

Correlates to Export Involvement of Manufacturing Firms in a Less Industrialized Country

Dr. Dimitris Bourantas, The Economic University of Athens

Dr. John Halikias, The Economic University of Athens

Dr. Peter Malliaris, University of Piraeus

Abstract

Over the past twenty years, considerable attention has been paid to the export behavior and performance of firms. A large share of the literature dealing with this matter consists of empirical studies whose purpose has been to identify the profile of exporting firms, in order to estimate the export potential. Although the environment is the same for all firms within a certain country, some distinguish themselves as exporting firms while others, do not. Thus a fundamental question arises: in what ways do exporting firms differ from non-exporting ones? This paper concludes that the distinction between exporting and non-exporting firms as a clear cut dichotomy is insufficient, and that a firm's export activity is, to a large extent, related to its international competitiveness. This is specially true for countries such as Greece, where domestic markets are rather limited.

Introduction

Over the past twenty years, considerable attention has been paid to the export behavior and performance of firms. A large share of the literature dealing with this matter consists of empirical studies whose purpose has been to identify the profile of exporting firms, in order to estimate the export potential. Although the environment (i.e. the incentives, domestic-foreign markets, etc.) is the same for all firms within a certain country, some distinguish themselves as exporting firms while others, do not. Thus a fundamental question arises: in what ways do exporting firms differ from non-exporting ones?

Simpson and Kajawa (1974) concluded that exporting firms distinguish themselves from non-exporting ones in that: (a) they perceive the profitability of export activities as being higher, while the risk and costs involved are respectively perceived as lower; (b) they are staffed with executives with a higher level of education and international experience; and (c) they dispose of patents and are, furthermore, larger in size.

Cavusgil and Nenin (1981) established that exporting firms distinguish themselves from non-exporting ones by four groups of internal characteristics: (a) the expectations of management (about the effects of exporting on a firm's growth); (b) the level of commitment to export marketing (market planning policy toward exports, and systematic exploration); (c) the differential firm advantages (firm's

size, technology intensiveness and possession of a unique product); and (d) the strength of managerial aspirations (for growth and for security of markets).

Although the profile analyses have greatly contributed to the improved efficiency of export promotion measures, the knowledge, which has so far been derived, remains insufficient for two reasons. First, the empirical studies restrict the scope of their investigation to the environments of industrial countries. Therefore these findings cannot be easily generalized to less industrialized countries. Second, with the exception of Burton and Schlegelmish (1987) and Piercy (1981) - most studies consider a clear cut dichotomy between exporting and non-exporting firms.

The objective of this paper is to study the characteristics and the factors which are related to the export involvement of firms in less industrialized countries, such as Greece.

Research Hypothesis

The general hypothesis is that the distinction between exporting and non-exporting firms does not constitute a clear cut dichotomy. The establishment of a single profile for all exporting firms may comprise many misleading generalities. Each exporting firm is likely to be characterized by significant differences, according to its degree of involvement in export activity, its stage of international-

ization, the importance which the firm itself accords to exports, its size, sectors of activity and, of course, according to the national environment. Cavusgil and Naor (1987), specifically state that the dichotomy between exporting and non-exporting firms is too rigid and ignores distinctions between a disinterested non-exporter and an interested non-exporter. From this general hypothesis two specific cases shall be examined: **Hypothesis 1** : Among exporting firms, there are at least two sub-groups: those which export on an opportunistic basis and those which are systematically involved in exports. These sub-groups can be distinguished by differences in their decision-makers' characteristics, in their export marketing and in their perception of their competitive advantages/disadvantages. **Hypothesis 2** : There is a relationship between (a) the degree of involvement in export activity; and, (b) the decision-maker characteristics, variables of export marketing and perceived competitive advantages/disadvantages.

The Independent Variables

The measurements of the specific independent variables considered are presented in Table 5 (appendix). All of these categories of variables are both theoretically and empirically supported by the relevant bibliography such as Bilkey (1978), Bilkey and Tesar (1977), Cavusgil (1984), Cavusgil, Bilkey and Tesar (1979), Cavusgil and Nenin (1981) and Cavusgil and Naor (1987), among others. Particular emphasis was deliberately placed on the perceived competitive advantages/disadvantages. We did so because they have been examined to a far lesser extent and, secondly, because, regardless of whether they are simply perceived or actually established as real, they determine both the firms' propensity and ability to export. This selection of the specific competitive advantages/disadvantages was made based on the bibliography of both international marketing and business strategy, and covers all basic firm functions, such as production, marketing, R & D, finance, personnel and strategy (Dess and Davis (1984), Snow and Hrebiniak (1980), Stevenson (1976)).

