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Factors influencing export performance for South African manufacturing SMEs

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Factors Influencing Export Performance for South African Manufacturing SMEs

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A research report submitted to the Faculty of Commerce, Law and Management, University of the Witwatersrand, in partial fulfilment of the requirements for the degree of Master of Business Administration

Johannesburg, February 2014

ABSTRACT

The study aims at identifying factors that have influence on the export performance of South African manufacturing SMEs. Exports are considered an important contributor towards a country's economic growth and wealth and an enabler of inflow of foreign exchange, specialisation, increased production, and much needed job creation. The research was conducted in South Africa, against the backdrop of the global financial crisis and a domestic market affected by economic stagnation in 2008 and the years of slow recovery that followed.

In spite of the importance of and growing interest in emerging markets, comparingly few studies have been conducted within this environment and there is a call for more research to focus on growing economies, especially in Africa.

The research was conducted by a web-based survey in the form of a structured questionnaire. The factors of interest, both internal and external to the firm, were extracted from the broad emerging literature in the field of export performance measures and determinants. The export performance was measured as a multi-dimensional construct, capturing both financial and strategic aspects. The data was analysed and the findings from this research were mainly extracted by structural equation modelling (SEM) in SPSS and Amos. The results were then compared with those published by earlier authors.

Main factors contributing toward a higher export performance were found to be: well-planned export marketing strategy; not the international experience, but the ability to identify, access and apply market information; export to markets with stable and free market conditions; a higher level of internationalisation

Factors in this research found to most negatively influence export performance are financial factors such as e.g. lack of pre-shipping finance and lack of access to market information, and distance to market, both geographic and psychic.

DECLARATION

I, Eva Elisabet Shaw, declare that this research report is my own work except as indicated in the references and acknowledgements. It is submitted in partial fulfilment of the requirements for the degree of Master of Business Administration at the University of the Witwatersrand, Johannesburg. It has not been submitted before for any degree or examination at this or any other university.

Eva Elisabet Shaw

Signed at Johannesburg, South Africa

On the 28th day of February 2014

DEDICATION

I dedicate this research report to my late husband, David. He always supported me in everything I undertook and would have been so proud to see me completing this work.

I also dedicate this research to my many wonderful, warm and caring friends and family that have supported and encouraged me throughout these years, especially my friend, Di Daws, who always was two steps ahead of me. While I was working on my proposal, she was already preparing her research report for her Masters in Educational Psychology, and she graduated while I was collecting my data. Her success motivated me and made me believe that I too would complete my work one day.

And last, but not least, I dedicate this work to my animals, Alexandra, Guinness, Winston and Bonnie, who have been waiting patiently for so long for us to again spend quality time together.

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CHAPTER 1: INTRODUCTION

1.1 Purpose of the study

The purpose of this research was to identify factors that have an influence on the export performance of small and medium-sized manufacturing companies in South Africa.

1.2 Context of the study

In view of the global economic downturn during 2008 and the signs of recovery of the international markets noticed towards the end of 2009, the South African Reserve Bank (SARB), for the first time in many years, registered a positive trade balance from the last three quarters of 2009 (SARB 2010) with the year 2009 ending at a "surplus of R2.3 billion" (SARB 2010: 26).

Table 1 illustrates the South African trade balance for merchandise and gold recorded from 2002 to 2010, versus its imports of merchandise during those same years. A trade deficit was recorded for South Africa during the four (4) years 2004 to 2008 (marked red in the table), i.e. during those years imports exceeded export, reaching record low levels noted during 2006, 2007 and 2008.

Table 1: Balance of Payments and South African Trade Balance 2002-2010 (South African Reserve Bank 2011b)

Balance of Payments on Current Account 2002-2010
Annual Figures - Seasonally adjusted and annualised
R billions

	Year								
Current Account	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**
Merchandise exports, FOB	289.6	259.3	281.8	331.3	412.2	497.6	655.8	503.7	566.8
Net gold exports	43.6	32.1	28.7	27.0	35.5	39.9	48.5	52.8	59.5
Merchandise imports, FOB	283.0	264.8	311.8	360.4	477.0	573.9	739.9	554.2	598.2
Trade Balance	**50.2**	**26.7**	**-1.2**	**-2.0**	**-29.3**	**-36.3**	**-35.6**	**2.3**	**28.1**

Source: South African Reserve Bank, Quarterly Bulletin, No. 259, March 2011

The two last columns in Table 1 illustrate that the years 2009 and 2010 ended with positive trade balances while trade deficits were recorded for the preceding years, R36.3b in 2007 and R35.6b in 2008 respectively (SARB 2011b). Compared with the results from 2002 and 2003, the positive results for 2009 and 2010 were still modest. South Africa's exports of merchandise declined by over 23% from 2008 to 2009 (SARB 2010). Before that South Africa's exports had grown steadily, more than doubling during the years 2004 to 2008 (Table 1), like its imports. The volume exported over those same years increased by a little more than 30%. Over the full nine year period depicted here (2002-2010), it grew by about a mere 16% (SARB 2011b).

A number of journals have compared South Africa's poor trade performance, notwithstanding trade liberalisation and targeted government policies introduced since the 1990s, with the upward exports and economic growth witnessed in other emerging markets like South- and Central America and, in particular, East Asia (Edwards and Alves 2006; Edwards and Lawrence 2008; Hausmann and Klinger 2008). These authors have striven to identify the reasons for South Africa's shortcomings, listing and discussing the country's dependence on a resource based economy and its failure to restructure the economy and switch to more technologically sophisticated products; its unstable foreign exchange rates; and the scarcity of skilled labour and human capital.

Other factors that negatively affect exports are mismatched government incentives and sector programmes that do not deliver the optimal, intended results (Hausmann and Klinger 2008). Also, South Africa's manufacturers as "price-taking" exporters (Edwards and Alves 2006:496) are vulnerable to fluctuating international pricing and demand.

Eyraud (2009) points out that only one third of South Africa's increase in production is driven by foreign demand, compared to two thirds in other, faster growing emerging markets. In Figure 1, one sees that South Africa's contribution towards GDP, driven mainly by domestic production demand (red), differs from a number of other emerging markets (Panel) where the contribution generally is driven by foreign demand (blue).

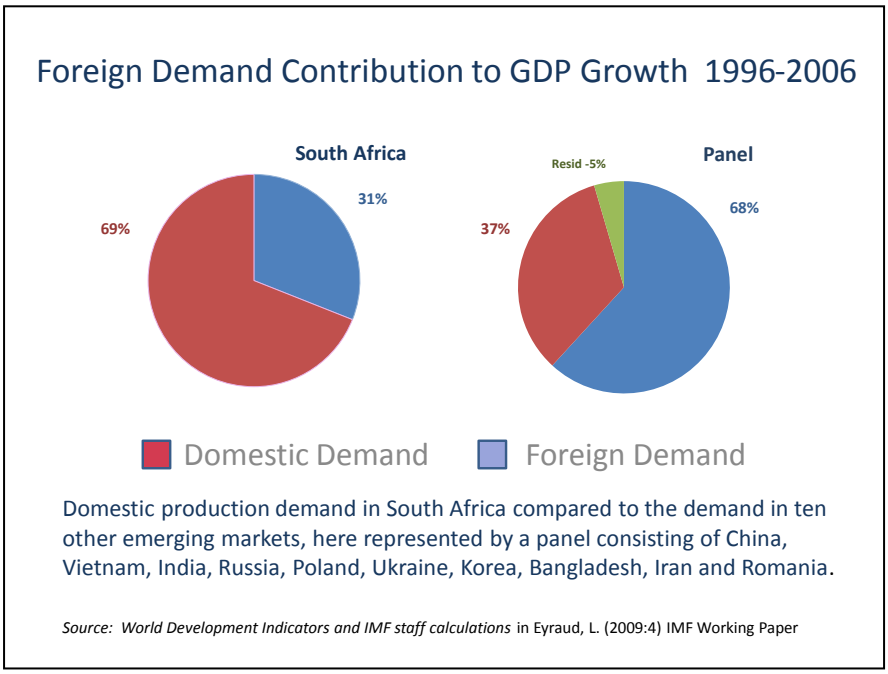


Figure 1: Foreign Demand Contribution to GDP Growth (Eyraud 2009: 4)

South Africa needs to increase its export sales if it is to gain a sustainably positive trade balance. Cohen and Wilde (2010) refer to the July 2010 statement by Pravin Gordhan, the South African Minister of Finance, that over a quarter of the South African population is without employment and that to create sufficient jobs the economy needs to grow by no less than 6.5% every year.

> *"The most successful economies are those that have strong economic links in the rest of the world and are able to compete successfully in international markets." (Mohr, Fourie and associates 2008b)*

Exports are seen to contribute substantially towards the growth of a country's economy and wealth. The inflow of foreign exchange and investment enables increased production, specialisation, economies of scale (Thirlwall 2000; Austrade 2002 cited in Brewer 2009; and GAO 2009) and job creation. Sousa, Martínez-Lópes and Coelho (2008) explain how the increased globalisation of trade and sales provide large opportunities for firms to expand their market internationally.

Looking at the exporting community in South Africa, there are companies that are seen to be successful in exporting commodities, manufactured goods or services. But there are also companies that do not succeed, despite being given

the same macroeconomic conditions and operating from and within the same domestic market. On the firm level, there must be other factors or determinants on a microeconomic level that are specific for individual companies and contribute positively, or not, towards a successful export performance.

Sousa et al (2008) studied international research literature published between 1998 and 2005 on what determines firms' success when exporting. They concluded that although much had been researched and written internationally about export performance and its determinants, the literature on export marketing was very "fragmented" (Sousa et al 2008:343). Their research examined dissimilar variables and often used inconsistent terminology, which made it difficult to compare results and form a consistent theory. Their findings are in line with other authors (i.a. Sousa 2004; Gertner, Gertner and Guthery 2006; Johnson and Tellis 2008; Rock and Ahmed 2008; Brouthers, Nakos, Hadjimarcou and Brouthers 2009; Papadopoulos and Martín 2010). Sousa et al (2008) point out that understanding the behaviour of international markets and the determinants of export performance is crucial for success and to be able to identify standardised measures to establish a streamlined set of variables for future research.

From examining the findings of Sousa et al. (2008) and other, individual studies conducted up until 2010 (e.g. Sousa 2004; Gertner et al., 2006; Johnson and Tellis, 2008; Rock and Ahmed, 2008; Brouthers et al. 2009; Clarke, 2009; Papadopoulos and Martín 2010), a broad variety of external and internal factors, variables and dimensions emerge that could be of great importance to measuring the potential success or failure of exporting firms. How these different factors are shaped and handled, it is believed, determine how they impact on a company's export performance (Zou and Stan 1998).

Table 2, lists examples of such *a priori* factors, of which many will be studied in more detail, discussed and refined in the literature review in Chapter 2.

Table 2: Examples of Factors that Might Influence the Performance of Exporting Firms

Examples of factors, variables and dimensions that can have importance for the performance in exporting firms	**Author and Year**
The definition of export performance and how it is measured, e.g. as a percentage of sales, as market share, or depending on the global spread of the export activity, its intensity and sustainability.	Sousa 2004 Gertner et al. 2006 Sousa et al. 2008 Papadopulos and Martín 2010
Physical (geographical) closeness or distance to the export market, i.e. how close the firm is situated to the export market as well as the economic and cultural closeness.	Johnson and Tellis 2008 Brouthers et al. 2009 Clarke 2009
The domestic environment and level of economy of the country that the firm normally operates from.	Sousa et al. 2008 Johnson and Tellis 2008 Rock and Ahmed 2008
The export market is either a developed, industrialised market or an emerging market.	Sousa et al. 2008 Johnson and Tellis 2008 Rock and Ahmed 2008
How many export markets the firm shall concentrate on.	Gertner et al. 2006 Brouthers et al. 2009
The type of operation selected for the foreign market depending on desired control levels: via sales agency, distributor, licence agreement, joint venture or a fully owned subsidiary	Johnson and Tellis 2008 Brouthers et al. 2009 Clarke 2009
Idle capacity in the firm, i.e. the firm has capacity to grow and increase production and activity.	Gertner et al. 2006
Type of products the firm is producing and exporting: manufactured products, commodities or services.	Johnson and Tellis 2008 Rock and Ahmed 2008 Sousa et al. 2008 Clarke 2009
Size, age and flexibility of the company.	Gertner et al. 2006 Johnson and Tellis 2008 Rock and Ahmed 2008 Brouthers et al. 2009
Level of internationalisation, the firm's internal know-how, experience and learning about its export markets	Gertner et al. 2006 Brouthers et al. 2009 Papadopulos and Martín 2010
The firm's alliances, partnerships, communication and working relationships with companies in the foreign markets.	Gertner et al. 2006 Rock and Ahmed 2008 Papadopulos and Martín 2010
Access fo finance.	Rock and Ahmed 2008 Brouthers et al. 2009
The existence of free trade agreements between the own country and the export markets.	Rock and Ahmed 2008

The importance of the various factors may vary depending on the size and type of organisation, its level of internationalisation, the country in which it operates, and its intended export market/s.

This study identifies factors that companies should focus on when drawing up their export strategy in order to achieve successful export performance when expanding into foreign markets.

1.3 Problem statement

1.3.1 *Main problem*

Identify internal and external factors that have an influence on export performance for South African small and medium-sized manufacturing companies and evaluate if and to what extent they relate to increased export performance in these firms.

1.4 Significance of the study

South Africa needs to increase its export sales if it is to achieve a sustainable positive trade balance and secure economic growth, job creation and wealth. The country's large and rising unemployment hinders economic, social and political stability.

Exports are positively related to a nation's economic growth and prosperity (Greenaway and Sapsford 1994; Foster 2006). Increased demand and supply boosts production and export sales bring inflow of foreign exchange, paying for imports and contributing towards a positive trade balance (Thirlwall 2000).

McNulty (2010) suggests unemployment to have reached levels as high as 36%. Representatives from OECD recently visited South Africa and in their report (OECD 2010) warned that the country is falling behind other fast growing economies when it comes to i.a. export growth. In addition, Isa and Anderson (2010) report how manufacturing activity, which plays a vital role for South African exports, is slowing down and shrinking. Almost daily, the South African

media calls for increased exports to engender heightened productivity, increased employment and economic growth.

This study will stimulate awareness and contribute to a deeper understanding of what factors lay behind successful export development. It will provide ideas and guidance for manufacturers, marketers and policy makers on how South African firms can grow their export potential and turn the present downward trend into a successful future for the country when it comes to international trade.

This study fills an information gap by combining the many factors, terminology and dimensions identified in previous research and testing them on small and medium sized export firms in South Africa. According to Gumede (2004: 379) South African SMEs are of particular importance to the economy as “90% of the manufacturing sector [are] small and medium... [enterprises, that]...contribute about half of the employment, half of the gross domestic product and 1 out of 5 units exported is produced in the small and medium sector in South Africa”.

The study draws the attention of professionals planning future export strategies, as well as marketing and sales people who work with export and international business development to the factors they should focus on and recommend ways in which they could optimise their export performance

Government officials will find guidance as to how to plan activities and allocate resources for efficient export promotion support for South African exporters.

Students and academics studying international marketing and export strategy formation will benefit from the consolidating findings of this research that will address gaps that exist in earlier literature.

1.5 Delimitations of the study

This study deals with the current environment for exporting companies. A longitudinal approach was not used so it does not contain a study of environmental issues as they might have changed over time.

This research was conducted during directly after the onset of global economic crisis and South Africa's very slow recovery. Selassie (2011) says that "The global financial crisis and subsequent worldwide economic slowdown was the third - and by far the most damaging - in a series of blows" (2011: 13) also taking into count e.g. the growing inflation, electricity shortages and wave of rapidly increasing fuel prices, that became evident from as early as in 2006/2007, that also disrupted the operations and the economies of South African companies. This environment might have had an effect on both real results and perceptions within the firm. It might have caused negative bias when measuring, e.g. export growth, profitability and satisfaction over the years that followed, i.e. 2008 to 2010, that were the focus of attention in this research.

The research was conducted on South African exporting small and medium sized companies (SMEs) representing manufacturing and producing industries with export activities directed towards developed and/or emerging markets. The SME sector is an important contributor towards production, employment and the country's GDP.

The study did not research large size companies, nor did it investigate conditions at companies representing the services industry. This study did not research or empirically test the possible effects of exchange rate fluctuations or policy making on the economy or export performance in South Africa.

1.6 Definition of terms

- Firm, company, enterprise or organisation - The terminology is used interchangeably in this study, but the same type of entity is intended, i.e. all three words mean: company

- Internationalisation – In this study, internationalisation is equal to export and export development. Internationalisation is a process and export development is an important and major part thereof. This is also in line with the views of early works of i.a. Johanson and Vahlne (1977) and Madsen (1989), and the process is also described later by e.g. Leonidou and Katsikeas (1996).
- Trade liberalisation - Easing or removing trade barriers such as i.a. protective import tariffs or foreign exchange rates, anti-export bias and export duties in order to open up and stimulate export and international trade (Babatunde, 2009).

