleton 1982); however, as the company acquires more experience in overseas business, a number of other - less fortuitous - stimuli play a much more important role (Barker and Kaynak 1992).

Export regularity, that is, the extent to which the firm sells its products abroad on an intermittent or systematic basis, had a strong segregating role on three stimulating factors, namely home market opportunities ($t=1.68$, $p<0.10$), fortuitous forces ($t=1.85$, $p<0.10$), and domestic competition ($t=2.50$, $p<0.05$). All these are reactive stimuli in the sense that they reflect an involvement in exporting in response to environmental (e.g., keen competition in the home market) or organizational (e.g., declining domestic sales/profits) pressures. Notably, these factors were stressed by firms exporting on an intermittent rather than a regular basis, thus confirming earlier views that reactive motivation is usually associated with an unplanned, casual or opportunistic approach toward exporting (Pavord and Bogart 1975; Johnston and Czinkota 1982; Leonidou 1988).

Export aggressiveness, defined as the extent to which the first export order was actively sought (Tesar and Tarleton 1982), was another internationalization parameter whose segregating impact was observed in the case of only two export stimuli. The first is fortuitous forces, which by definition had a stronger presence among passive as opposed to aggressive exporters ($t=1.67$, $p<0.10$). The second refers to internal company problems such as idle factory ca-

capacity, lack of scale economies, and limited growth opportunities, which, as opposed to the previous stimulus, were rated higher by firms undertaking an aggressive export posture ($t=-2.86$, $p<0.01$).

The *mode of entering overseas markets* - whether exporting via domestically based intermediaries or direct distribution methods in overseas markets (Brady and Bearden 1979) - had no association whatsoever with export stimulation, as no statistically significant differences were observed in any of the eight stimulating factors. Despite this, however, there is one point that needs particular attention: the fact that overall indirect exporters were slightly more sensitive to stimulating factors than firms selling abroad through direct methods. Surprisingly, this observation is also valid for stimuli, such as managerial/enterprise competence and product information exclusivity, which would be expected to motivate direct exporters more. One possible explanation for these findings lies in the very small number of firms contained in the subsample of indirect exporters.

The *psychic distance*, defined as the sum of factors preventing or disturbing the flow of information between the firm and the specific overseas market (Johanson and Wiedersheim-Paul 1975; Johanson and Vahlne 1978, 1990), was another internationalization dimension that played no differentiating role in regard to managerial perceptions on factors stimulating overseas operations.¹⁴ In fact, with the exception of domestic market constraints, which were emphasized slightly more by firms selling their goods to psychologically close countries, differences in the export stimulation behavior between the two subsamples - low versus high psychic distance - were marginal. Moreover, no meaningful pattern was observed in relation to the direction of the differences in export stimuli perceptions between these groups of firms.

The firm's *market expansion strategy*, expressed in terms of number of foreign markets in which the firm operates, had a substantial discriminating impact on three stimulating factors.

The first is domestic market constraints, where it was revealed that firms adopting a market concentration strategy are motivated more by this stimulus, as opposed to companies following a market spreading strategy ($t=1.66$, $p<0.10$). The second relates to managerial/enterprise competence; here, it was found that market spreaders are characterized by a greater managerial drive and more competitive advantages in their export stimulation compared to concentrators ($t=-2.54$, $p<0.05$). The third factor was also rated more highly by firms adopting a spreading strategy and refers to internal company problems ($t=-2.61$, $p<0.01$); this finding implies that for some firms, operating in multiple markets provides a means of utilizing production capacity, obtaining scale economies, and achieving growth.

Export sales intensity, defined as the amount of total corporate sales accounted for by export sales, was strongly related to two other motivating factors: fortuitous forces and domestic competition. In the former case, the results showed that firms with low export sales intensity tend to attach greater emphasis to unsolicited factors compared to export intensifiers ($t=1.99$, $p<0.05$), implying that a casual engagement in exporting might lead to poor overseas sales business performance. As far as the second stimulus is concerned, the study also revealed that companies with a low ratio of exports to total sales are highly motivated by factors relating to competition, such as competitive pressures in the home market and the initiation of overseas operations by domestic firms ($t=2.60$, $p<0.05$). This finding is somewhat paradoxical, since one would expect greater dependence on foreign markets and, consequently, higher export sales intensity to be the result of strong competition in the home market.

The final internationalization parameter refers to the *contribution made to the company's profits* by exports. However, the segregating impact of this parameter was confined to only one export stimulus, namely that of fortuitous forces, with firms having a low export profit contribution being stimulated more by unsolicited factors, as opposed to high profit earners

($t=1.84$, $p<0.10$). This finding is consistent with the fact that an unprogrammatic approach to exporting, caused by such fortuitous circumstances as unexpected orders by foreign buyers, is more likely to be connected with low export profitability. Interestingly, two other factors incorporating mainly proactive stimuli, that is managerial/enterprise advantages and product/information exclusivity, were evaluated more highly by companies with a strong export profit contribution, although the differences between the latter and low profit contributors were not statistically significant.