Dependent Variables

A firm's degree of involvement in export activity, as a dependent variable, can be measured in two ways: (a) quantitatively, by calculating the percentage accounted for by exports in the firm's total turnover; and (b) dichotomously, based on whether the firm distinguishes itself as a systematic or opportunistic exporter. The firms were asked to classify themselves between the systematic or opportunistic exporters, according to how they perceive themselves. According to the answers collected, the group of systematic exporters export an average of 44.23% of their total turnover, while the group constituted by the

self-appraised opportunistic exporters export an average share of only 14.53%.

Data

In order to collect the necessary data, interviews were set up with managers of the exporting firms located within the Athens area. A questionnaire was mailed and subsequent telephone contact was established with those located outside the urban area.

The questionnaires were mainly answered by General and Export Managers and, in only a small number of cases, by other executives (such as Sales or Marketing Managers) who were nevertheless judged capable of providing valid answers.

The sample consisted of firms from the food, drink, clothing, shoe, textile, chemical, and plastic manufacturing sectors. In addition to the 15 largest exporting firms from each sector, 30 other exporting firms, from each sector, were selected at random from the ICAP Hellas Directory. The sample comprised a total of 315 exporting firms, from which a total of 102 usable answers were received.

Systematic-Opportunist Exporters

From Table 1, differences appear at levels of export marketing variables and perceived competitive advantages/disadvantages, while no statistically significant differences were observed for the third category of variables, i.e. decision-maker characteristics.

The systematic exporting firms stated in greater proportions that they have indeed developed the basic activities of export marketing, such as forecasting the demand in foreign markets, selection of foreign markets and clients, concentration or dispersion of their exporting efforts among a number of foreign countries and, finally, analysis of rate policy which takes the competitors' prices into serious consideration. We must however point out that no statistically significant differences were found between the two categories of exporting firms to other export marketing variables such as advertising on foreign markets and participation in international exhibitions.

As for the firms' perceptions of their competitive advantages/disadvantages, statistically significant differences were also observed among the two categories, reported in Table 2. The opportunistic exporters perceive their firms as being less favored than their competitors, to a greater extent than their systematically exporting counterparts. These differences in perceived advantages/disadvantages involve at least six critical export success factors, such as competitive pricing, the existence of experienced and skillful export staff, the product range variety, the

TABLE 1
Characteristics of Systematic and Opportunist Exporters

Characteristics		Systematic Exporters (%)	Opportunist Exporters (%)	Chi-Square	Significance of Chi-Square
Existence of export department :	yes no	74 26	25 75	16.708	0.000
Assessment of foreign market potential :	yes no	67.1 32.9	33.3 66.7	7.260	0.007
Forecasting of foreign markets :	yes no	81.9 18.1	58.3 41.7	41.288	0.038
Planning the export activity :	yes no	74.7 25.3	33.3 66.7	11.843	0.000
Advertising in foreign markets :	yes no	26.3 73.7	12.5 87.5	1.263	0.261
Participation in international fairs :	yes no	38.2 61.8	20.8 79.2	1.729	0.188
Market strategy :	concentration dispersion no strategy	22.0 37.7 40.3	39.1 0.0 60.9	12.315	0.002
Price differentiation between markets :	yes no	69.7 30.3	50.0 50.0	1.929	0.165
Consideration of competitors' prices in pricing :	not important somewhat important very important	45.0 25.0 30.0	12.0 53.3 34.7	11.853	0.003
Use of client selection criteria :	yes no	81.1 18.9	50.0 50.0	7.458	0.006
Use of market selection criteria :	yes no	69.7 30.3	37.5 62.5	6.735	0.009

TABLE 2
Differences on Perceived Competitive Advantages/Disadvantages Between Systematic and Opportunist Exporters

Perceived competitive advantages / disadvantages	Mean* of Systematic Exporters (%)	Mean* of Opportunist Exporters (%)	Chi-Square	Significance of Chi-Square
Experienced / trained export staff	3.63	3.09	8.495	0.075
Competitive prices	3.12	2.92	9.675	0.046
Range of Products	3.22	2.58	12.528	0.014
Improvement of existing products	3.67	3.04	10.168	0.040
Information about capability about foreign markets	3.28	2.78	10.361	0.035
Personal contacts with foreign clients	3.87	3.08	9.962	0.041
Reputation within market	3.41	3.93	6.774	0.148