- Trade balance – Edwards and Lawrence (2008) explain ways to calculate the trade balance and factors influencing the outcome. In this study, the trade balance is the Rand value of the difference between exported merchandise and gold, and foreign payments for imported merchandise (SARB 2010a).

1.7 Assumptions

- The exporting company has one or more defined products that have sufficient quality and consistence to be offered for export.

- There is a demand for the offered product in the target market/s.

- Any sample approached for the purpose of taking part in this study were assumed to be actively involved in the company's export business or be senior enough to have and be able to share in-depth knowledge on the subject and provide reliable and valuable information.

CHAPTER 2: LITERATURE REVIEW

2.1. Introduction

Export is the most common way to grow trade across borders. The increased competition, both local and international, encountered in recent years, has forced many companies to look abroad for new markets for their products if they are to survive and maintain their position in the market (Leonidou, Katsikeas and Samiee 2002; Sousa 2004).

South Africa needs to increase its export performance if it is going to achieve a sustainable positive trade balance and secure economic growth, job creation and wealth. In order to do so, a deeper knowledge and understanding of factors influencing export performance is essential for managers involved in exports and for public policy makers.

In this section, a literature review is conducted, studying the extant literature on the subject: i.e. how export performance is defined and measured, and what factors have a positive influence on export performance.

Katsikeas, Leonidou and Morgan (2000: 493) state that “Export performance is one of the most widely researched but least understood and most contentious areas of international marketing”. Despite the near five decades that have passed since the mid-1960s from when the research and literature on export performance began (Sousa 2004), and the rich number of studies that have followed since then related to both its measures (Sousa 2004) and determinants (Sousa et al. 2008), there is still, today, little agreement on conception (Shoham, A. 1998; Katsikeas at al. 2000; Gertner et al. 2006), operational definitions (Shoham, A. 1998), or a consistent terminology (Papadopoulos and Martín 2010) to be applied to export performance.

To avoid further confusion and the creation of even more dimensions and variables, the writer will deliberately use concepts and terminology already established and applied in literature describing earlier research and findings.

The first part of the review, clarifies how export performance is best defined and how it is quantified both in financially measurable terms (e.g. Madsen 1989; Shoham 1998; Styles 1998; Zou, Taylor and Osland 1998; Sousa 2004) and in other more subjective terms, as i.a. the perceived success of a firm's export strategy (e.g. Cavusgil and Zou 1994; Styles 1998; Zou et al. 1998; Lages, Lages and Lages 2005b).

Table 3 gives an overview of the many different dimensions, indicators, units of analysis and time frames applied in some of the extant literature articles that strive to define export performance that were studied as part of this research.

Once the export performance measures have been established, the second part of the review will identify in detail factors that have been found in the literature to influence export performance. Most of the factors that will be dealt with here are *internal*, i.e. firm level factors (e.g. Johansson and Vahlne 1977;Aaby and Slater 1989; Cavusgil and Zou 1994; Styles and Ambler 1994; Leonidou et al. 2002; Lages, Lages and Lages 2005a, Papadopoulos and Martín 2010), but there are also several *external* factors that can affect export performance (e.g. Madsen 1989; Cavusgil and Zou 1994; Zou and Stan 1998; Sousa et al, 2008).

The chapter concludes with a summary of the findings obtained from the literature review and the formulation of the hypotheses that were to be tested in the research conducted among South African firms as part of this study.

2.2. Export Performance Measures

In this first part of the literature review, the definition, the different dimensions and the operationalisation of export performance will be dealt with as described in the literature. Diamantopoulis (1998: 3) refers to *export performance* as the "*dependent variable"* commonly being used in research and articles on export. He raises concern about the "largely fragmented and often contradictory literature" (Diamantopoulis 1998: 3) in this field and calls for a unified measurement and conceptualisation.

2.2.1 The Definition of Export Performance

Shoham (1998) states that the concept of export performance has two elements that need to be explained as it entails both "*export and performance*" (Shoham1998: 60). *Exports* are the sales and marketing of domestically manufactured goods to buyers in countries outside the own nation (Mohr et al. 2008a) and involves a number of decisions and activities (Shoham 1998) concerning both "indirect" and/or "direct" exports (Kotler and Keller 2006: 674), i.e. the exporting firm either operates on the foreign market via appointed local agents and distributors *or* sells its products directly to customers overseas.

Shoham (1998) suggests that firms involved in exports do not fully "control" (1998: 60) what happens in the foreign market where they operate. This, however, is not quite correct and applies to indirect exports only. Direct export activities are still fully controllable when a mother company establishes a fully owned subsidiary in a foreign country and handles, and thus fully controls its sales and distribution (Johanson and Vahlne 1977; Kotler and Keller 2006), or when a company sends out its own representative/s on sales trips to the export market (Kotler and Keller 2006) to deal directly with its customers.

Performance measures are naturally used at several levels of the business, measuring i.a. financial, strategic, quality, production and service performance, or actual "outcome" (Shoham 1998: 60) against firm strategy or set standards. Walker and Reukert (1987) list three major "performance dimensions", requirements for implementing strategy and measuring its progress, i.e. *effectiveness, efficiency and adaptability*.

From the following quote, it is clear that an amount of planning is also involved in the performance construct:

> *"Export performance is defined as the extent to which a firm's objectives, both economic and strategic, with respect to exporting a product into a foreign market, are achieved through planning and execution of export marketing strategy." (Cavusgil and Zou 1994: 4)*

The significance of “management control and performance measures” is highlighted by Garrison, Noreen and Brewer (2008: 418). Their perspective is mainly economic and they use a balanced scorecard to measure and evaluate performance. They believe that performance measures need to be strongly anchored in the firm’s strategy.

This view is also put forward by Zou et al. (1998) and even more so by Lages et al. (2005b). To be able to communicate the resultant performance measures not only helps with prioritising, planning and monitoring, but also exerts a motivational effect on everyone involved in the firm’s exports (Lages et al. 2005b; Garrison et al. 2008).

2.2.2 The Dimensions of Export Performance

Some progress has definitely been made in the research on export performance but there is still no consensus when it comes to concept and operationalisation. In general, scholars today agree that the construct is multi-dimensional (Cavusgil and Zou 1994; Styles 1998; Zou et al. 1998; Katsikeas et al. 2000; Sousa 2004).

In the 1980s, research on export performance, in general, was one-dimensional. For instance, both Aaby and Slater (1989) and Madsen (1989) concluded that export performance was determined based on financial measures, most often the *rate of growth in export sales* and *export sales as a percentage of total sales* (Aaby and Slater 1989), also referred to as *export intensity* in other works (eg. Shoham 1998). Madsen (1989) added *profitability* to his financial criteria of *export sales* and *export growth.*

Major progress in defining more complete multi-dimensional concepts of export performance measures was made in the 1990s (Papadopoulos and Martín 2010). Cavusgil and Zou (1994) introduced non-financial measures to the construct by adding both the extent to which set *strategic goals* had been met and management’s *perceived success* with the firm’s export ventures. Export performance measures then being used were both of an *objective* and *subjective* nature (Madsen 1998; Sousa 2004).

Management's preference for different dimensions of measure also tend to vary between objective, more detailed measures, or subjective criteria, depending on whether their focus is on *short-term* or *long-term* performance targets (Madsen 1998). It is also important to acknowledge that different stakeholders might have different objectives and choose different principles when deciding on how to measure export performance. This is in line with Katsikeas et al. (2000) that stated that the choice of performance indicators is contextual and depends on the situation.

The concept of *multidimensionality* was confirmed, further refined and developed during the years that followed, with a large pool of reviews and research being conducted well into the new millennium (Madsen 1998; Shoham 1998; Styles 1998; Zou et al. 1998; Zou and Stan 1998; Katsikeas et al. 2000; Sousa 2004; Lages et al. 2005b).

Although there now seems to be agreement on the multidimensionality and need to apply several dimensions of export performance to obtain more accurate measures (Styles 1998), Madsen (1998) still reported that the Danish small- and medium-sized companies that participated in his research used only one indicator to measure performance, either *export sales level* (x% of total export sales must be to country y) or *export sales growth* (in country y, exports must grow by x% every year). Equally, the review conducted by Leonidou et al. (2002) of published articles on the influence of export marketing strategy on performance, revealed that 67% of the studies applied only one single measure, *export intensity* (export sales over total sales) as an indicator.

In spite of the large amount of research available, Katsikeas et al. (2000), after studying 100 articles in the field, found there was little agreement around the structure and operationalisation of export performance. They documented over 40 different indicators of export performance and pointed out that there were "serious conceptual, methodological, and practical limitations" (2000: 505). A few years later, Sousa (2004) after reviewing 43 studies published around the turn of the century, identified 50 different performance measures and confirmed there was still a "lack of consensus" (Sousa 2004; 8).

As seen in Table 3, the terminology used continues to suffer from serious confusion. Although the indicators used in the two studies can be categorised into a number of comparable groups or dimensions, Katsikeas et al. (2000: 498) named them: "*economic, non-economic* [and] *generic",* while Sousa (2004: 9) labelled them "*objective* [and] *subjective".* Many of the measures used in both studies were similar and most were classified as *sales-, profit-* or *market related*.

2.2.3 Composite Scales and Multidimensional Models

Leonidou et al. (2002) stated that *composite scales*, i.e. measures based on the sum of a group of indicators added together (Zou and Stan 1998), were applied in about 20% of the articles they reviewed. Cavusgil and Zou (1994), for instance, used composite scales in their influential work, adding the four items measured into one composite scale to quantify export performance.

One of the most comprehensive models designed to capture the multidimensionality of export performance was developed by Zou et al. (1998). The EXPERF Scale builds on Cavusgil and Zou's (1994) three-dimensional model and measures performance along three dimensions: *financial, strategic,* and *satisfaction* with the export venture. For more accuracy, the scale also includes three indicators for each dimension, or "sub-effects" (Zou et al. 1998: 53), i.e. the scale has nine items such as sales volume and profitability as indicators of *financial performance;* achieved strategic position and global competitiveness as measures of *strategic performance*, and the perceived success with the export venture to measure *the degree of satisfaction*.

Lages et al. (2005b) studied the EXPERF Scale and further developed and expanded the concept. They added more dimensions into their APEV Scale to create a tool that assists management to separate and, more specifically, measure export performance. They made it easier to include annual reporting in the financial statements to provide for better "planning, management, monitoring and improvement of exporting programmes" (Lages et al, 2005b: 79).

2.2.4 The Unit of Analysis

To enable comparison between indicators, it is important to establish *the unit of analysis* to be applied (Sousa 2004), i.e. what element or part of the business is being observed and measured. As seen in Table 3, there are two main schools that prescribe two different views. The most frequently applied perspective analyses export performance at *firm level* based on the firm's total export performance portfolio (Shoham 1998; Katsikeas et al. 2000; Leonidou et al. 2002; Sousa 2004, Papadopoulos and Martín 2010). The other viewpoint measures export performance based on the actual *export venture*, i.e. the product line and/or the particular target market (Cavusgil and Zou 1994; Styles 1998; Zou and Stan 1998; Zou et al. 1998; Lages et al. 2005b), meaning that if the firm has two different product lines, it then has two export ventures (Cavusgil and Zou 1994).

The reason behind recommending the individual *export venture* as a unit of analysis is to enable a more detailed understanding of the underlying connection between the strategic marketing objectives and the export performance outcome of each specific export venture (Cavusgil and Zou 1994, Katsikeas et al. 2000). Zou and Stan (1998) underline the importance of this for medium sized and large firms, in particular, as the compound measure of a wide range of product lines and markets could easily become incorrect.

However, *firm level* analysis is more suitable when studying smaller firms (Zou and Stan 1998; Katsikeas et al. 2000) as the smaller firms might not have resources to separate detailed information for each product from the firm's overall performance. Katsikeas et al. (2000) also suggest that firm level analysis is particularly useful when researchers strive to obtain larger samples as management is often more willing to reveal information on a "broad level" (Sousa 2004: 15). Also, firm level studies of export performance take into consideration "the overall export activity of a firm" (Sousa 2004: 15).

Whichever of the two measures is chosen, consistency is essential as they really study two different things. The selection of the right criteria (or

inconsistency in the application) can have a large effect (Sousa 2004) and requires the application of different sets of indicators.

2.2.5 The Time Frame for Analysis

It is equally important to agree on and maintain consistency when it comes to the *time frame* over which the export performance is to be analysed. The time frames applied in different studies vary widely and make it difficult to compare findings (Table 3).

Cavusgil and Zou (1994: 6) asked respondents in their study to indicate the development of the export venture during its "first five [5] years". Sousa (2004) found that the time frame investigated in most of the articles they studied were either the three or five *last years,* while Lages et al. (2005b) insisted on *annual measures* for each separate year.

Papadopoulos and Martín (2010) point out the managerial difficulties in retrieving historical reliable data and set the limit of the time frame to a maximum of three years. They argue that a shorter time frame makes it easier for respondents to reply to the questions in the survey and therefore increases the possibility to higher response rates.

An element of anticipated *future performance* for the coming three years was added to the indicators of past and present performance by Robertson and Chetty (2000), thus satisfying the call by Katsikeas et al. (2000) to rely not only on the firm's past export performance behaviour.

2.2.6 Conclusion on Measurement of Export Performance

The first part of the literature review aimed at establishing how export performance is determined and how it is measured.

Export performance is best defined as the financial and strategic outcome of a company's actions, processes and activities in connection with the marketing and sales of its products and services to a market outside its own national

boundaries, i.e. to one or more markets in other countries (Cavusgil and Zou 1994).

Today, around 50 years after academic literature and research in the field first started appearing, there is still neither much agreement on the construct and operationalisation of export performance nor any emergent, coherent theory on the subject. Researchers are aware of this and all articles studied for this assignment call for a more unified use of terminology and models to be used when measuring export performance. The lack of this causes confusion and makes it difficult, if not impossible, to compare results from different studies.

However, over the years, there has been some advancement. Even if not always applied, many researchers generally agree on export performance being multi-dimensional, containing elements such as *financial*: e.g. export intensity or profitability, growth in export sales; *strategic:* the achievement of strategic goals, increased market share, global position, etc.; and an *element of success*: management's perceived satisfaction with the firm's exports. That is, both objective and subjective measures are to be applied in order to obtain a complete understanding of the construct and what to measure when assessing export performance.

Deciding on what unit of analysis to use is of importance, i.e. what part of the business' exports is being analysed. Most researchers were found to base their analysis on *the firm's total export portfolio* while some insisted on focusing on each *individual export venture*.

It is of equal essence to ascertain what time frame to apply, meaning the period of time over which the export performance should be assessed. Here, researchers in most of the articles studied (e.g. Cavusgil and Zou 1994; Shoham 1998; Styles 1998; Sousa 2004; Papadopoulos and Martín 2010) used a measure based on the export performance over a period of three to five years.

In short, in order to identify factors that influence export performance, the actual performance measure, how and what to measure when talking of export

performance all need to be established. Based on the findings of this literature review, the following conclusions are drawn:

- Export performance is a multi-dimensional construct best captured by measuring its financial dimension, its strategic dimension and, the level of management's perceived satisfaction with the export performance.

- Many studies rely on only one measurement, mostly export intensity (export sales over total sales), but a multi-dimensional construct provides a more exact measurement.

- When measuring export performance, it is critical to determine what unit of analysis to study, i.e. either the firm's total exports (firm level) or each separate individual export venture (export product/market venture).

- For consistency of results, the time frame applied when measuring export performance must be determined in advance, i.e. the period of time that the performance measure will reflect. This time frame can be the past (e.g. the three to five last years), the present (current) year or the expected performance over the next few years (the anticipated future).