Conclusions

Certain conclusions can be drawn from the preceding analysis of the findings of the present empirical investigation. First, the pattern of export stimulation observed among Cypriot manufacturers was found to differ markedly from that of earlier research, underlining the importance of situation-specific effects on stimuli perceptions; differences in the impact of export stimuli could also be ascribed to variations in the methodological approaches adopted, especially regarding construct operationalization and measurement (Leonidou 1995b). Despite variations in the findings, this study has confirmed that firms are attracted to exporting as a result of multiple rather than single stimulating factors, although only a few factors are critical in the decision to export (Miesenböck 1989). In contrast to many other studies on the subject (e.g., Simpson and Kujawa 1974; Tesar and Tarleton 1982; Kaynak et al. 1987; Ghauri and Kumar 1989; Kaynak 1990), however, this research revealed that the thrust of motivation for Cypriot exporters lies in both internal and proactive forces, particularly the desire to achieve additional corporate sales, profits, and growth by engaging in export operations. This typifies a rational export behavior, that would ensure positive results in foreign markets (Lee and Brasch 1978). Managers should, therefore, establish or maintain this type of export stimulation by cultivating a spirit among employees in their organization that doing business overseas is vital for securing profitable sales and achieving long-term viability. The study

also stressed the fact that certain stimulating factors considered crucial for *initiating* export operations in other studies - such as unsolicited foreign orders, government export assistance, and encouragement by external agents - have a limited impact on *ongoing* export management decisions. This has serious implications for export promotion programs; which must be designed according to whether the manufacturing firm intends to enter overseas markets or is already operating in them.

Factor analysis revealed that export stimuli can indeed be categorized into conceptually meaningful groups; therefore, the eight factors that emerged from this exercise could be used as a basis for further analysis and investigation. For instance, the high compound mean score awarded to the 'managerial/enterprise competence' factor denotes that managers should invest more money, time, and effort toward building internationally oriented managerial and organizational strengths in their companies, if they want to successfully boost the overseas side of their business;¹⁵ it also implies that export promotion organizations should try to enhance managerial export interest through the organization of seminars, workshops and other educational activities that would stress the attractive benefits accruing from selling abroad, as well as improve the competitive edge of indigenous firms in overseas markets through the provision of financial, marketing, technological and other support. To some extent, the factors that emerged from the eight-dimensional structure conform to the combined internal/external and proactive/reactive typologies; for instance, 'domestic competition' is related to the external-reactive group, while 'managerial/enterprise competence' is connected with the internal-proactive category. In other instances, however, the resulting factors were composed of stimuli originating from different, and sometimes diametrically opposite, categories; a case in point is the 'external benefits/opportunities' factor, which consists of a mixture of external, internal, proactive, and reactive export stimuli. These inconsistencies imply that Albaum et al's (1989) classification scheme, although very practical to use,

offers a rather crude conceptualization of export stimulation; integration of empirical categorizations such as those emerging from the present investigation would provide more accurate schemata.

Organizational parameters exhibited a relatively low differentiating role, both on an aggregate and individual basis. Of the stimulating factors examined, 'domestic market constraints', 'managerial/enterprise advantages', and 'domestic competition', attracted most of this segregating impact. Despite weak findings, four major observations based on the organizational analysis of export stimulation can be cautiously made: first, larger firms are stimulated more by proactive factors, such as managerial/enterprise competence, while smaller companies are more reactive in their export motivation pattern, being particularly sensitive to home market limitations; second, compared to profitable firms, nonprofitable units tend to be induced into foreign business as a result of keen competition and deteriorating conditions in the domestic market; third, manufacturing concerns with limited experience in business are more likely to engage in exporting as a response to external factors, such as government export subsidies, as opposed to experienced organizations whose export motivation is associated more with factors of an intrinsic nature; and fourth, firms affiliated with other companies tend to consider managerial and enterprise resources as their principal motive for export engagement. The above points to the fact that the weaker the resource availability, financial healthiness, business experience, and backup support of the manufacturing concern, the more casual its approach to exporting, with all the negative consequences that entails. There is a need, therefore, for public-policy officials to pay particular attention to these segments of firms, by providing, for example, special business training, consultative services, and financial assistance. On the other hand, managers themselves should try to alleviate the negative association of these organizational factors with export stimulation through collaboration with other firms via cooperatives, mergers or even strategic alliances.