* 1 = important disadvantage, 5 = important advantage

TABLE 3
Relationship Between Degree of Export Involvement (Exports/Sales) and Exporter's Characteristics

Exporters' Characteristics	Exports/Sales	Test	Significance
Existence of export department : yes no	44.59 24.99	F=7.670	0.007
Assessment of foreign market potentials : yes no	43.55 27.13	F=5.682	0.019
Use of criteria for client selection : yes no	41.73 25.46	F=4.132	0.045
Market strategy : market concentration market dispersion no strategy	40.64 47.67 29.54	F=2.529	0.085
Perceived relative profitability of foreign markets : Lower than domestic same higher	27.25 40.10 42.93	F=2.392	0.097
Expectations concerning the effects of exporting on growth rate	-	Pearson=0.1487	0.075
Importance of growth rate as goal	-	Pearson=0.1722	0.047

potential for improving the current range of products, the ability to obtain information relevant to foreign markets, and personal contacts with foreign clients.

All of the above significant differences prove that there are at least two categories of exporting firms with different corresponding profiles or sub-profiles. Thus the first hypothesis of the present study is supported by the data.

Correlates to Degree of Export Involvement

By using the one-way analysis of variance and Pearson's independent variables, a series of correlations were calculated between (a) the degree of export involvement, measured by the percentage of a firm's overall sales accounted by exports, (b) the characteristics of the firm's decision-makers, the variables of export marketing and the perceived competitive advantages/disadvantages. See Tables 3 and 4.

First regarding decision-maker characteristics, there is a positive correlation between the degree of export involvement and the perceived relative profitability (margins of profit on foreign markets as compared to those on the domestic ones), the importance of profitability as a

firm's goal and the managers' expectations as far as export impact on firm sales is concerned.

Secondly, regarding the variables of export marketing, the degree of export involvement is positively correlated to practically the same variables which allow differentiation between the systematic and opportunistic exporting firms. These variables pertain to the existence of an exporting department, the foreign markets research, the existence of a policy of concentration or dispersion of the export activities (efforts) amongst a small or large number of foreign markets and the existence of criteria for the selection of clients. Table 3, furthermore, shows that all the remaining export marketing variables are positively related to the degree of export involvement, even though their level of significance was not judged as satisfactory.

A third major finding is that most of the perceived competitive advantages/disadvantages (13 out of 22) are positively correlated with the degree of export involvement. Table 4 shows that the stronger the manager's perceived advantage the larger the share accounted for by exports in the firm's overall sales. In general the competitive advantages/disadvantages with the highest degree of correlation and the most satisfactory level of significance are: personal sales, bilateral agreements, the development

TABLE 4
Relationship Between Degree of Export Involvement and Perceived Competitive Advantages/Disadvantages

Perceived competitive advantages / disadvantages	Pearson Coefficient
New Product development	0.15 ^{***}
Customer service	0.17 ^{**}
Operating efficiency	0.19 ^{**}
Competitive prices	0.29 [*]
Range of products	0.22 ^{**}
Improvement of existing products	0.21 ^{**}
Procurement of raw materials	0.17 ^{**}
Innovation in marketing techniques and methods	0.32 [*]
Servicing special geographic markets	0.29 [*]
Market forecasting	0.13 ^{***}
Information capability concerning the markets, competition etc.	0.26 [*]
Personal contacts with foreign clients	0.37 [*]
Inter-state agreements	0.34 [*]

* p < 0.01
 ** p < 0.05
 *** p ≤ 0.10

of new marketing techniques, the servicing of special geographic regions and the gathering of information relevant to foreign markets and competition. All of these variables are export marketing variables. As for the intensity of correlation, the variables which involve competitive prices, product range variety as well as existing product improvement potential, and which all pertain to production activities, come in second.

Discussion

The results of the present empirical study confirm both of the hypotheses. In effect, it was found that there are statistically significant differences between the characteristics of systematic and opportunistic exporting firms. This finding is consistent with the conclusions of Piercy's (1981) study, according to which reactive exporters distinguish themselves from active ones in several variables of export marketing. However, the present work further extends Piercy's study, by incorporating additional export marketing and reporting significant correlations.

The findings of this paper are also consistent with the results of other empirical studies which maintain that exporting firms differ from non-exporting ones as far as perceived competitive advantages/disadvantages are concerned. This difference in perceptions, however, as shown by the present study, also seems to exist among both respective categories of systematic and opportunistic exporting firms. It can, therefore, be argued that the opportunistic exporting firms, to a much greater extent than their systematically exporting counterparts, perceive themselves as being less competitive than their competitors, in variables which cover just about all firm functions.