Table 3: Examples of Export Performance Measures (EPM)

Export Performance Measures: Dimensions, Items, Unit of Analysis and Years Analysed 1/2

Authors	EPM Dimensions and Items	Unit of Analysis Firm vs. Export Venture	Years Analysed	Other
Aaby and Slater 1989	1 Dimension / 2 Items **Economic** Rate of Export Growth Export as a Percentage of Total Sales *	N/A	N/A	
Madsen 1989	1 Dimension / 3 Items **Economic** Export Growth Export Profitability	Export Venture	2 Years	Stage in **internationalisa-tion** process
Cavusgil and Zou 1989	2 Dimensions / 4 Items **Economic** Average Sales Growth Average Profitability **Strategic** Acheivements of Strategic Goals Perceived Success of Export Venture	Export Venture	5 Years	Export Performance is **Multi-Dimensional** incl. economic AND **strategic** concept
Madsen 1998	2 Dimensions / E*xamples of Items* **Economic / Short-Term** Export Sales Growth Export Sales Level **Strategic / Long-Term** Market Share	**Export Venture** is prescribed, but conflict between S/T and L/T Goals can be overcome by measuring Firm Export Performance	Short-Term or Long-Term	Objective vs. Subjective indicators; **S/T vs. L/T**
Shoham 1998	3 Dimensions / 14 Items **Export Sales** Export Intensity * Export Total Sales Market Share Satisfaction with Export Sales Satisfaction with Export Intensity **Export Profitability** Export Profit Ratio Satisfaction with Export Profit Ratio **Performance Change** All the above 7 items over 5 years	Firm	5 Years	
Styles 1998	3 Dimensions / 5 Items **Economic** Average Sales Growth Average Profitability **Strategic** Achievements of Strategic Goals Perceived Success of the Export Venture Perception of Competitors' rating of the Export Success	Export Venture	5 Years	**Reflective** vs. **Formative** Indicators. Refines scale developed by C&G and tests for cross-national validity
Zou and Stan 1998	3 Dimensions / 7 Categories **Financial** Sales Measures Profit Measures Growth Measures **Non-Financial** Perceived Success Satisfaction Goal Achievement **Composite Scales**	Export Venture (Especially by medium sized and large firms!)	Any period of time	**Size of firm** essential variable

Export Performance Measures: Dimensions, Items, Unit of Analysis and Years Analysed 2/2				
Authors	**EPM Dimensions and Items**	**Unit of Analysis Firm vs. Export Venture**	**Years Analysed**	**Other**
Zou et al. 1998	3 Dimensions / 9 Items **Financial** Export Profits Export Sales Export Growth **Strategic** Improved Global Competitiveness Strengthened Strategic Postition Increased Global Market Share **Satisfaction** Satisfactory Export Performance Successful Export Venture Export Venture met Expectations	Export Venture	N/A	The **EXPERF** Scale
Katsikeas et al. 2000	3 Dimensions / *Most Common Items* **Economic** Export Sales Intensity * Export Sales Growth Export Profitability Export Sales Volume Export Sales Intensity Growth Export Profitability Growth **Non-Economic** Export Country/Market Number **Generic** Perceived Export Success Achievement of Export Objectives	Mostly FIRM (84%)	Mostly CURRENT (82%)	Choice of EPM's depend on **CONTEXT**
Robertson and Chetty 2000	3 Dimensions / 11 Items **Financial** **Strategic** **Satisfaction**	FIRM level	5 years ago Present **3 next years**	**Future perspective** to export performance
Leonidou et al. 2002	2 Dimensions **Economic** (MOSTLY 67% - only 1 Dimension!) Export Intensity * **Non-Economic**	Mostly FIRM (86%)	N/A	
Sousa 2004	2 Frames of Measures **Objective** **Subjective** Each with 3 Dimensions / *Most Common Items* **Sales** Export Intentsity * Export Seles Growth **Profit** **Market**	Mostly FIRM (65%)	3-5 Years	**Size of firm** essential variable Short-term vs. Long-term **Objective** vs. **Subjective** measures
Lages et al. 2005b	5 Dimensions / 14 Items **Export Venture Financial Performance** **Export Venture Contribution to Export Operations** **Strategic Performance** **Export Venture Achievement** **Satisfaction with Overall Export Venture Performance**	Export Venture	1 Year	The **APEV** Scale and **PERFEX** Scorecard
Papadopoulos and Martín 2010	2 Dimensions/ 3 Items **Economic** Export Sales Perceived Profitability **Strategic** Achievement of Strategic Goals	FIRM level	3 Years	Foremost **Formative** Indicators and some Reflective

2.3. Determinants of Export Performance

Considering how important it is for both nations and individual firms that exports increase to enable economic growth and secure the survival of firms (Cavusgil and Nevin 1981; Sousa et al. 2008), it is clear that a deeper understanding of the dynamics of export marketing and what drives its success, is essential.

This part of the literature review seeks to identify the factors that cause any variation in a firm's export performance. In the literature, these are generally referred to as *determinants of export performance* (Chetty and Hamilton 1993; Zou and Stan 1998; Sousa et al. 2008) and mostly feature as the *independent variables* in export marketing research and articles.

As concluded in the previous section which attempted to define and establish the measures of export performance, it was found that the literature discussing the determinants of export performance is equally "fragmented", and "consists of a mosaic of autonomous endeavours" (Aaby and Slater 1989: 7). This further delays the development of theory and practicable knowledge in the field (Sousa et al. 2008). For example, three very complete reviews of articles published during the 27 years between 1978 and 2005, i.e. Aaby and Slater (1989), Zou and Stan (1998) and Sousa et al. (2008), after studying some 50 articles appearing during sets of eight to eleven successive years within that period, identified and listed 27, 33 and 40 different determinants respectively. It could be, as Katsikeas (2003) rightfully points out, that this observable fact demonstrates the complexity and multi-dimensionality of international marketing that export managers are tasked with.

In spite of the diversity, the extended number of studies conducted over the years in combination with the use of more advanced statistics and research methodologies (Sousa et al. 2008) show a number of reoccurring variables and certain patterns or groupings of comparable items, and provide a clearer picture. These will be discussed in detail in this literature review, summarised and listed at the end of each section.

For instance, it is has long been established that export marketing performance to a large extent can be attributed to a number of *internal* qualities and behaviours of the firm as well as certain traits and ambitions of its management (e.g. Cavusgil and Nevin 1981; Aaby and Slater 1989; Chetty and Hamilton 1993). These are firm based factors that the individual firm is responsible for, has control over, and can influence directly at least in a relatively short time frame (Cavusgil and Nevin 1981, Zou and Stan 1998). Most factors that the firm can control directly are internal. A summary is listed in Table 5.

Besides the internal factors at "the firm business strategy and functional level" (Aaby and Slater 1989:7) that affect export performance, and in line with the general marketing theory, the firm does not operate in isolation but within its environment. It is something that all players carrying out business in the same industry or country are exposed to. The firm has very limited influence over *external* factors that are largely "beyond the control of the firm" (Styles and Ambler 1994: 27). Zou and Stan (1998) raise concern over how few studies address these external factors. Table 6 lists such external factors.

The two first parts of this chapter deal with internal and external factors identified in the literature as determinants of export performance.

It is important also to recognise the different *stages of internationalisation* and the *export development process* that a company goes through from having received its first ad hoc request or order from a foreign customer, through the more active decision making on marketing strategy and development of the export business, to being a well-established and experienced exporter, operating successfully on several foreign markets (Johanson and Vahlne 1977; Madsen 1989; Styles and Ambler 1994, Leonidou and Katsikeas 1996).

In line with the theory on the sequential and incremental internationalisation process originally introduced by Johanson and Vahlne (1977), and built upon by Papadopoulos and Martín (2010) over thirty years later, this chapter concludes by discussing how the *level of internationalisation*, i.e. the "degree to which the firm is connected to foreign markets" (Papadopoulos and Martín 2010: 390) has a direct effect on its export performance.

2.3.1 Internal Factors

Cavusgil and Nevin (1981) state that most of the differences found in firms' export performance are dependent on its internal merits; the ambition, vision and commitment of its management to export, combined with the specific firm qualities.

With the objective to identify the most important internal determinants of export performance, this section is partly structured around the main findings in the work presented by Aaby and Slater (1989), Zou and Stan (1998) and Sousa et al. (2008) as their very different models were designed after studying some 150 articles published over a more than 20 year period, and capture some of the most important internal factors that determine export performance. Their comprehensive concepts have either been substantially built upon and further developed by other authors (i.a. Chetty and Hamilton 1993; Styles and Ambler 1994), represent efforts to carefully structure the multitude of factors that exist in the literature (Lages et al. 2005a) or are based on relatively recent research (Sousa et al. 2008).

Aaby and Slater's (1989) "Strategic Export Model"

Aaby and Slater's model, replicated in Figure 2, clearly divides determinants of export performance into external and internal factors.

It deals, in particular, with the "Internal influences" (1989: 9), that are the firm's *competencies* (i.a. its export market knowledge, technology, quality, planning, and export policies) combined with the *characteristics* of the firm; management's commitment to and perceptions of the financial incitements and possible profits that might emanate from dealings with the foreign market along with the decisions and actions that it needs to take with respect to, e.g. delivery and distribution, while dealing with local competition.

These factors influence the firm's *export marketing strategy*, its selection of export markets, the marketing mix strategy and staffing, and ultimately its *export performance.*

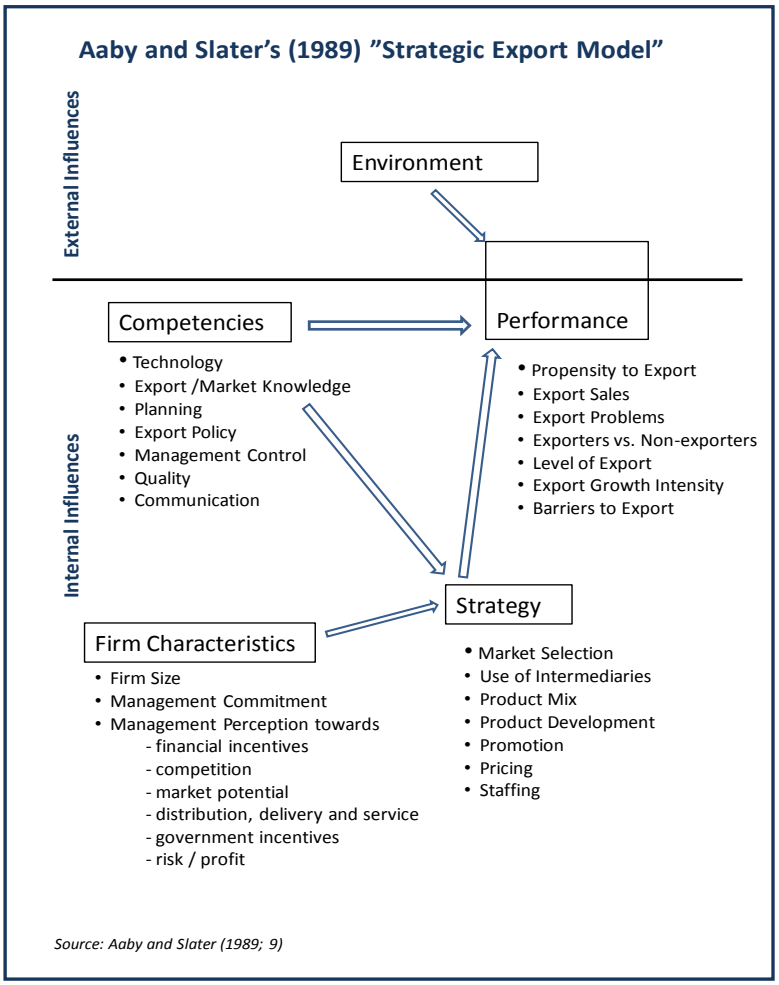


Figure 2: The "Strategic Export Model" (Aaby and Slater 1989)

The "government incentives" listed under *Firm Characteristics* would normally fall under external factors, but here it is assumed to mean management's attitude towards the use of and accessing of these programmes.

Equally, the variable "Barriers to export" under *Performance*, normally a variable listed as part of the external environment, in this model is assumed to mean how well the firm handles and acts when facing these barriers, i.e. a performance measure (Penrose 1959; Zou and Stan 1998).

The concept in the model designed by Aaby and Slater (1989) was later tested and confirmed by Chetty and Hamilton (1993). Styles and Ambler (1994) further developed the model, restructured it in parts and added to it the "Relational Paradigm" (1994: 28) to highlight the importance of the many *relationships* the firm depends on for successful export business.

Zou and Stan's (1989) Classification of Dependent and Independent Factors

Although clearly taking a central position in the previous model, at least on the actual drawing of their model, Aaby and Slater (1989) do not deal in length with the importance of having a detailed Export Marketing Strategy. This, however, is highlighted in the classification model designed by Zou and Stan (1998), copied in Figure 3 below, where the significance of the application of export marketing strategy is clearly pointed out as one of the main findings in their research, in line with the findings of several other authors (e.g. Cavusgil and Zou 1994; Leonidou et al. 2002; Lages et al. 2005a).

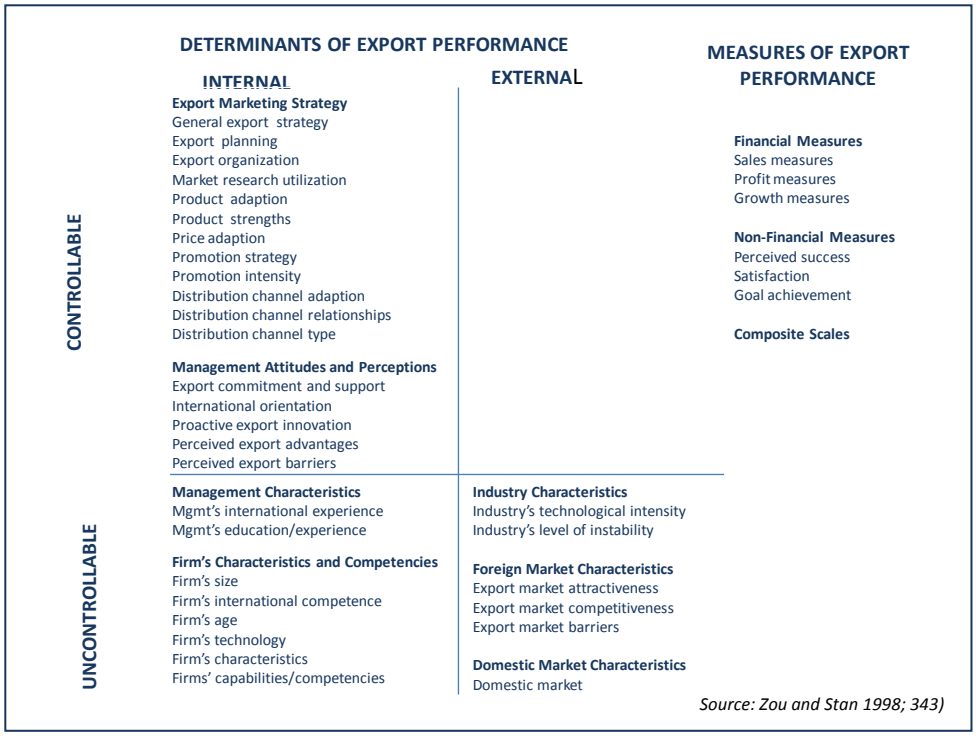


Figure 3: Dependent and Independent Factors (Zou and Stan 1998)

Zou and Stan's (1998) model is a two-dimensional matrix, listing internal and external determinants horizontally against vertical "controllable" and "un-controllable" factors. The most influential determinants on export performance feature under the "internal-controllable factors" (1998: 343), which are those directly affected by the firm, i.e. the actions of its management. As the authors state, this theory agrees with most authors (i.a. Cavusgil and Nevin 1981; Aaby and Slater 1989; Chetty and Hamilton 1993; Sousa et al. 2008).

One would argue that the *internal uncontrollable* factors listed in the lower left cell, such as, e.g. *management's experience and education* and the *firm's size and capacities* are very much under the control of the firm and its management. But Zou and Stan (1998) defend their view by saying that these factors need time for adjustment and are not immediately changeable "in the short run" (1998: 349).

The "Framework for Determinants of Export Performance" by Sousa et al. (2008)

Figure 4 shows the model suggested by Sousa et al. (2008) and builds on the previous two models. Here, the authors show how *internal factors*, i.e. *export marketing strategy*, *firm and management characteristics* together with external, environmental factors (see further 2.3.2) determine export performance. Added into this model are "*control and moderating variables" (Sousa et al. 2008: 362)* and how these can influence and/or alter the results.