The internationalization analysis of the results also revealed a relatively weak discriminating effect on export stimulation. However, in contrast to organizational dimensions, the association between internationalization parameters and export motivation behavior was more focused, thus permitting more solid conclusions to be drawn. For instance, in contrast to regular and aggressive exporting units, irregular and passive exporters were found to be induced into overseas operations primarily in response to reactive and external factors; consequently, it is important to energize the dormant export behavior through exposure to more proactive and positive stimuli, such as the announcement of successful cases in exporting and the dissemination of information about profitable opportunities in foreign markets. Another conclusion relates to the fact that reactive and external stimuli, particularly fortuitous factors and keen domestic competition, exerted the highest impact among firms with a low performance in export sales and profits; on the one hand, this gives credibility to the assertion that poor export preparation often results in business failures in overseas markets (Welch and Wiedersheim-Paul 1980), and, on the other, stresses the pressure exerted on firms by the action of domestic competitors. The study also revealed that, compared to experienced exporters, novice firms tend to explore international markets primarily for fortuitous reasons, such as the receipt of unsolicited orders from overseas customers; although this, *prima facie*, denotes accidental export behavior, it might not constitute a serious problem as long as the firm is equipped with the internal structure and mechanisms necessary to respond effectively and efficiently to such orders. Finally, the fact that companies adopting a concentration strategy are more sensitive to external stimuli, as opposed to spreaders who are more internally motivated reveals an issue that requires further investigation, particularly in connection with other factors affecting export expansion strategy selection (Piercy 1981). One general implication that can be drawn from the above internationalization analysis is that managers who adopt an aggressive, systematic, and programmatic approach to exporting are more likely to prosper in interna-

tional business, as opposed to their counterparts who maintain a "half-hearted" attitude.

Implications for Future Research

Future research on the subject should take into account the following guidelines: (a) The small size of the Cyprus market, the developing nature of its economy, and the unique geopolitical conditions prevailing in the region necessitate validation of the study findings through replication of the present research methodology in other geographic areas; in fact, to allow for generalizations in the conclusions, a cross-cultural study incorporating countries from various parts of the globe, at different stages of economic development, and of dissimilar size is advisable. (b) The dynamic nature of the export development process implies that it would be useful to repeat this study on a periodic basis, in order to monitor changes in both the stimulation pattern of exporting firms, and in the discriminating effect of organizational and internationalization factors; to ensure consistency, it would be preferable to use a panel of firms committed to participation in such a longitudinal project. (c) The exploration of the discriminating role of background variables in company export stimulation should be extended by including in the analysis several other important parameters, such as managerial, industrial, and environmental factors; consequently, an attempt should be made to examine the combined effect of these factors on export stimuli, rather analyzing each one individually. (d) The focus of export stimulation research must be broadened so as to investigate stimulating factors along different dimensions, such as frequency, intensity, and importance; moreover, more robust statistical techniques could be employed if organizational and internationalization factors were measured along interval or ratio scales. (e) This study, as well as earlier research, adopted a relatively crude analytical approach, in the sense that export stimulation was seen in the context of a company selling its goods to a set of export markets; however, more useful insights could be obtained if the investigation focused on the stimulation of specific export ventures targeting specific overseas markets. (f)

To facilitate comparability in the results on export stimulation, it is suggested that the list of stimuli extracted from the review of the pertinent literature be employed by other researchers in the field; moreover, to ascertain the conceptual fitness and reliability of the factors emerging from the principal components analysis, it would be useful to apply a series of confirmatory tests in different environmental settings. (g) The present analysis, which was confined to manufacturing firms, could also be conducted among companies belonging to other economic sectors, such as agriculture, construction, and services; additionally, this analysis could also be applied to firms adopting other foreign market entry methods, such as licensing, foreign production, and strategic alliances.