As far as decision-maker characteristics are concerned, no significant differences were observed between the two categories of exporting firms. This finding is consistent with the conclusion drawn by Cavusgil and Naor (1987) that decision-maker characteristics appear to be poor discriminating variables between exporters and non-exporters.

The empirical results also confirm the second hypothesis proposed in this paper, namely decision-makers char-

acteristics, export marketing variables and perceived competitive advantages/disadvantages are all related to the degree of export involvement. Two important implications follow from this finding.

First, the distinction between exporting and non-exporting firms as a clear cut dichotomy is insufficient. The profiles which consequently ensue from the adoption of such a methodology comprise several generalities and conceal a considerable degree of heterogeneity among exporting firms, thereby hindering the successful taking of effective measures for the improvement of export performances.

Second, a firm's export activity is, to a large extent, related to its international competitiveness. This is specially true for countries such as Greece, where domestic markets are rather limited. These findings are generally consistent with the results of the studies conducted by Cavusgil and Naor (1987) and Cooper and Kleinschmidt (1985). However, we must emphasize that, at least in the case of the sectors which comprised the sample of our study (consumer goods), the competitive advantages/disadvantages pertaining to export marketing seem to be more closely related to the degree of export involvement than the competitive advantages/disadvantages having to do with other functions such as production, R & D and finance. This implies that these export marketing variables constitute more critical export success factors for the sectors of our sample.

The relation between market strategy and the degree of export involvement deserves particular attention. Our results show that all the firms which have developed a specific market strategy, whether its objective aims at a concentration of export activities amongst a small number of markets or, on the contrary, their dispersion amongst a large number of countries, are all characterized by a higher degree of export involvement, in comparison with the firms which do not dispose of any strategy at all. This seems to imply that both strategies are effective under specific circumstances and could furthermore explain why Cooper and Kleinschmidt (1985) find that market strategy (world versus neighbor orientation) does not play a dominant role in export intensity.

This finding leads to the conclusion that in terms of export strategy, there isn't "one best way", and that the effectiveness of each strategic option depends upon a series of situational factors, such as the firm's size, product, competition, etc.

Concluding Remarks

Several conclusions can be drawn for the analysis of the variables which explain the exporting behavior of firms. In fact, the findings of this study prove that a more analytical classification of exporting firms and the estab-

lishment of more detailed profiles are needed for each one of their categories. By combining the two basic variables which determine export activity, that is, the desire to export and the actual ability to do so, four categories of firms can be established. The establishment of each of these categories' profiles could become a very important contribution to the development and application of a selective measure for each category and the improvement of their export performance. In addition to the two variables mentioned above, there are also other very important variables which could improve the understanding of exporting firms profiles, such as: the firms' size, their sectors of activity and products, their market strategy and their level of internationalization. There is an obvious need for a contingency approach to the study of exporting firms, as well as, the design of a policy for the promotion of exports.

With respect to the improvement of export performances of Greek firms, two useful conclusions can be drawn from the findings of the present study. First, there is a considerable share of non-systematic exporting firms which could easily evolve into systematic exporters. This objective could be reached by applying effective measures which would aim at improving these firms' competitiveness. Second, Greek exporting firms suffer mainly in terms of export marketing, a phenomenon which is common to many other less industrialized countries, and which is due to the relatively small size of the firms. This suggests that any policy for the promotion of exports must necessarily comprise two axes of action: the development of export marketing at the enterprise and country level, and, the development of specialized exporting firms.

At the same time, State policy measure which are taken on a long-term and sectoral basis, as well as incentives for exports must be combined with a series of measures at the firm level in order to improve the firms' competitiveness within the context of international competition.

Finally, as far as future research in this area several matters appear to us as worthy of further investigation: (a) it would be useful to compare the profiles of exporting firms in industrialized countries with those of firms located in less industrialized countries; (b) it would be interesting and useful to study the profiles of exporting firms within each of the major industrial sectors, especially within the sectors of industrial and consumer goods; (c) future research is necessary to identify the critical export success factors for every sector as well as the variables of international competitiveness in order to improve the firms' exporting ability within the context of international competition; and (d) finally, the findings of the paper indicate that effort must be made to pinpoint the most effective export strategies for every specific situation (i.e. firm size, market, product, etc.).