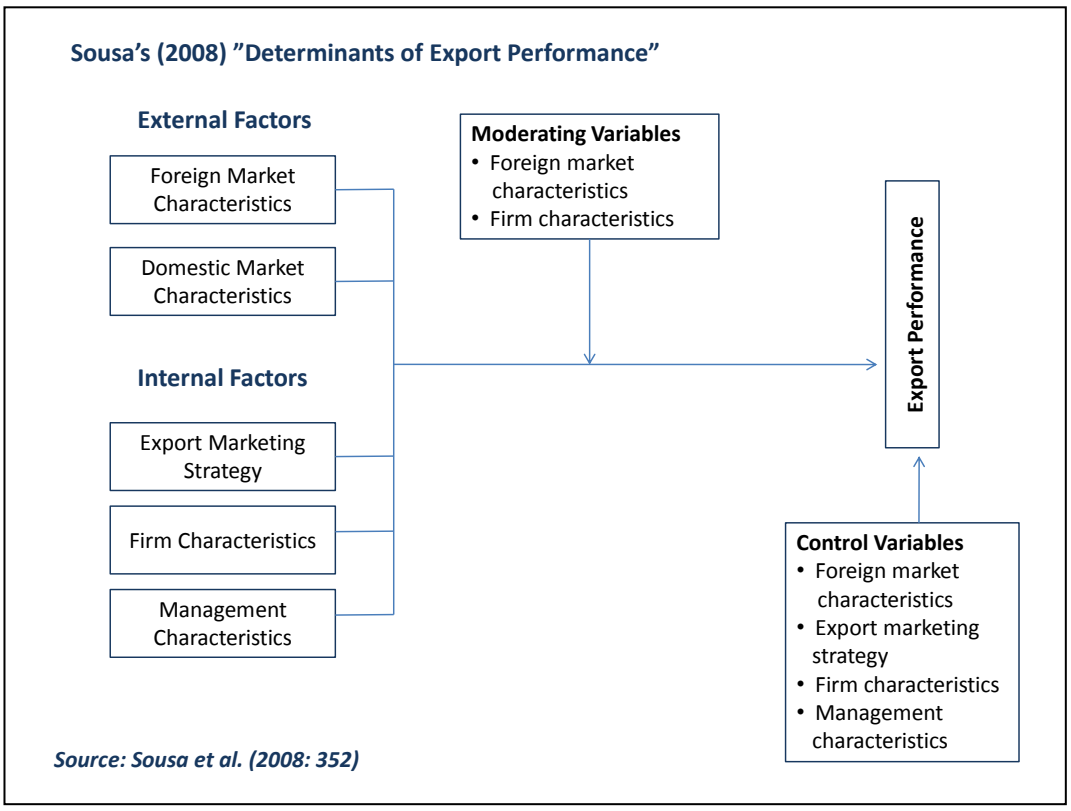


Figure 4: The Determinants of Export Performance (Sousa et al. 2008)

Although seldom “dominant” (Sousa et al. 2008: 363), moderating variables “influence the strength and/or the form of the relationship between the predictor and criterion variable” (Sharma, Durand and Gur-Arie 1981: 298). In other words: a change in value of another independent variable (the moderator) affects the relation between the independent and dependent factors (Hair, Black, Babin and Anderson 2010). For instance, as depicted in Figure 4, a sudden increase in the size of the firm, or, e.g. the prevailing conditions in the foreign market (an external factor, see section 2.3.2) might cause a change in the recorded relationship between the firm’s export marketing strategy and the influence it has on its export performance to adapt to the changed conditions.

On the following pages, the factors found in the studied literature to be the most important *internal determinants* of export performance will be dealt with. A comprehensive overview of them is given in Table 5.

Export Marketing Strategy

According to Sousa et al. (2008), one of the most often listed determinants influencing export performance is a clearly outlined *export marketing strategy*. This is in line with, i.a. Madsen (1989) who, after having studied a group of experienced and well established exporting firms, pointed out that 50% of the factors raised as leading to successful export performance were related to the firm’s *export marketing policy*; and Leonidou et al. (2002) who concluded that a “well-designed marketing strategy can indeed determine export performance since the overwhelming majority of the marketing strategy variables…[are] significantly associated with overall export performance” (2002: 64) of the firm. As a consequence, the export marketing strategy and some of its most prominent components take up a large part of this section.

Firms failing to produce strategic plans for their export venture/s and realise “goals” (Cavusgil and Zou 1984: 16) most probably would not succeed in their export undertakings. Cavusgil and Zou (1994) criticise earlier studies that, they say, fail to integrate the strategic aspect of the export venture by merely focusing on financial returns like, e.g. achieved sales or profitability, and

suggest that export should be the strategic response to opportunities offered through the interchange of the firm's external environment and internal capabilities.

When studying the variables of export marketing strategy, most authors (e.g. Madsen 1989; Chetty and Hamilton 1993; Cavusgil and Zou 1994; Styles and Ambler 1994, Zou and Stan 1998, Leonidou et al. 2002; Lages et al. 2005a; Sousa 2008) deal with the common components of the *marketing mix* and how these are best applied in the export market. These are factors related to not only the product, promotion, distribution (place) and price strategies of the exporting firm, but also decisions on market segmentation and selection. As already so often realised in the literature on export performance, the results are frequently "inconsistent and often contradictory" (Sousa et al. 2008: 356).

Strategic variables that are primarily dealt with in the literature are *product* strength (Cavusgil and Nevin 1981; Madsen 1989), quality (Madsen 1989; Styles and Ambler 1994) and adaption (Cavusgil and Zou 1994, Zou and Stan 1998; Leonidou et al. 2002); *promotion* adaption (Zou and Stan 1998; Leonidou et al. 2002) and intensity (Zou and Stan 1998); as well as the importance of choosing the right local *distributor or agent* (Styles and Ambler 1994) to work with.

Being able to offer "a unique product" (Cavusgil and Nevin 1981: 119) influences export performance positively as it provides the exporting firm with an advantage in the market place. A strong product that suits the needs of the firms' customers influences the firm positively, thereby generating higher commitment and promoting good relationships in the market (Madsen 1989).

The firm's standing in the market place, so crucial to its success, is dependent upon the supply of "consistent product and service quality" (Styles and Ambler 1994: 41) to its customers. The ability of the firm to provide strong products contributes towards "a higher degree of channel support" (Madsen 1989: 49) and attracts the cooperation of well-regarded agents and distributors.

The decision whether to export standardised products or apply a "product adaption strategy" (Cavusgil and Zou 1994: 16) and how it could affect export performance depends very much on the situation. The firm might offer an adapted product in the export market if it better suits, e.g. cultural, environmental and consumer related needs and preferences (Leonidou et al. 2002) or market only the same, standardised product everywhere. Cavusgil and Zou (1994) found that adapted products improve export performance in cases where the product itself is new or unique to the market or is to be sold in a competitive, technology driven market and industry. "Adapted products can [better] satisfy foreign consumers' needs and preferences" (Zou and Stan 1998: 348), but product adaption comes at a cost and could have negative economic consequences considering the extra production capacity needed (Levitt 1983), and hinder economies of scale.

In addition to product strategy, management needs to make decisions regarding promotion strategy. It needs to determine whether it should adapt its promotional mix in the export market, e.g. advertising, packaging, attendance at trade fairs, etc., – or apply a standardised strategy throughout the world (Leonidou et al. 2002). Zou and Stan (1998) found varying results on *promotion adaption* and how it influenced export performance in their review, while Leonidou et al. (2002) established that there was a strong relation between the two variables, in particular, advertising was proven to have a positive effect on sales performance, as do *promotion intensity.*

Figure 5 shows different ways for the firm to create a "regional" or "country" version of its products (Kotler and Keller 2006: 680) through adaption that can be realised, for instance, either through product invention, backwards or forwards (Kotler and Keller 2006), or by adapting its communication strategy, or both. When both products and promotion need adjustment for local or cultural needs, "dual adaption" applies (Kotler and Keller 2006: 682).

At times, adopting a certain promotion strategy by changing advertising or other communication tools around the product can help to avoid having to adapt the actual product (Cavusgil, Zou and Naidu 1993). Whatever strategy is adopted, it

comes at a cost and, in the end, is dependent on firm characteristics and the nature of the export market.

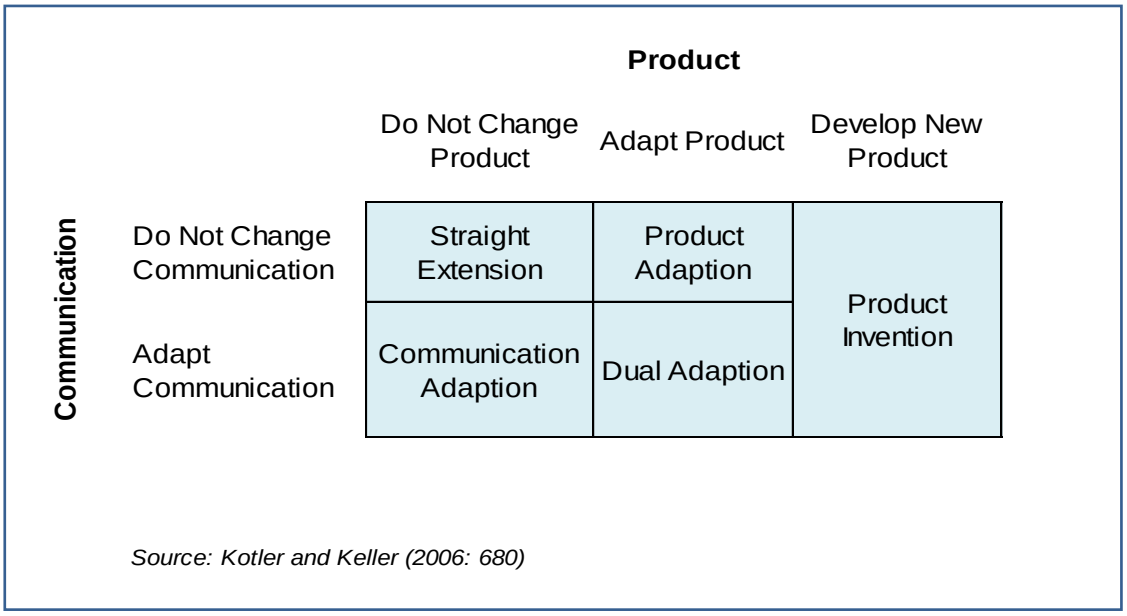


Figure 5: International Product and Communication Strategies (Kotler and Keller 2006: 680)

When it comes to the *channel structure or distribution* strategy, there are no set parameters. It depends on the market characteristics, the customers' specific needs and the capabilities of the firm. Most articles studied for this research that investigate the connections between channel structure and export performance deal with the importance of building, supporting and developing relationships in the foreign market (e.g. Madsen 1989; Cavusgil and Zou 1994; Styles and Ambler 1994). Some of the findings are dealt with under "Relationships with Importers and Channel Support". What is clear is that the "inclusion of …important actors in the network" as well as "high quality and active relationships with all key network partners" (Styles and Ambler 1994: 43) are essential determinants of export performance.

Some of the most important relationships, in addition to the obvious customers of the firm, are the agents or distributors representing the company in the foreign country. Solberg and Nes (2002) explain that the most common way to establish presence on foreign markets is to appoint an agent or a distributor or

invest in opening an own sales office (a subsidiary). The authors go on to say that the choice of entry model is dependent, i.a. on the level of marketing control required and the level of management and financial resources available to invest.

When it comes to *pricing* strategy, the results from the literature (e.g. Madsen 1989; Chetty and Hamilton 1993; Cavusgil and Zou 1994; Zou and Stan 1998; Leonidou et al. 2002; Lages et al. 2005a) vary. That export pricing strategy is a determinant of export performance was confirmed, i.a. by Hamilton and Chetty (1993). They verify the findings from Aaby and Slater's (1989) model and confirm the cited variables as among the most important determinants of export performance, i.e. export pricing strategy was found to have a positive effect on export performance.

This is also in line with the findings of Leonidou et al. (2002) who established the positive link between a price penetration strategy, i.e. applying low prices with the aim of penetrating new and foreign markets, or price adaption where the exporting firm sets prices especially adapted to the foreign market needs, and its competitive situation.

But Lages et al. (2005a) found pricing strategy to be only the second most influential factor on export performance, while Madsen (1989), Cavusgil and Zou (1994) and Zou and Stan (1998) established that competitive pricing strategy had a weak or even negative effect on export performance. This suggests that managers should not neglect using "non-price competitive weapons such as emphasising product features, technological superiority, quality and patents" (Cavusgil and Zou 1994:16). Madsen (1989) warns that if exporters apply a low price strategy or price their products too low it might defer buyers and make them uncertain of the product's quality and reliability, and cause the market to doubt the capabilities of the firm.

Market selection (i.a. Chetty and Hamilton 1993; Styles and Ambler 1994; Leonidou and Katsikeas 1996) and segmentation, or "export targeting" (Leonidou et al. 2002: 52 and 57) are equally important strategic determinants of export performance.

Ultimately, the more successful firms are those that carefully design their export strategy by applying formal management systems to systematically collect and analyse information before planning their export activities (Cavusgil and Nevin 1981; Aaby and Slater 1989; Chetty and Hamilton 1993).

International and Export Experience

Management and firm characteristics, the literature suggests, are also important determinants of export performance (Sousa et al. 2008). The firm's *experience* from doing business *internationally* (Zou and Stan 1998) and whether it has any experience of *exporting* can be used to predict whether it will be more successful than other who do not have any experience of exporting to foreign countries. (Aaby and Slater 1989).

International and export experience are connected to knowledge and competencies in the field, but differ through the necessary involvement of personal and organisational learning that can be acquired and internalised over time only through operating in foreign markets and/or with export business (Johanson and Vahlne 1977; Papadopoulos and Martín 2010).

Johanson and Vahlne (1977) and Papadopoulos and Martin (2010) base their theory of international experience on Penrose's (1959) seminal work, in which she conceptualises experience by explaining the difference between "objective knowledge..[that] can be formally taught…. [and] experiential knowledge [that] can only be learned in the form or personal experience" (Penrose 1959: 48).

Penrose (1959) further says that it is the slight transformation caused in the individual through its personal undertakings within a very specific context that makes experience so personal and in-transferrable. Johanson and Vahlne (1977) agree to this and say that it is the consecutive acquisition of these experiential skills that make them so important, especially when operating in foreign markets.

Papadopoulos and Martín (2010), in their research, quantify experience by combining the number of years since the firm started exporting on a regular basis, i.e. the firm's "longitudinal experience", and the number of countries the company is exporting to and how much they differ from each other, or "cross experience" (Papadopoulos and Martín 2010: 395).

International experience enables management to anticipate threats and opportunities in the market through a deeper understanding and "feeling" (Johanson and Vahlne 1977) for what is going on, e.g. when it comes to cultural differences, demand and competition, which enable them to better adapt their products to suit the needs of the customers in the foreign market (Cavusgil et al. 1993).

The "international business player" (Cavusgil et al. 1993: 486) through their experience, also has a better comprehension of market networks and relationships in the buyer country, and therefore, can better establish personal contacts and communicate with key players in the market (Johanson and Vahlne 1977; Madsen 1989). This helps to identify, appoint and evaluate agents or distributors (Madsen 1989) which can be very difficult for less internationally experienced managers (Cavusgil and Zou 1994).

International experience is built over time through continuous business exchanges. It has a positive effect on export performance. Experience about the country to where the firm wants to export its products reduces "inter-market differences" (Papadopoulos and Martín 2010: 393) and market and relationship uncertainties (Johanson and Vahlne 1977; Madsen 1989; Papadopoulos and Martín 2010), and, in turn, enables better communication which influences export performance positively (Madsen 1989).

A company that wants to start exporting should quickly acquire the international experience so necessary for export success. The best way would be to recruit managers and staff that already possess this experience or take guidance from internationally experienced individuals (Johanson and Vahlne 1977; Cavusgil and Zou 1994).

Market Knowledge and Competence

As mentioned several times earlier in this review, a weakness in earlier research is that terms and expressions often have been used inconsistently or without clear definition (Papadopoulis and Martín 2010). This was found particularly when studying the terms *experience*, *knowledge* and *competence* that are very closely related but have different meaning and dimensions. To avoid further confusion, based on the concept of Chetty et al. (2006: 701), these words are defined in Table 4 using quotes from the literature and in the context of international business, exports and foreign markets.

The accumulated *knowledge* about one or several markets gained successively while doing business in those markets, becomes *country* and/or *international experience.* It is the firm's ability to apply its knowledge and gained experience, to use it effectively to grow and expand business in that country or region, to sense, evaluate and respond to business opportunities in the right way, that constitutes the *competence* (Aaby and Slater 1989).

Such crucial knowledge can, i.a. be about geography, how to do business, regulatory environment, what players are active in the market, specific national traits, payment terms, language, culture (Johanson and Vahlne 1977). It is also the knowledge about where and how, e.g. through interacting with relevant networks, such knowledge can be found and acquired (Styles and Ambler 1994; Leoindou and Katsikeas 1996).

Eriksson, Johanson, Majkgård and Sharma (1997) distinguish between 'business' and 'institutional' knowledge, where the first refers to knowledge on, e.g. market, business network, customers, suppliers, etc., and the latter stands for knowledge on the actual country, its government, rules and regulations and so on.

Johanson and Vahlne (1977) underline the importance of the acquisition and use of market knowledge in internationalisation (i.e. export development) and how the "lack of such knowledge...[would be]...an important obstacle to the development of international operations" (Johanson and Vahlne 1977: 23).

Table 4: Definitions of Knowledge, Experience and Competence

Market Knowledge	*"By market knowledge we mean information about markets, and operations in those markets, which is somehow stored and reasonably retrievable – in the mind of individuals, in computer memories and in written reports."*	Johanson and Vahlne (1977: 26)
Country Experience	*"The diverse set of experience acquired from multiple business deals in one country."*	Chetty, Eriksson and Lindbergh (2006: 701)
International Experience	*"Refers to experiences from past business in diverse foreign markets."*	Chetty, Eriksson and Lindbergh (2006: 701)
Competence	*"Management's ability to apply, appropriate technology, establish necessary commitment, acquire international knowledge, institute consistent and realistic export objectives, develop export policy, and establish necessary management control systems"*	Aaby and Slater (1989: 18)
Based on concept by Chetty et al. (2006: 701)		

Management's Commitment and Support to Exports

International experience and competence contribute toward a higher degree of international or market commitment (Cavusgil and Zou 1994; Papadopoulos and Martín 2010). Export performance is likely to be superior in firms where management is strongly committed to exports (Aaby and Slater 1989; Chetty and Hamilon 1993). Zou and Stan (1998) highlight "management's Export commitment ... as one of the key determinants of export performance" (Zou and Stan 1998: 348).