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Endnotes

1. Rarely reported stimuli were classified under the 'miscellaneous' category, whereas irrelevant stimulating factors were excluded from the analysis.
2. The classification of the studies according to chronological order was based on the fieldwork year of the investigation, and not the year when the results were published.
3. The study was confined to the export stimulation of manufacturing firms, because manufactured goods account for the largest part of exports on a worldwide basis (World Bank 1995).
4. Comparisons between responding and non-responding firms focused on company size, industry sector, and geographic location, and were based on the Wilcoxon's distribution-free rank sum test.
5. Gathering information from more than one informant in the same company was found impractical, and to some extent unnecessary, due to the very centralized management system prevailing among indigenous manufacturing firms in Cyprus.
6. The distribution of the sample firms by industrial group was the following: food, beverages, and agricultural products (25); textiles, clothing, and apparel (40); wood and wood products (3); paper and paper products (1); chemicals, petroleum, and plastics (16); non-metallic and mineral products (2); metal products, machinery, and equipment (7); other manufactured products (5); and miscellaneous (1).
7. The operationalization and measurement of organizational and internationalization parameters is provided in the Appendix section; for analytical purposes, each of these parameters was divided into two groups using the mean and/or the median as cut-off points in most cases.
8. Difficulties in using regression analysis also arose because of the unclear cause-and-effect relationships between organizational/internationalization parameters and export stimulation, as well as the rather low effective sample of the study.
9. Prior to proceeding with factor analysis, a Pearson product-moment correlation analysis was conducted, which revealed a high degree of intercorrelation among the responses of the 20 stimuli.
10. The eight factors were identified using the scree test, while an eigenvalue greater or equal to 1.00 was a basic prerequisite for factor selection.
11. Two stimuli, namely 'utilization of idle production capacity' and 'exclusive information on foreign markets' revealed relatively moderate loadings.
12. There are three major reasons pointing to the use of summated (formative) as opposed to factor scores (reflective) scales: they include variables loading highly on the factor and exclude those having little impact on the factor; they are easily replicated on subsequent samples, while exactly comparable factor scores are much harder to compute for other samples; and they are not necessarily orthogonal, whereas orthogonally rotated factors are orthogonal or uncorrelated (Hair et al. 1995).

Appendix: Operationalization of organizational and internationalization constructs

Parameter	Operationalization	Grouping
<i>Organizational parameters</i>		
Industry type	Classification of firms into Standard Industrial Classification (SIC) categories	Consumer: goods for final consumption or use Industrial: goods sold for further processing
Number of employees	Total number of persons employed by the firm last year	Smaller: below 50 persons Larger: 50 plus persons
Sales turnover	Total amount of sales achieved by the firm in both domestic and foreign markets last year	Low: below \$2.5 million High: \$2.5 million or more
Business profits	Total amount of profits achieved by the firm in both domestic and foreign markets last year	Nonprofitable: making losses or break-even Profitable: making profits
Corporate assets	Total amount of current and fixed assets in the company last year	Low: below \$2.5 million High: \$2.5 million or more
Organizational age	Total number of years since the firm has been established	Younger: below 20 years Older: 20 years or more
Background organization	Whether the firm is part of or is affiliated with a group of companies	Nonexistent: no membership/affiliation Existent: membership/affiliation
Domestic market share	Percentage of total industry sales accounted for by the company's products	Small: below 20% Large: 20% or more
<i>Internationalization parameters</i>		
Export experience	Total number of years since the firm has filled its first export order	Novice: below 10 years Experienced: 10 years or more
Export regularity	Whether the firm exports on a systematic or an occasional basis	Intermittent: exporting on an occasional basis Continuous: filling at least one order annually
Export aggressiveness	Whether the first export order was the result of an unsolicited order or was actively sought	Passive: responding to an unsolicited order Aggressive: first order was actively sought
Foreign market entry mode	Whether the firm exports via other intermediaries located in the home country or own efforts	Indirect: exporting via locally-based intermediar. Direct: exporting via own distribution efforts
Psychic distance	Placement of countries on ten concentric circles (1-10) with Cyprus providing the center point	Low: most countries are in circles 1 to 5 High: most countries are in circles 6 to 10
Foreign market expansion mode	Total number of overseas markets to which the firm sold its products last year	Concentrators: below 5 markets Spreaders: 5 markets or more
Export sales intensity	Percentage of total corporate sales accounted for by export sales	Nonintensifiers: below 50% Intensifiers: 50% or more
Export profit contribution	Proportion of corporate profits contributed by export profits	Low: below 50% High: 50% or more

Note: For certain organizational and internationalization parameters the cut-off points were determined using the median and/or mean.

13. Further analysis of export stimulation by industrial group using a one-way ANOVA test revealed no serious differences across industries, the only exceptions being 'domestic market constraints' ($F=2.38$, $p=.06$) and 'product information exclusivity' ($F=2.06$, $p=.09$). To trace the industries where these differences occurred the Duncan's test was employed. In the case of "domestic market constraints", significant differences existed between firms in the textiles, clothing, and apparel industry ($x=3.58$) and those falling under the food, beverages, and agricultural products group ($x=2.94$). As far as the 'product information exclusivity' stimulus is concerned significant variations existed between the textiles, clothing, and apparel industry ($x=3.61$) and chemicals, petroleum, and plastics industry ($x=2.98$).
 14. Psychological distance was measured based on Dichtl et al's (1983) methodology, where the exporter is asked to place on a map consisting of a set of concentric circles the countries to which its goods are sold, with its own country being the center point.
 15. For a thorough analysis of the role of managerial and organizational characteristics in exporting, see reviews by Aaby and Slater (1989); Chetty and Hamilton (1993), and Leonidou (1997).
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