TABLE 5
Variables Hypothesized to be Related to Export Activity

Variables	Measurement
I. Decision Makers Characteristics	
- Level of education of chief executive	university : 1 no university : 0
- Knowledge of English of chief executive	proficiency : 1 no proficiency : 0
- International experience of chief executive	living or working abroad : 1 no : 0
- Perceived relative profitability of foreign markets	lower than domestic : 1 same : 2 higher : 3
- Importance of firm's goals :	not important : 0
- Profitability	moderately important : 50
- Growth rate	extremely important : 100
- Development and security of markets	
- Expectations concerning the effects of exporting on :	
- Profit	decrease greatly : 1
- Growth rate	decrease slightly : 2
- Development and security of markets	no effect : 3 increase slightly : 4 increase greatly : 5
II. Export Marketing	
- Existence of export department	yes : 1, no : 0
- Assessment of foreign market potentials	yes : 1, no : 0
- Forecasting the foreign markets	yes : 1, no : 0
- Planning the export activities	yes : 1, no : 0
- Publicity in foreign markets	yes : 1, no : 0
- Participation in international exposition	yes : 1, no : 0
- Market strategy	market concentration : 1 market dispersion : 2 no strategy : 3
- Price Differentiation	yes : 1, no : 0
- Price determination criteria	
- Production cost	not important : 1
- Total cost	important : 2
- Price of competitors	very important : 3
- Client importance	
- Stock of firm	
- Stock of branch	
- Use of criteria for market selection	yes : 1, no : 0
- Use of criteria for client selection	yes : 1, no : 0
III. Perceived Competitive Advantages/Disadvantages	
E.g.- Prices	important disadvantage : -2
- Reputation	disadvantage : -1
- Personal selling etc.	no difference : 0 advantage : +1 important advantage : +2

*** References ***

1. Bilkey, W., "An Attempted Integration of the Literature on Export Behavior of Firms," *Journal of International Business Studies*, pp. 33-46, 1978.
2. Bilkey, W. and Tesar G., "The Export Behavior of Small Sized Wisconsin Manufacturing Firms," *Journal of International Business Studies*, Vol. 8, No. 1, pp. 93-98, 1977.
3. Bourantas, D., "Industrie: Les Bases de la Competitive Internationale", *Revue Francaise De Gestion*, Vol. 42, pp. 31-44, 1983.
4. Burton, F. N. and Schlegelmish, B. B., "Profile Analyses of Non-Exporters versus Exporters Grouped by Export Involvement," *Management International Review*, Vol. 27, No. 1, pp. 38-49, 1987.
5. Cavusgil, T., "Organizational Characteristics Associated with Export Activity," *Journal of Management Studies*, Vol. 21, No. 1, pp. 3-22, 1984.
6. Cavusgil, T., Bilkey, J., and Tesar, G., "A Note on the Export Behavior of Firms: Exporter Profiles," *Journal of International Business Studies*, Vol. 10, pp. 91-97, 1979.
7. Cavusgil, T., and Naor, J., "Firm and Management Characteristics as Discriminators of Export Marketing Activity," *Journal of Business Research*, Vol. 15, pp. 221-235, 1987. 8 Cavusgil, T., and Nenin, J., "Internal Determinants of Export Behavior: An Empirical Investigation," *Journal of Marketing Research*, Vol. 28, No. 1, pp. 114-119, 1981.
9. Cooper, R. G., and Kleinschmidt, E. J., "The Impact of Export Strategy on Export Sales Performance," *International Journal of Business Studies*, pp. 37-55, Spring 1985.
10. Dess, G. G., and Davis, P. S., "Porter's (1980) Generic Strategies as Determinant of Strategic Group Membership and Organizational Performance," *Academy of Management Journal*, Vol. 27, pp. 467-488, 1984.
11. Piercy, N., "Company Internationalization: Active and Reactive Exporting," *European Journal of Marketing*, Vol 15, No. 3, pp. 26-40, 1981.
12. Simpson, C., Kujawa, D., "The Export Decision Process: An Empirical Inquiry," *Journal of International Business Studies*, Vol. 5, No. 1, pp. 107-117, 1974.
13. Snow, C. C., and Hrebiniak, L. G., "Strategy Distinctive Competence and Organizational Performance," *Administrative Science Quarterly*, Vol. 25, pp. 317-336, 1980.
14. Stevenson, H. H., "Defining Corporate Strengths and Weaknesses," *Sloan Management Review*, Vol. 17, pp. 51-68, 1976.