Market commitment can be defined as a combination of "the amount of resources committed [to exporting activities] and the degree of commitment [of these resources]" (Johanson and Vahlne 1977: 27) to the export market/s. Management can commit resources by, e.g. investing in human capital, training and maintaining internationally skilled and experienced personnel, and proactively taking a "long-term approach to cultivating international market opportunities" (Cavusgil and Zou 1994: 16). The degree of commitment is considered greater when the level of specialisation is higher - that is when people working in the export department or with a particular export region are difficult to replace or to be found an "alternative use for" (Johanson and Vahlne 1977: 27).

Relationships with Importers and Channel Support

The most common entry modes for exporters into foreign markets are either via a local, independent sales *agent*, a *distributor* or an integrated, company owned *sales subsidiary* (Johanson and Vahlne 1977; Solberg and Nes 2002). Customers, agents, distributors, and other players in the supply chain or industry are often referred to in the literature as *channel members* (Madsen 1989) and/or *network members* (Styles and Ambler 1994).

The chosen approach to market entry depends on the situation, e.g. how important the market is in terms of economic or strategic objectives, available resources within the firm, and what level of involvement and marketing control is required (Solberg and Nes 2002).

Madsen (1989) advises firms wanting to achieve high export performance to. i.a. build strong personal contacts within the export market and delegate or share decision making with the person closest to the market. That person will have the best knowledge and understanding of the market, how it behaves, its relationships and needs. Such relationships, in turn, contribute positively to the firm's ability to plan and design future actions. Market knowledge and competence gained through close interaction and relationships with distributors in the export market, assist also in overcoming barriers to entry (Robertson and Chetty 2000).

The importance of building and maintaining strong relationships with channel partners and customers cannot be emphasised enough (Madsen 1989; Cavusgil and Zou 1994; Styles and Ambler 1994; Lages et al. 2005a; Styles, Patterson and Ahmed 2008). Good relationships built on mutual commitment and trust (Lages et al. 2005a; Styles et al. 2008) "promote positive joint results" (Lages et al. 2005a: 86-87).

Styles et al. (2008) explain how mutual commitment and trust between the seller and buyers (the firm and its local agents) lead to certain behaviours that assist in building strong partnerships, e.g. consistently keeping promises on performance, openness and clear communication, "frequent two-way communication" (Styles and Ambler 1994: 31) and making an effort to meet and discuss in person or "face-to-face" (Styles et al. 2008: 893).

Other ways of showing commitment and giving support to local agents and distributors that help build strong relations and contribute positively to export performance are "sales force training, technical assistance, [sharing of] marketing knowledge, [and] promotional support" (Cavusgil and Zou 1994: 16).

Firm Size

On the one hand, Sousa et al. (2008) found the size of the firm to be a main determinant for export performance, a feature in more than a third (38%) of the articles they studied. Chetty and Hamilton (1993) established a "significant and positive association between firm size and export performance" (Chetty and Hamilton 1993: 30) implying that export performance would improve as the firm increased in size.

On the other hand, Moen (1999) studied 335 small and medium sized companies and found that there is no such connection. Larger firms have no advantage over smaller ones when it comes to success in export performance. This is in line with Aaby and Slater (1989) who concluded that the size of the company has no direct influence on its export performance, but rather that the advantages would come from the "financial strength or variables related to

economies of scale" (Aaby and Slater 1989: 21). Smaller firms were likely to have less resources to spend on, e.g. marketing activities (Moen 1999).

Pro-activeness and Entrepreneurial Orientation of the Firm

Moen (1999) says that the most important factors that influence export performance in both small and large firms are "proactive, external motives" (Moen 1999: 66), external motives being, e.g. business opportunities arising out of foreign markets.

Being proactive means actively initiating and pursuing export opportunities (Sousa et al. 2008) instead of passively waiting for the business to materialise.

The proactive orientation is closely related to the entrepreneurial firm being innovative and more willing to take on risks (Robertson and Chetty 2000), compared to the more conservatively orientated firm.

Aaby and Slater (1989) state how successful exporters are dependent on proactive management driven by "an international vision, consistent export goals, favourable perceptions and attitudes towards export ... willing to take risks and ... capable of engaging positively in export activities" (Aaby and Slater 1989: 21). Andersson (2000) highlights the critical role of the entrepreneur by saying that "the strategy and internationalization processes will not start without acting entrepreneurs" (Andersson 2000: 69).

Table 5: Determinants of Export Performance – Internal Variables

Determinants of Export Performance - Most Important Variables 1/2		
INTERNAL - FIRM LEVEL	**Count**	**Authors Emphasising Variable as Among Most Important Findings**
EXPORT MARKETING STRATEGY and POLICY. The Marketing Mix (The 4 P's): PRODUCT Adaption, Quality, Strength PRICE Competitiveness, Strategy PROMOTION Adaption, Intensity PLACE Channel Structure Export PLANNING and Management SYSTEMS	11	Aaby and Slater (1989)**** Madsen (1989) Chetty and Hamilton (1993)* / **** Cavusgil and Zou (1994) Styles and Ambler (1994)** Leonidou and Katsikeas (1996) Zou and Stan (1998) Robertson and Chetty (2000)*** Leonidou et al. (2002) Lages et al. (2005a) Sousa et al. (2008)
Management Export / International EXPERIENCE	8	Johanson and Vahlne (1977) Aaby and Slater (1989) Madsen (1989) Cavusgil and Zou (1994) Zou and Stan (1998) Robertson and Chetty (2000) Sousa et al. (2008) Papadopoulos and Martín (2010)
Management COMMITMENT and SUPPORT to Exports	7	Johanson and Vahlne (1977) Aaby and Slater (1989) Chetty and Hamilton (1993) Cavusgil and Zou (1994) Zou and Stan (1998) Sousa et al. (2008) Papadopoulos and Martín (2010)
RELATIONSHIPS with Importers and Distributors - Positive Working Relationships - Interaction PERSONAL Contacts Channel SUPPORT JOINT Decision Making with Local Importer LEARNING Through Relationships	6	Madsen (1989)***** Cavusgil and Zou (1994)***** Styles and Ambler (1994) Robertson and Chetty (2000)****** Lages et al. (2005a) Styles et al. (2008)
Export Marketing Strategy. The following authors only highlight part of the marketing mix: * Pricing Strategy (Chetty and Hamilton 1993) ** Consistent Product and Service Quality (Styles and Ambler 1994) *** Channel Structure (Robertson and Chetty 2000) **** Planning and Systems (Aaby and Slater 1989; Chetty and Hamilton 1993)		
Relationships and Channel Support. ***** Channel Support (Madsen 1989; Cavusgil and Zou 1994) ****** Learning through relationships (Robertson and Chetty 2000)		

Determinants of Export Performance - Most Important Variables 2/2		
INTERNAL - FIRM LEVEL	**Count**	**Authors Emphasising Variable as Among Most Important Findings**
Firm COMPETENCIES (incl. International, Technical)	4	Aaby and Slater (1989) Chetty and Hamilton (1993) Cavusgil and Zou (1994) Zou and Stan (1998)
Market KNOWLEDGE: Information needs and acquisition.	4	Johanson and Vahlne (1977) Chetty and Hamilton (1993) Styles and Ambler (1994) Leonidou and Katsikeas (1996)
MARKET Segmentation, Selection, Entry and Expansion	4	Chetty and Hamilton (1993) Styles and Ambler (1994) Leonidou and Katsikeas (1996) Leonidou et al. (2002)
Firm SIZE	4	Aaby and Slater (1989) Chetty and Hamilton (1993) Moen (1999) Sousa et al. (2008)
Proactiveness	1	Sousa et al. (2008)
Entrepreneurial Orientation of the firm	1	Robertson and Chetty (2000)

2.3.2 External Factors

To this point, internal factors that influence export performance have been dealt with in detail. Most of these factors are within the direct control of the firm.

The firm's export performance is also dependent on its external environment to a greater or lesser degree. External factors that influence the performance on foreign markets are demonstrated in several export performance models (e.g. Cavusgil and Zou 1994; Styles and Ambler 1994; Zou and Stan 1998; Robertson and Chetty 2000; Sousa et al. 2008).

Before describing some of these external variables, it is worth pointing out theoretical or conceptual frameworks that are related and frequently referred to in the literature when discussing the basis for the many different viewpoints on firm performance, here in the context of export performance:

The division of determinants of export performance into internal and external factors are founded on two very different conceptual frameworks; the *resource-based view* and *industrial organisation (*Zou and Stan 1998).

Zou and Stan (1998) explain how the company's internal factors have their origin in the resource-based view (RBV) and centre on the organisation's "unique" (Sousa et al. 2008: 351) internal resources and capabilities. These can be used to advantage to help the firm to diversify and grow into new markets, and profit from their full utilisation and development.

Opposite the RBV is the *structure-conduct-performance* (SCP) framework of the *industrial organisation* (IO) (Cavusgil and Zou 1994) which focusses on the firm's environment; foremost the industry it operates in and how this industry behaves, i.e. the micro-economic environment of the firm. Porter's "five forces" (Porter 1980; Porter 2008: 80) that grew out of this school of thought (Mintzberg, Ahlstrand and Lampel 1998) analyses the forces of the actors of the immediate, external environment of the firm; how the firm behaves and responds to its competitors, suppliers, buyers, threatening new entrants, etc. (Porter 1980; Mintzberg et al.1998; Zou and Stan 1998).

The *contingency theory* is closely related to *industrial organisation* (IO) but is positioned somewhere between the two extremes of RBV ad IO (Robertson and Chetty 2000). It looks at both the external environment, including the macro-economic environment such as, e.g. political, economic, and legal factors that fall outside the control of the company (Zou and Stan 1998) and the firm's internal capabilities. The firm's strategy and export performance *depend* on what happens in its external environment and how the firm's internal resources handle it (Sousa et al. 2008).

Robertson and Chetty (2000) say that the RBV tends to suggest a set of behaviours and actions to the firm, depending on the capabilities of its internal resources, a "best way" (Mintzberg et al. 1998: 289) that, inevitably, will lead to increased export performance. The contingency theory, however, looks at how the organisation manages to adjust and fit its internal resources to the external environment, i.e. the performance of the firm depends on how it adjusts to its environment which highlights the importance of continuously scanning the environment. The authors go on to warn that "a failure to do so can lead to poor performance and lost opportunities" (Robertson and Chetty 2000: 226).

Thus, it is clear that factors external to the firm and outside its control are important determinants of export performance. However, Zou and Stan (1998) establish that only about a third (36%) of reviewed authors point out and list external factors in their export performance models. Fewer researchers discuss these factors in detail. The reason for this might be that one can easily describe internal factors that are possible to influence within the company, such as, e.g. competence, international experience and knowledge, management's attitude and commitment towards exporting, the building of trust and strong relationships with foreign channel members. To research and describe the way each individual firm is structured and how it reacts to its environment very much depends on the nature of the firm, the industry and country it operates within. This "environment is often hard to define clearly" (Zou and Stan 1998: 350).

There are many different markets with varying conditions and "different situations give rise to different behaviours" (Mintzberg et al. 1998: 289). Penrose (1959) says that the "environment is different for every firm" (Penrose

1959: 191) and that the environment is “an image in the entrepreneur’s mind ... and it is not the environment as such, but rather the environment as the entrepreneur sees it, that is relevant ... and his ability to take advantage of what he sees” (Penrose 1959: 189). The firm has to be able to identify and take advantage of the opportunities that arise out of the environment and take whatever action necessary to overcome any potential threat.

Mintzberg (1979) reduces the many different influences on the firm caused by its external environment to the following four dimensions:

Stability - the environment of the firm is either stable or dynamic – the latter, caused, e.g. by constant demand for innovation, the speedy development of technology or political instability

Complexity – a simple (e.g. automotive components) environment or demand for complex (e.g. space agency) systems impact the way firms do business in a market

Market diversity – the market serviced by the firm can be diversified, offering many different services to different industries - or integrated, only promoting one type of product to all.

Hostility - the market can be hostile or beneficial, depending on the ruling relationships between business competitors and, e.g. government or policy makers.

This section concludes by listing some of the most predominant external variables found in the literature that most exporters are likely to be confronted with. Reflecting some of the dimensions explained by Mintzberg (1979) above, the external variables are here divided in accordance with Zou and Stan (1998) and Sousa et al. (2008) into *industry characteristics*, *foreign market characteristics and domestic market characteristics*.

Depending on the industry the firm operates in, the situation, context, time and even the stage in the export development process (Leonidou 2004), external factors might act as either *stimuli* triggering or promoting export business, or

barriers, i.e. inhibitors or obstacles, to establishing and developing exports in foreign countries (Leonidou and Katsikeas 1996; Leonidou 2004).

Barriers to export are often "perceived" differently by different companies (Penrose 1959), e.g. between exporters and non-exporters (Leonidou 2004). Zou and Stan (1998) argue that "export market barriers are *not* a significant predictor of export performance...[and suggest that]...firms can overcome such barriers by pursuing effective marketing strategies" (Zou and Stan 1998: 351).

2.3.2.1 Industry Characteristics

The characteristics of the industry the firm operates within, and, in particular, the *complexity* and *stability* of that industry, are found to have a strong influence on the firm's export performance.

Technology Orientation of Industry

The *Technology Orientation of Industry,* i.e. the degree of "technology-intensive" (Cavusgil et al. 1993: 487) production or "manufacturing complexity" (Zou and Stan 1998: 351) that is typical for, i.a. the aircraft industry, computer and electronics industry or in the manufacturing of medical equipment (Cavusgil et al.1993; Causgil and Zou 1994) is seen to indirectly, via the firm's export strategy, influence export performance (Cavusgil and Zou 1994) and export sales (Zou and Stan 1998) positively as it necessarily increases the level of the exporter's support (commitment, training, promotion support) to its distributor or subsidiary as well as its price competitiveness.

Industry Instability

Contrary to what would be expected, Zou and Stan (1998) establish a *possible*, positive connection between *instability in the industry*, defined by the "rate of change in technology, riskiness, unpredictability" (Zou and Stan 1998: 351), and increased export performance. They refer, i.a. to Das (1994) who established this unusual connection in her research among exporters from a developing

country. This could be an effect similar to that observed in connection with *psychic distance*.

2.3.2.2 Foreign Market Characteristics

Most external factors dealt with in the literature refer to the characteristics of the foreign market and threats and opportunities that arise out of that environment. Such factors are mostly expressed as *Barriers to Export, Market Attractiveness* and *Market Competitiveness*.

Barriers to Export

Most dominant are the prevalence of *Export Barriers* or Barriers to Export, best defined as "all those attitudinal, structural and operational, and other constraints that hinder the firm's ability to initiate, develop or sustain international operations" (Leonidou 1995: 31), i.e. "operations in overseas markets" (Leonidou 2004: 281).

Like so often occurring in the export performance literature, Leonidou (1995) raises concern over the many different views that exist on how to best classify, divide and label the effects of the large number of export barriers, that also vary depending on the type and structure of company and at what stage it has reached in its internationalisation or export development process (discussed in section 2.3.3). He continues by explaining how the many different variations and dimensions cause confusion and lack of consistency and progress, with many researchers seemingly ignoring findings from earlier studies. Close to a decade later, the same author (Leonidou 2004) conducts a detailed and structured analysis and classification of export barriers of which only *external* barriers to export are dealt with here, together with the most relevant listed by other researchers studied in this review.

Here follows a list of examples of such external export barriers:

Psychic Distance - Johanson and Vahlne (1977) point out that psychic distance is the total difference/s between two or more markets that inhibit the natural flow

of information between actors. This can be due, e.g. to perceived differences, dissimilarities in attitudes and culture, levels of education or industrial development, socio-economic and socio-cultural dissimilarities, verbal or non-verbal language differences, problematic communication, different customer attitudes and ways of doing business (Johanson and Vahlne 1977; Leonidou 2004; Sousa et al. 2008) acting as barriers to entry.

Styles and Ambler (1994) observe the tendency, especially among new exporters, to select closer markets with less psychic distance. But as these exporters progress to more advanced stages in their export development and become more experienced, they also move on to doing business in markets with higher psychic distance (Leonidou and Katsikeas1996).

On the other hand, Sousa, Ruzo and Losada (2010) suggest that exporting companies are often better off doing business in countries with higher psychic distance. Their research establishes an unanticipated "positive and significant" (2010: 12) relationship between psychic distance and export performance. It seems this is caused by managers having to work and think harder to overcome difficulties in such psychologically distant environments. The authors go on to propose that companies working only in close countries, with no or low psychic distance to the home country, tend to become complacent, and may well miss out on business opportunities.

Lack of Access to Information – The lack of knowledge about and difficulties in gaining access to relevant facts or business intelligence about foreign countries and problems with understanding and analysing complicated market information needed to identify and access interesting foreign markets and opportunities, is seen by many companies, in particular, smaller firms or inexperienced exporters, as a major barrier to exports (Johanson and Vahlne 1977; Leonidou1995; Leonidou 2004).

Infrastructure Problems – The lack of adequate roads and transportation, limited access to functioning telephone and internet connections, raise barriers to trade and high transportation and insurance costs, especially in developing countries (Mitchell 1979; Styles and Ambler 1994; Leonidou 2004). Styles and Ambler

(1994) also suggest that firms, in overcoming these kinds of infrastructural problems, need not regard them as obstacles to successful export performance.

*Physical Distanc*e – Closely related to infrastructure problems is the actual physical distance (Madsen 1989), the geographical distance (Robertson and Chetty 2000) between the domestic and foreign market. Both infrastructure and geographic distance affect the logistics, distribution and supply of goods (Mitchell 1979; Leonidou 2004) and might hinder export development and performance.

Hostile Environment – High levels of hostility in the market are characterised by "precarious industry settings, intense competition, harsh overwhelming business climate, lack of exploitable business opportunities" (Covin and Slevin 1989: 75). High levels of hostility might occur in markets going through political turbulence or environmental instability (Leonidou 2004; Sousa et al. 2008) making it both risky and difficult to conduct business in those countries. Robertson and Chetty (2000) suggest firms adopt an entrepreneurial strategic approach when operating in countries with hostile environments. Entrepreneurial organisations have proven more willing to take on risk and are more flexible and adaptable when working in countries with a harsh environment and so, are more likely to perform well in spite of difficulties encountered.

Poor and Deteriorating Economic Conditions – Consumer behaviour, purchasing power and payment ability is likely to be negatively affected in countries with high inflation, negative economic growth, high debt and increasing unemployment (Leonidou 2004). Such conditions will negatively affect export performance, especially export sales and profitability.

Legal, Regulatory and Political Barriers – The legal and political environment in the foreign market was identified by Sousa et al. (2008) to be an important factor affecting operations and export performance. Governments that interfere in the market by, e.g. imposing complex regulatory or legal frameworks create pressure on firms' performance that negatively influences their efficiency and ability (Mitchell 1979; Styles and Ambler 1994; Cavusgil and Zou 1994; Sousa et al. 2008) to conduct successful export business. Leonidou (2004) also

mentions differing quality standards and legislation imposed by foreign market governments that force exporters to adapt their products and cause them additional costs.

Foreign Currency Exchange Risks – Continuously changing or fluctuating currency exchange rates is a well-known, recurrent export barrier and a very risky factor for exporters as they cause problems with pricing, cost recovery and potential revenue loss. Exporters need to, and can take preventative actions against this (Leonidou 2004).

Unfamiliar Business Practices – the different way business is done in foreign markets, e.g. how to establish personal relations or conduct negotiations can cause pressure on the exporter and a negative reaction in the foreign counterpart who might react differently depending on ruling conservative or modern business practices (Leonidou 2004). Different and often complex paperwork and documentation required for export transactions in foreign countries can also cause loss of time and additional cost and can be seen as a barrier to export (Leonidou and Katsikeas 1996; Leonidou 2004).

Tariff and Non-tariff Barriers – Related to government intervention barriers described earlier are the many strict rules and regulations in a foreign market that hinder foreign exporters from entering the market successfully. Such barriers can, e.g. be restrictions to entry or price regulations or exclusive tax rates that might delay the inflow or increase prices of products coming into the market, reducing profitability for the exporter, or strict foreign exchange controls making it difficult to transfer profits back home (Leonidou 2004). High import tariffs are also examples of such “hard barriers” (Madsen 1989: 53) causing export prices to soar (Leonidou 2004). Examples of non-tariff barriers that have an equally inhibiting influence on export business, potentially causing serious problems are, e.g. quotas, customs administration, blockage and subjective tariff classifications (Leonidou 2004).

Following on from the contingency concept, Yeoh and Jeong (1995) rule out the impact of barriers on companies’ export performance maintaining that it depends on the context. Zou and Stan (1998) also do not find any significant

relation between export performance and “export market barriers” (Zou and Stan 1998: 351). Madsen (1989), too, fails to establish the expected negative association between export performance and psychological or cultural distance. But the moderating weakening or strengthening effects that these barriers might have on export performance, e.g. foreign markets’ environmental turbulence and the psychic distance should be considered (Yeoh and Jeong 1995; Sousa et al.2008).

Export Market Attractiveness

High Economic Development and Growth - Export market attractiveness has a positive impact on export sales and profits (Madsen 1989; Zou and Stan 1998). Examples of factors contributing to an attractive export market are, i.a. “economic development ... [and] ... demand potential” (Zou and Stan 1998: 351). Madsen (1989) establishes that “export markets with high growth and very little local competition ... tend to result in high sales” (Madsen 1989: 53) and, as a consequence, this would cause higher commitment to exporting within the firm.

Contrary to what would be expected, Madsen (1989) also found that markets with high entry barriers, such as, e.g. high psychic distance and high tariffs, would most often be markets with high growth, i.e. very attractive markets, where the normally negative effects of export barriers are counteracted by positive export performance. In such environments, strong market positions would often be held by a few, very dedicated large firms with well established “strong products, marketed to a well-defined target group” (Madsen 1989: 53).

Benign Environment – A market with no or very low levels of hostility, i.e. a benign foreign market is characterised by a stable and liberal free market with fair competition and “safe setting for business operations” (Covin and Slevin 1989: 75). Compared to the hostile environment described under export barriers above, a benign market offers an “abundance and richness of investment and marketing opportunities" (Robertson and Chetty 2000: 215) and is distinguished by a stable political and economic environment (Robertson and Chetty 2000) that encourages and promotes business.

Export Market Competitiveness

Degree of Competitive Intensity – The degree of competition and price competitiveness were found by Lages et al. (2005a) to also be important determinants of export performance. Sousa et al. (2008) though encountered very mixed results for market competitiveness: equally significant positive, significant negative and non-significant influence on export performance. Only Cavusgil and Zou (1994) clearly established in their study that export market competitiveness indirectly causes increased export performance via the firm's strategy on product adaptation and support to the foreign distributor or subsidiary, as there are moderate and positive relations to those factors.

2.3.2.3 Domestic Market Characteristics

Export Barriers and Stimuli in the Domestic Market

External factors and conditions emanating in the domestic market can act as either *barriers* or *stimuli* to export. Examples of domestic export barriers are, e.g. *a hostile domestic market* (Robertson and Chetty 2000), *unfavourable domestic rules and regulations* (Leonidou 2004), or *action or inaction by the domestic government* (Leonidou 2004). A *lack of finance* hinders companies from investing in higher technology or research and development, or to fully develop and realise their export plans (Rock and Ahmed 2008; Kaplan 2011).

Export stimuli, conducive to exports, motivating and supporting export activity (Leonidou and Kastsikeas 1996) can, i.a. be a *non-hostile environment* beneficial to exporting companies (Robertson and Chetty 2000), and, in particular, exporters' *access to government sponsored export assistance programmes* (Leonidou 2004; Sousa et al. 2008).

Madsen (1989) explains how domestic market conditions can act both as barrier and stimulus on exporting firms: If the local market is very attractive, there is less effort to export and do business with foreign markets (barrier). But, in the case of small countries and markets, the limited market opportunities available locally force companies to look beyond the borders and export more (stimuli).

An overview of the external determinants of export performance reviewed in this section are summarised in Table 6.

Table 6: Determinants of Export Performance – External Variables

Determinants of Export Performance - Most Important Variables 1/2			
EXTERNAL - ENVIRONMENTAL	**Variable**	**Count**	**Authors Emphasising Variable as Among Most Important Findings**
INDUSTRY CHARACTERISTICS			
COMPLEXITY	Degree of TECHNOLOGY ORIENTATION TECHNOLOGICAL Intensity	2	Cavusgil and Zou (1994) Zou and Stan (1998)
STABILITY	Industry INSTABILITY - Rate of change etc.	2	Das (1994) Zou and Stan (1998)
FOREIGN MARKET CHARACTERISTICS			
Export BARRIER	PSYCHIC Distance CULTURAL Similarities / Dissimilarities EDUCATION and SOCIO-CULTURAL Differences - Different foreign business and customer HABITS and ATTITUDES - Problematic communication - Verbal / Non-verbal LANGUAGE Differences	3	Johanson and Vahlne (1977) Leonidou (2004) Sousa et al. (2008)
Export BARRIER	Lack of or difficulty in accessing market INFORMATION - to locate and access foreign markets	4	Johanson and Vahlne (1977) Leonidou (1995) Leonidou and Katsikeas (1996) Leonidou (2004)
Export BARRIER	INFRASTRUCTURE Problems Inadequate roads and transportation No telephones Excessive transportation and insurance costs	3	Mitchell (1979) Styles and Ambler (1994) Leonidou (2004)
Export BARRIER	PHYSICAL Distance - Geographic distance	1	Madsen (1989)
Export BARRIER	Level of HOSTILITY HOSTILE Environment POLITICAL Instability Environmental turbulence	4	Covin and Slevin (1989) Robertson and Chetty (2000) Leonidou (2004) Sousa et al. (2008)
Export BARRIER	Poor / Deteriorating ECONOMIC Conditions	1	Leonidou (2004)
Export BARRIER	Environmental market factors under GOVERNMENT CONTROL LEGAL / REGULATORY Barriers LEGAL / POLITICAL Environment - GOVERNMENT Intervention	5	Mitchell (1979) Styles and Ambler (1994) Cavusgil and Zou (1994) Leonidou (2004) Sousa et al. (2008)

Determinants of Export Performance - Most Important Variables 2/2			
EXTERNAL - ENVIRONMENTAL	**Variable**	**Count**	**Authors Emphasising Variable as Among Most Important Findings**
Export BARRIER	Foreign CURRENCY Exchange Risks	1	Leonidou (2004)
Export BARRIER	Complex documentation requirements Unfamiliar Export PROCEDURES and Business Practices	2	Leonidou and Katsikeas (1996) Leonidou (2004)
Export BARRIER	High TARIFF and Non-tariff Barriers - Strict Foreign COUNTRY RULES - entry restrictions, price controls, tax rates, exchange controls	2	Madsen (1989) Leonidou (2004)
Export STIMULI - Export Market ATTRACTIVENESS	High growth, ECONOMIC development, Demand potential	3	Madsen (1989) Zou and Stan (1998)
Export Market ATTRACTIVENESS	Level of HOSTILITY BENIGN Environment	2	Robertson and Chetty (2000) Covin and Slevin (1989)
Export Market COMPETITIVENESS	Degree of COMPETITION / COMPETITIVE Intensity	3	Cavusgil and Zou (1994) Lages et al. (2005a) Sousa et al. (2008)
DOMESTIC MARKET CHARACTERISTICS			
Export BARRIER	Local market attractive	1	Madsen (1989)
Export BARRIER	HOSTILE Environment	2	Robertson and Chetty (2000) Sousa et al. (2008)
Export BARRIER	Action or in-action by home GOVERNMENT - Lack of Government Assistance	1	Leonidou (2004)
Export BARRIER	Unfavourable Domestic RULES AND REGULATIONS	1	Leonidou (2004)
Export BARRIER	Lack of Finance	2	Rock and Ahmed (2008) Kaplan (2011)
Export STIMULI	Local market too small	1	Madsen (1989)
Export STIMULI	BENIGN Environment	1	Robertson and Chetty (2000)
Export STIMULI	Access to EXPORT ASSISTANCE Programmes	1	Sousa et al. (2008)

2.3.3 The Level of Internationalisation

This chapter concludes by discussing how the level of internationalisation in the firm influences its export performance.

Internationalisation is defined as “the overall process... [of] the international expansion of firms” (Papadopoulos and Martín 2010: 390). From this follows that *the level of internationalisation* is “the degree to which the firm is connected to foreign markets in terms of export intensity, international development and other factors ... the extent to which a firm is internationalized” (Papadopoulos and Martín 2010: 390), i.e., the level of its “foreign involvement” (Leonidou and Katsikeas 1996: 527). Papadopoulos and Martín (2010) claim that a higher level of internationalisation in the firm leads to higher export performance.

There are two main streams of theory dealing with the internationalisation of the firm. Andersson (2000) explains that these theories are based on either the *behavioural* or the *economic* sciences.

The *behaviour* of the firm during its internationalisation, i.e. the focus in this review, is described as an incremental process; step one leading to step two, then step three, and so on. This so-called “*process view*” (Andersson 2000: 63) is described in, i.a. Johanson and Vahlne’s (1977) ‘Uppsala-model’ which, as will be discussed here, the same authors later adjusted and developed further (Johanson and Vahlne 1990, 2003).

In contrast, the *economic view,* besides the internationalisation of the firm, deals rather with the economic facts that support decisions on international foreign direct investment and production, e.g. the optimal location for production or the transferability of ownership and know-how across borders.

This theory is based on Dunning’s (1988) eclectic paradigm (Johanson and Vahlne 1990; Andersson 2000). The term ‘eclectic’ refers to an idea or a concept that builds on a broad and diverse range of factors or origins (Oxford Dictionary 2011) and this is what Dunning (1988) intended to put across by pointing out the “several strands of economic theory” (Dunning 1988: 1) that would be necessary to fully explain the activities of international firms.

As indicated, the original “Uppsala Internationalisation Model” (Johanson and Vahlne 1990: 11) follows the “incremental process” (Papadopoulos and Martín 2010: 388), i.e. the stepwise development of internationalisation observed among exporting firms. Johanson and Vahlne (1977) describe how the decision to export often follows upon the receipt of one or more orders from foreign customer/s, which leads the company to form an agreement with a local agent or importer and distributor before any decision is taken to open a sales subsidiary in the foreign country and increase production. The authors established that most exporting firms (88%) start their internationalisation process by forming agreements with local agents already based in the foreign market with established knowledge about customers, local regulations and the needs and interests of other local stakeholders.

What is described in the model is really internationalisation seen as “a product of a series of incremental decisions” (Johanson and Vahlne 1977: 23) taken by the exporting firm, each time leading to higher (or lower) “*stages”* (Katsikeas and Leonidou 1996: 527) of the export development process. The path a company follows from not exporting at all to responding to its first ad hoc order from a foreign customer; to the more active decision making on marketing strategy and development of the export business; through to being a well-established and experienced exporter operating successfully on several foreign markets (Johanson and Vahlne 1977; Madsen 1989; Styles and Ambler 1994, Leonidou and Katsikeas 1996).

Gençtürk and Kotabe (2001) define five different categories of *export involvement* in such a “stages” model as: “*passive, exploratory, experimental, active* and *committed* involvement” (2001: 53). Papadopoulos and Martín (2010) define the “stage of internationalisation ... [as a] discrete point at which a firm may be classified... [to be]” (2010: 390) in its export development.

Johanson and Vahlne (1977) explain that the time and sequence of stages in the internationalisation process depend on the psychic distance to the foreign market, uncertainties and perceived risks. The authors go on to say that knowledge about exports and market conditions in the foreign country and, particularly, in management’s *experience* from doing business and interacting

with stakeholders on the export market, considerably decrease uncertainties around, e.g. psychic distance and risks which leads to an increase in *commitment* to exports and decisions to, i.a. allocate more resources to the export business such as, e.g. more personnel, language skills, time, training and personal visits.

Learning during the process is an important factor. In Johanson and Vahnle's (1977) Uppsala model of internationalisation, the slow, stepwise and incremental process of export development enables the company to successively learn about the foreign country, how business is done, about regulations, market demand, about competition, customers and other channel actors. As described above, the accumulated knowledge and increased international experience bring about higher levels of international commitment to the foreign market. The authors identify a "cycle of events" (Johanson and Vahnle 1977: 26) as the increased levels of commitment lead to more learning, higher knowledge and experience, and so on.

More than thirty years later, Papadopoulos and Martín (2010) empirically established the cyclical behaviour of the Uppsala model, confirming that enhanced international experience leads to increased international commitment, which brings the firm to a higher level of internationalisation, and raises the level of international experience, which again leads to an even higher level of commitment, and so on.

Figure 6 shows the new model developed by Papadopoulis and Martìn (2010) that determines the link between the level of internationalisation in the firm and its export performance, i.e. a higher level of internationalisation positively impacts the output factor, the export performance.

Styles and Ambler (1994) introduced the "Relational Paradigm" (1994: 28) into their model predicting export performance to emphasise the importance of establishing long term, mutual relationships with industry network players. Local agents, representatives and other stakeholders active in the foreign market are a vital source of important market information and these can also share and give their support to the decision making process.

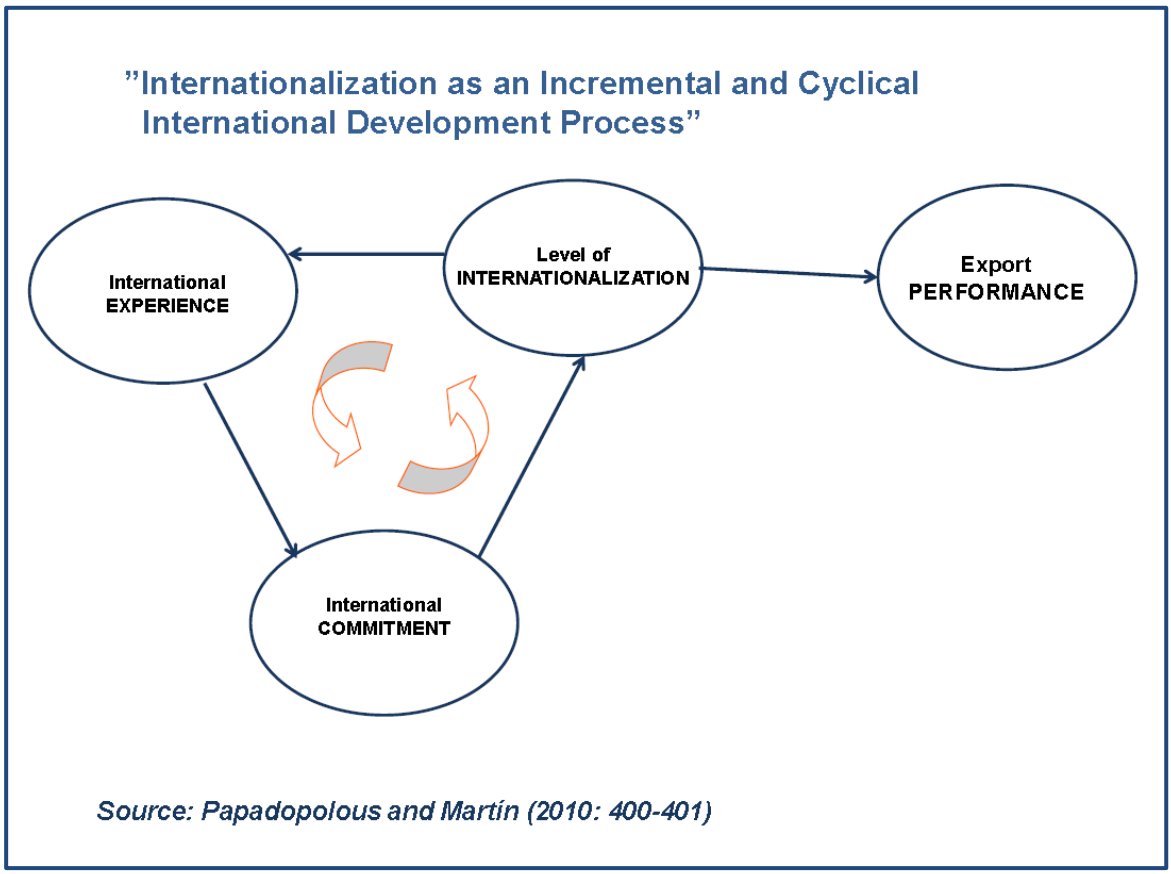


Figure 6: Level of Internationalisation and Export Performance (Papadopoulos and Martín 2010)

This shift was also undertaken by Johanson and Vahlne over time. As the manner in which international business is conducted changed, the Uppsala model was adjusted to fit the new global conditions and now states that the psychic distance and other barriers to successful export business are no longer related to the distance and difficulties to enter a foreign *country*, but rather to the distance and challenges faced when entering, building relationships and exploring business opportunities within the relevant *industry and business networks* (Johanson and Vahlne 2003, 2006, 2009) and the difficulty to become an "insider" (Johanson and Vahlne 2009: 1415).

Thus, the cycle of learning, accumulating knowledge and international experience, and increasing the firm's international commitment is essential. The firms' level of internationalisation and successful export performance "requires that it be well established in one or more networks" (Johanson and Vahlne 2009: 1415).

The Uppsala model of internationalisation has been criticised, i.a. for being "simplistic" (Sullivan and Bauerschmidt 1990: 28; Petersen, Pedersen and Shama 2003: 51) and for being too rigid and "deterministic" (Petersen et al. 2003: 42), leaving little space for management's strategic decisions and choice. Andersson (2000) criticises the Uppsala model for failing to bring to the surface possible reasons why some companies follow different processes when expanding into foreign markets, leaving out the importance of the behaviour of the individual, e.g. the entrepreneur, in achieving successful internationalisation.

Forsgren and Hagström (2007) suggest that modern, fast-moving internet-based companies do not follow the slow, stepwise expansion described in the model and base their selection rather on the potential of a market than relying on experience or psychic closeness. However, observing the sudden failure of many such companies, the authors conclude that a better way for these kinds of companies to internationalise might be to expand their exports slowly and stepwise, learning along the way. The Uppsala model of internationalisation then is still seen to apply in the new, modern internet-driven business environment.

2.4 Conclusion and Formulation of Hypotheses

The second part of the literature review presented in this chapter seeks to identify external and internal factors that influence export performance of exporting firms.

Factors that influence export performance in companies, and feature as the independent variable/s in research are generally referred to as *determinants of export performance*.

The complexity and multidimensionality of international marketing and export development (Katsikeas (2003) that exporting firms need to deal with is demonstrated in the large and diverse number of export determinants featured in the studied literature. As in the case of deciding on how to measure export performance in firms, discussed in the previous chapter, the same lack of general agreement and coherence among researchers is obvious when it

comes to listing factors influencing export performance. Although they refer to past findings in their research, most authors fail to criticise the earlier models in their eagerness to present new models and conclusions, thereby failing to build on earlier developed theory or develop a unified terminology (Papadopoulos and Martín 2010).

However, in spite of this diversity, the extended number of studies conducted over the years, in combination with the use of more advanced statistics and research methodologies (Sousa et al. 2008), show a number of variables reoccurring and reveal certain patterns or groupings of comparable items:

Many determinants can be attributed to *internal factors*, firm based qualities and behaviours that management of the individual firm is responsible for, has control over and can influence directly, at least in a relatively short time frame (Cavusgil and Nevin 1981, Zou and Stan 1998).

An exporting firm does not operate in isolation, but within its micro- and macro-environment. All companies carrying out business in the same industry or market are confronted with *external factors* that can affect export performance negatively or positively, and over which they have limited control (Styles and Ambler 1994) but can overcome depending on the way the company perceives and manages such barriers to trade (Zou ad Stan 1998) or takes advantage of external stimuli.

The level of internationalisation is a third dimension that can be seen as a combination of internal and external determinants examines how the firm gradually learns about foreign countries, markets and industry networks, and subsequently applies this knowledge and experience when deciding on committing resources to its export activities in order to grow and expand internationally. Papadopoulos and Martín (2010) find this to cause variation in export performance.

To summarise, from studying the literature, determinants of export performance can be divided into internal or external factors, and a dimension defined as the level of internationalisation.

Based on the findings from the literature review, the following hypotheses, to be tested in South African exporting companies, are stated:

Internal Factors

Hypothesis 1:

Export performance is higher in companies that design and employ an export marketing strategy with clear strategic objectives, and

a) While the export marketing mix has a direct effect on export performance, out of its four elements (product, price, place, promotion), the export price strategy is the one least related to the company's export performance

Hypothesis 2:

Export performance is higher in companies where management has international and export experience.

Hypothesis 3:

The company's ability to acquire and use international market knowledge is positively related to export performance.

Hypothesis 4:

Export performance is higher in companies where management is strongly committed to exports.

Hypothesis 5:

Export performance is higher in companies that support and maintain strong personal relationships with their customers and channel partners.

Hypothesis 6:

There is a direct relationship between the size of the company and its export performance.

Hypothesis 7:

A proactive, entrepreneurial orientation of the firm's management is positively related to its export performance.

External Factors

Hypothesis 8:

There is a positive relationship between the degrees of technology of the industry within which the exporting firm operates and its export performance.

Hypothesis 9:

There is a positive relationship between the degree of instability of the industry within which the exporting firm operates and its export performance.

Hypothesis 10:

The influence that barriers to export have on the company's export performance varies and is related to how serious and difficult to deal with such barriers are perceived to be by management.

Hypothesis 11:

Export performance is higher in companies that export to countries with high economic growth and development, stable political and economic environments and benign, stable and free markets.

Hypothesis 12:

There is a positive relationship between exporting to foreign markets that have a high degree of competitiveness and export performance.

The Level of Internationalisation

Hypothesis 13:

There is a positive relationship between the level of internationalisation of the firm and its export performance.

2.5 South African Research

In spite of the multitude of international articles and research on export performance and internationalisation that appear in the extant literature, there are still comparably few published articles available on South African research in this field.

This weakness in international export development and performance research, particularly when it comes to developing countries, and in this case South Africa, is pointed out by Calof and Viviers (1995) who stated that most studies have been conducted in developed countries such as, e.g. in North America, Europe and South-East Asia (Australia and New Zealand). More than a decade later, Sousa et al. (2008) identified the same pattern in research and suggested more focus be given to developing countries in future research, in particular, the BRIC countries, now BRICS since South Africa joined the group in April 2011 (Herskovitz and Bauer 2011).

South Africa lags after other developing economies when it comes to export performance and international market positioning compared to, e.g. the countries in the East Asia and Pacific region (Edwards and Alves 2006). While the South African Government recognises this and has set up ambitious targets to, i.a. achieve “increased manufacturing exports to new high growth markets ... [and] ... increase value added exports to and strategic investment from targeted countries” (the dti 2011a: 42), the importance of supporting, training and assisting South African manufacturing SMEs to grow their exports is obvious.

The increasing literature on South Africa’s export performance, as indicated by Edwards and Alves (2006), mostly refer to economic research on macro-economic, policy development at national level, such as studies on the effects of “real effective exchange rates ... comparative advantage ... market positioning and export demand and supply relationships” (2006: 482). That is not the focus of this research which primarily aims at identifying factors that influence export performance at firm level, its internal resources and capabilities and how these are applied to manage and deal with threats (barriers) and opportunities as these occur in the immediate exporting environment.

Calof and Viviers (1995) find the behaviour of exporting South African SMEs generally to be similar to that established in developed countries. The higher the level of internationalisation, the less important are the perceived expenses and risks involved in exporting. Why there are still relatively few exporting companies, compared to how many there "should be in a country like South Africa" (Calof and Viviers 1995: 76) is because of the distinctive barriers, specific for the country. There is a large geographic (physical) distance to most of its important export markets: 59% of manufactured South African exports are to EU, NAFTA, North-East Asia and China (the dti 2011b). The authors further hint at the "inward looking mentality" (1995:76) that keeps many firms from looking beyond the borders of South Africa.

The need for access to information on strategic market intelligence, as well as finance to reduce costs are important barriers to exports according to Gumede and Rasmussen (2002) and Gumede (2004). These authors find that business and industry networks are important sources for information. Working closely together with other members of such networks and sharing costs can assist in bridging such difficulties.

Gumede (2004) also underlines that "it is the responsibility of management to search for export market information" (2004: 388) and that the importance of a well-planned export strategy cannot be overlooked. He warns exporters not to rely on ad hoc "unsolicited export orders" (2004: 388).

Kaplan (2011), describes challenges to the South African industry for mining equipment and services, and highlights this industry's importance as a globally acknowledged and compatible high technology grouping. One of the main factors hindering further development and growth in its export trade, is the lack of "Access to finance … export finance.. [and] particularly, pre-shipping finance" (Kaplan 2011: 21) that negatively influences both the company's ability to gain access to international market intelligence, and, capital needed to fund i.a. "large export contracts….technology-based start-ups…commercialisation of research.. [and] the launch of new products" (Kaplan 2011: 21).

Edwards (2002), Gumede and Rasmussen (2002) and, in particular, Gumede (2004) also contribute to the literature with their in-depth industry classification and description of the South African SME sector. Very important for this research, too, is the illustration of the structure of the manufacturing exporting segment. For this purpose, reference and detailed information on size, structure and distribution, etc., of, i.a. South African exporting SMEs were deduced by these authors from the National Small Business Act (Republic of South Africa 1996) as well as the National Enterprise Survey conducted in 1999-2000.

2.6 Conclusion of Literature Review

The objective of this research was to identify internal and external factors that influence export performance in South African small and medium-sized companies and to evaluate if and to what extent these relate to increased export performance in these firms. After having studied the literature, the following hypotheses are stated:

Hypothesis 1:

Export performance is higher in companies that design and employ an export marketing strategy with clear strategic objectives, and

a) While the export marketing mix has a direct effect on export performance, out of its four elements (product, price, place, promotion), the export price strategy is the one least related to the company's export performance

Hypothesis 2:

Export performance is higher in companies where management have international and export experience.

Hypothesis 3:

The company's ability to acquire and use international market knowledge is positively related to export performance.

Hypothesis 4:

Export performance is higher in companies where management is strongly committed to exports.

Hypothesis 5:

Export performance is higher in companies that support and maintain strong personal relationships with their customers and channel partners.

Hypothesis 6:

There is a direct relationship between the size of the company and its export performance.

Hypothesis 7:

A proactive, entrepreneurial orientation of the firm's management is positively related to its export performance.

Hypothesis 8:

There is a positive relationship between the degrees of technology of the industry within which the exporting firm operates and its export performance.

Hypothesis 9:

There is a positive relationship between the degree of instability of the industry within which the exporting firm operates and its export performance.

Hypothesis 10:

The influence that barriers to export have on the company's export performance varies and is related to how serious and difficult to deal with such barriers are perceived to be by management.

Hypothesis 11:

Export performance is higher in companies that export to countries with high economic growth and development, stable political and economic environments and benign, stable and free markets.

Hypothesis 12:

There is a positive relationship between exporting to foreign markets that have a high degree of competitiveness and export performance

Hypothesis 13:

There is a positive relationship between the level of internationalisation of the firm and its export performance.

CHAPTER 3: RESEARCH METHODOLOGY

The objective with this research was to identify factors that have an influence on export performance for South African companies.

As a first step in obtaining this objective, *exploratory research* in the form of an extensive literature review was conducted. Iacobucci and Churchill (2010) state that exploratory research is a typical tool that assists in gaining an understanding of the conceptual basis of the research problem and the theory behind it, i.e. “to gain insight and ideas ... breaking [up] large, vague problems ...into smaller, more precise sub-problem statements ... [and] ... to establish priorities” (2010: 60).

The purpose of the literature review was to obtain a general understanding of the different aspects that influence performance in exporting firms, to collate information on the subject from earlier research and empirical studies conducted internationally. Some trade statistics and country information was also consulted. The review established ways of measuring export performance, a broad range of internal and external factors that are found to cause variation in performance in exporting firms. It also clarified the different concepts and the broad terminology related to the topic. Based on the findings from the literature, a number of hypotheses were stated and tested among South African SMEs as part of this research.

In this chapter, the quantitative research methodology and design used for this research is described. The population and sample frame are outlined, followed by information on how the data was collected together with details on the actual research instrument the structured survey that was used. The operationalisation of constructs, ways of measuring the different concepts and latent variables that were part of this research is outlined, together with the analytical methodologies that were applied to interpret the results.

The chapter concludes by establishing the limitations of the research design together with ways that were applied to ensure validity and reliability of the research.

3.1 Research methodology /paradigm

This research was aimed at establishing the relationship between a large number of different variables (e.g. internal and external factors' influence on export performance, different sizes, degrees of manufacturing technology, and levels of internationalisation of the firms).

Most factors identified in the literature review to influence export performance were "representing theoretical concepts" (Hair et al. 2010: 635), such as, e.g. commitment, knowledge, personal relationships, performance, and so on. Such impressions cannot be directly observed and captured with one word or variable, but rather by a set of observed indicators.

As described in detail in section 3.6, which deals with the methodology for the data analysis and interpretation, the best method for studying relationships between such latent factors is Structural Equation Modelling (SEM). In this research, SEM was applied for most analyses. However, this methodology requires large samples (Hair et al. 2010, Kline 2011).

A quantitative methodology was applied as it is the recommended methodology when dealing with determining relationships between many different concepts and variables in combination with large samples (Kalof, Dan and Dietz 2008). It enables the systematic collection and objective measuring of a broad range of narrowly formulated information and the testing of hypotheses by applying statistical techniques (Bryman 1984; Cresswell 2003).

The systematic methods applied in the quantitative research have been well tested as these are the "traditional" (Cresswell 2003: 23), positivist, scientific and empirical ways of conducting research; objectively observing, measuring and analysing the data to infer conclusions or possible frequencies or relationships between variables (Bryman 1984; Sale, Lohfeldt and Brazil 2002; Cresswell 2003). Bryman (1984) points out that the objectivity in quantitative research and the detachment from the results or the "distance between the observer and the observed" (1984:77) ensures there is no bias.

The disadvantage with applying a quantitative research methodology is its inflexible and strict structure applied in, e.g. the sample survey. The strictly structured survey that was used in this research limited the participants' freedom to answer individually, how they really felt about the questions. All types and ranges of answers were already determined, leaving out the possibility to answer in an entirely different way or giving an answer outside the pre-set parameters of what the researcher had decided were possible answers based on earlier research and theory (Iacobucci and Churchill 2010).
The qualitative methodology, which often applies open-ended questions and observes individual behaviour and experience, would have enabled this (Cresswell 2003). But the many variables and the need for a large sample would have made this research not only time consuming, but also costly. It would have been impossible to handle the large amount of information that many one-on-one, personal interviews would have generated since cost and time are important factors to be considered when choosing research methodology and design (Iacobucci and Churchill 2010). Thus, a quantitative methodology was chosen for this research.

3.2 Research Design

The research design that was applied in this study was based on a combination of non-experimental descriptive, correlational research statistics, and structural and dependence techniques (Hair et al. 2010).

Primary data collected for the research was collected by a web-based survey in the form of a structured questionnaire administered to managers in South African firms that, at the point of the survey, were directly involved in or well informed about the company's export business (Gauri and Grønhaug 2005).

Survey is the most common way to collect primary data for research and most surveys are conducted by administered questionnaires (Chandler and Lyon 2001; Yang, Wang and Su 2006), distributed mostly by mail or via the internet.

The advantage by using a structured questionnaire with standardised questions and answers is that the researcher can make sure that everyone taking part in

the survey answers exactly the same questions and in the same manner to make it easy to summarise and analyse the answers (Iacobucci and Churchill 2010).

The disadvantage with using a structured questionnaire is that one needs to carefully formulate and word the questions so that the respondents understand exactly what is asked and are able to answer the questions. There is a high risk for error due to non-response or boredom causing the respondent to just 'criss-cross' through the questionnaire without really caring or understanding the issue at hand. Pre-set answers force the respondent to choose at least one alternative answer, even if none apply (Iacobucci and Churchill 2010).

The questionnaire was distributed and incoming data collected by applying a system from SurveyMonkey, offering a variety of web-based survey solutions.

The administration of questionnaires by email and internet enabled the researcher to quickly and at low cost, to reach out to a large sample spread throughout the country (Kalof et al. 2008). The trend of web-based survey methods had been confirmed also in South Africa by Martins (2010) who also established equality in response quality between the more traditional paper-based survey and the modern web-based questionnaire.

The shortcoming with having applied a web-based survey versus, i.a. personal interviews was the low control of its administration. The researcher could never be really sure the questionnaire had reached the intended respondent or that the person who answered the questions in the survey was the right person and able to provide the correct information within the planned time frame. But for large samples with respondents distributed throughout the country, as was the case for this research, personal interviews would have been too complicated, time consuming and expensive (Iacobucci and Churchill 2010).

3.3 Population and sample

3.3.1 Population

The target *population* for the research were small and medium-sized (SMEs) manufacturing and exporting companies in South Africa.

The South African definition of SMEs is outlined in the National Small Business Act 102 of 1996 where the sizes of different types of companies (micro, very small, small and medium sized) are outlined for different sectors and industries of the economy according to their number of full time employees, annual turnover and gross asset value.

For the purpose of parsimony, only the numbers of employees were used to separate categories for this research. In the National Small Business Act 102 of 1996, manufacturing companies are listed as a separate sector with SMEs ranging from 5 to 199 (less than 200) full time employees (Republic of South Africa 1996). Firms with less than five employees are classified as micro enterprises. Thus, the population selected for this research was manufacturing companies in South Africa that export and have between 5 and 199 full time employees.

Table 7: Classification and Structure of the South African SME Sector

Company Classification Manufacturing Sector (Small Business Act)	**No. of Full Time Employees (Small Business Act)**	**% SA Manufacturing Exporting SME's in NES (Gumede 2004)**
Very Small	5-19	30%
Small	20-49	31%
Medium-Sized	50-199	39%
Total		**100%**

Source: Gumede (2004)

A complete list mapping the entire population does not exist, so it was difficult to know the number of companies or the proportion of small and medium-sized companies from among all South African manufacturing and exporting firms. Gumede (2004) used information from the National Enterprise Survey (NES) that was conducted in 1999-2000 to extract information on the structure of the South African industry and established that close to 30% of South Africa's SMEs are manufacturing exporters, and the internal structure of this sector, in turn, can be seen in Table 7.

3.3.2 Sample and sampling method

A large sample was needed to satisfy the needs requested for the selected data analysis (SEM). There is no complete list available of all manufacturing, South African exporters, but a large database published by Trade Publishing Resources, the publishers of Kompass South Africa, was made available to the writer. The database, that served as the original *sample frame*, contained information on 3,400 companies in South Africa listed as both manufacturing and exporting companies, of which 2,800 were listed as SMEs according to the stated criteria (i.e. with 5 to 199 full time employees). All nine South African provinces were represented in the database.

The disadvantage with using this type of commercial trade database was the risk of using inaccurate information and lack of information on the origin of the data. Even if contact details in the database were said to have been updated at least once annually, these could have changed over the year and the information might have become outdated and no longer correct. The large number of companies available in the database was expected to compensate for the risk of inaccuracy and it was therefore decided to use the entire database.

A pre-test of the database, an email informing all recipients about the upcoming survey, was sent out in October 2012. After this pre-test, the database was reduced to just over 2,350 contact details.

In anticipation of the potential shortcomings of using a commercial database and considering the limited time available, the researcher also contacted a large number of export councils, industry associations and chambers of commerce (Appendix J) to try to reach out to their members. As described in section 3.5 dealing with the method of data collection, many of these chambers and councils assisted in either providing lists of their membership base, or, as in most cases, by sending out information about the survey to their membership base.

In this way, it is believed that between 2,350 and 2,500 companies were approached in the end.

The response rate is estimated to have been 6.5% to 7%, which is below the expected 10% to 15%.

The final sample (after cleaning and sorting the data) was 104 manufacturing and exporting South African SMEs.

3.4 The research instrument

The research instrument was in the form of a structured questionnaire, the most suitable way to collect data for large samples and quantitative research due to its strictly controlled format. Every questionnaire looks exactly the same and every respondent must give the same type of answer to all questions as every other participant.

The questionnaire (Appendix A) listed 74 questions covering the different areas of interest for this research. Among these were a number of demographic questions that served to classify the responding firms into different groupings, e.g. into small or medium sized companies or into their relevant industrial sector.

The information provided was to be strictly confidential, what the respondents were assured of. For companies opting to receive a copy of the main results of the complete survey, personal information was also requested.

Mostly ordinal scales, but also nominal and ratio scales were used to capture the answers to the different types of questions posed. Most questions used "borrowed scales" (Churchill and Peter 1984: 366) that had been used in earlier empirical studies to capture the same construct.

Demographic information and company sensitive information featured at the end of the questionnaire as recommended by Iacobucci and Churchill (2010).

Most of the questions dealing with internal and external factors were multi-item constructs, listed separately with ordinal 7-point scales to capture the answers. Their operationalisation is outlined below.

Screening Question

Papadopoulos and Martín (2001) used a "screening question" (2010: 397) to separate companies that had a strategy from those that did not, to ensure they would receive valid answers to their strategy related questions.

In this research, two such screening questions were posed upfront to ensure the respondents were both representing firms that manufacture products in South Africa and were exporting some of these to outside the country. Two further screening questions appeared in the questionnaire to ensure the responding companies met all the set criteria. These were questions referring to the size of the company as well as the degree of technology in the industry that clearly stated different levels of manufacturing technology (Appendices A, D and F).

Export Performance

The latent factor of export performance, the endogenous construct, was measured by a multi-item construct developed in line with Cavusgil and Zou (1994) capturing both the financial and strategic dimensions together with an indicator of managements' perceived satisfaction of the company's overall export performance over a *three year period 2008-2010.*

The financial dimension included two items; *growth in export sales* and the *profitability of the company's exports*, ensuring that both the effectiveness and

efficiency performance dimensions were included (Cavusgil and Zou 1994; Styles 1998). The respondents were asked to indicate the average annual growth rate in export sales for the three years 2008 to 2010 as a percentage (%) and to indicate on a 5-point scale (from not very profitable to very profitable) the perceived profitability of their exports over the same years but adding one, neutral point on the scale for 'break even' (Styles 1998).

The third performance measure, *adaptability*, was covered by the strategic dimension by indicating on a 5-point scale (from not achieved to fully achieved) the perceived achievement of strategic objectives over the same three year period, a simplified version based on Cavusgil and Zou (1994).

To measure *satisfaction*, the perceived success with the company's exports, respondents were asked to indicate on a 5-point scale (from not very successful to very successful) how they rated the success of their exports over the last three years.

The *unit of analysis* that was applied in this research was the firm level, i.e. the total exports of the entire firm as recommended by e.g. Katsikeas et al. (2000) in particular when dealing with smaller firms.

Internal factors influencing Export Performance

Most internal factors; *International and Export Experience, International Market Knowledge and Competence, International Commitment, International Relationships, the Export Marketing Strategy, Marketing Mix and, Entrepreneurial Orientation* were expressed as statements about the situation in the company, situations and characteristics extracted from the literature review. The respondents were asked to indicate the extent to which they agreed with these statements on a 7-point scale, ranging from "strongly disagree to strongly agree".

One of the questions dealing with the *entrepreneurial orientation* of the firm was aimed at establishing management's willingness to take risks. The original question was "Management is not afraid of taking risks" (Point 7 in Appendix A). To be clear, the question had to be posed differently; "Management is afraid of

taking risks" as the word 'not' should be avoided in surveys as it can often cause misunderstanding and errors (Colosi 2005; Kamoen 2012). Later, when analysing the data, the answers of this question had to be turned around again: 1 to 7, 2 to 6, etc., (see Q07_04T of H7 in Appendix D).

Size of the Company – was expressed as a combination of the total number of full time employees and total annual sales (incl. domestic and export sales). These questions were asked as more general, demographic company information, towards the end of the questionnaire.

External factors and barriers to exports

The external factors identified in the literature review were of a more general character as there are so many different scenarios and varying environments and companies handle or react to such barriers or stimuli differently, depending on the context (Zou and Stan 1998).

Constructs capturing the *Industry Instability (The Industrial Environment), Market Attractiveness and Market Competitiveness* were each measured through observed environmental variables taken from the literature review, again rated by the participants on a 7-point scale "from strongly disagree to strongly agree".

The *Export Barriers* most commonly listed in the literature review were presented in a 13 item list and respondents were asked to rate how serious (severe) these items were seen to be for the company's exports. Respondents rated the different variables on a 7-point scale ranging from "not a barrier" to "very severe barrier". Thereafter, respondents were asked to rate how difficult they felt it was for the company to deal with the barriers they had marked as being most severe. Again, a 7-point scale was applied ranging from "not difficult at all" to "very difficult for us".

Degree of Technology of the Industry

The Standard International Trade Classification (SITC) a scale developed by Lall (2000) ranks exporting industries, and in particular manufacturing

industries, into groups according to their *degree of technology*. According to Edwards and Alves (2006), this index is also used by Unido and Unctad. (Appendix F).

Respondents were asked to indicate the one sector (industry level) from the index that best represented the type of products they were manufacturing and exporting.

The index has eleven sectors of which initially only sector 2 – 10 listed as "manufactures products" were judged as valid answers (see 'Screening Question' earlier in this section). However, while the agricultural, gas, oil and metal sectors, listed under 'primary products", are such important sectors in South Africa, involve a substantial amount of both manual and technological handling and processing, it was decided to retain this sector as a valid choice, leaving a 10 point ordinal (1-10) scale for analysis.

Main Export Market - Countries Exported To

As part of the general company information, participants were also asked to indicate the top 1st, 2nd and 3rd export market, countries or regions to which they were exporting. If they were only exporting to one country or region, one answer would also be sufficient, but at least one export market had to be the answer.

Instead of a long country-by-country list, the world market was divided into economic (OECD, SADC) and geographical regions (e.g. the Middle East, South America, Asia). Detailed listings of countries that are part of e.g. SADC or OECD were given as reference, for ease of answering the question.

Level of Internationalisation

The concept of the *level of internationalisation* was measured on a scale designed by Papadopoulos and Martín (2010) consisting of two scale items: *Export intensity*, i.e. export sales as a percentage (%) of total sales, and, the stage of internationalisation or *level of export involvement* that the firm has achieved, see below.

The *level of export involvement* was measured on a scale from 1 to 5 and the participants had to indicate the level which they felt best represented the level or stage they had achieved when it came to their export activities based on descriptions given in the questionnaire for each level/stage (Gençtürk and Kotabe 2001).

The complete questionnaire is listed in Appendix A and the distribution of answers to each of the questions can be seen in Appendix D.

3.4.1 Pre-testing the questionnaire

Before sending out the questionnaire, two pre-tests were conducted. These were run from the end of October through to the beginning of November 2011.

The first test was conducted among five leading academics at Wits Business School (WBS). The researcher ensured that personal feedback and advice was received from each of these academics. The pre-test is a crucial test of the research instrument to ensure the flow and order of the questions; that the questions are clear and easy to understand and answer, and to reveal hidden problems in the structure of the questionnaire and make adjustments (Iacobucci and Churchill 2010). Feedback received entailed, i.a. comments on wording, the length of the survey and measurement scales.

After adjustments, a second pre-test was conducted, this time among six MBA students at WBS. Again, personal feedback was received, and, after some final amendments, the final questionnaire was ready to be sent out (Appendix A).

3.5 Procedure for data collection

A mass mailing services company in Pretoria, was engaged to distribute the survey. An email was sent to each of the companies that had been selected to be targeted for this research.

The email contained a secured link to the survey. It included an introductory letter (APPENDIX B) informing the recipient about the project, the importance of

exports to the South African economy, and inviting them to participate in the survey. By clicking on the web-link, the respondent gained direct access to the actual survey instrument, the questionnaire that had been loaded in SurveyMonkey.

In cases where the name and contact details of the export director or manager was not known, the email was addressed to “Head of Exports” or the most senior person in the company, mostly the Managing Director or owner of the company, asking that they delegate the survey to the person responsible for the company’s export strategy, business operations and result, and who would be the most suitable person within the organisation to respond to the survey.

SurveyMonkey offers web-based survey solutions with different degrees of features. For this research, the writer subscribed to Survey Monkey’s SELECT option, as this option allows for month-by-month subscriptions, offers the possibility to design and distribute a large number of questions and to receive a large number of answers during each month, and it also provides enhanced security features (SurveyMonkey 2011).

Some of the information requested in the questionnaire might have been seen as company sensitive information and it was essential to ensure confidentiality. This was warranted through a password ID protected connection to the web-link.

This specific ID also ensured that no one entered and completed the survey more than once. If a respondent had to interrupt and leave the survey, they could log in again and continue at the same point where they had departed.

Another practical feature was that the responses, the collected data, were entered directly into an excel-sheet. Even if the data still had to be cleaned and coded, this feature speeded up the process considerably.

The survey was distributed during the period November 2011 to May 2012. Even though many companies responded swiftly to the first invitation and in spite of careful preparations, the collection of a sample as large as anticipated or at least large enough, turned out to be very difficult. An explanation could

have been be the busy period during which the survey was sent out; end-of-year activities, holiday closure and festive season, followed by start-up activities of the new year and February financial year end for most South African companies.

Additional and valuable support in endorsing and distributing the survey was obtained by SACCI (the South African Chamber of Commerce and Industry) and the assistance of a number of South African export councils, industry associations and chambers of commerce (Appendix J) throughout the country.

From mid-March to mid-May, the researcher conducted random and targeted follow-ups by telephone to companies that were either part of the original data base or had been forwarded by some of the chambers and councils to ensure that a valid and substantial sample was obtained.

Each new contact received (memberships, etc.) was first checked against the original database to ensure no responses had already been received, and to make sure that companies, even if approached twice, could only enter and complete the survey once.

The survey was finally closed during the second half of May 2012.

3.6 Data analysis and interpretation

The final sample of respondents studied for this research aimed at identifying factors that influence the export performance for South African manufacturing SMEs consisted of 104 valid answers (cases).

Before any analysis could be done on the data, the data sets were cleaned and coded (Iacobucci and Churchill 2010).

Uncompleted questionnaires or samples that did not meet the set criteria were taken out of the sample and were not considered. Each individual data or item in the different measures was then coded, i.e. each item was given a number code that would distinguish it among all other items (Appendix D).

Except for the cross sectional analysis of the demographic data, which was completed in Microsoft Excel 2010, most of the hypotheses stated in this study were tested by applying Structural Equation Modelling (SEM), with models built in SPSS Statistics v.20 and Amos 20.0.0.

The, mostly, multi item scales in the questionnaire contained different types of data; mostly ordinal but also nominal and ratio scales. These types of data have very different properties, for instance nominal and ordinal data that might be coded as numbers in the data set but have no numeric value but classify data into different categories, for instance, those companies who export and those who do not (nominal) or companies of different sizes or at different levels of export involvement (ordinal). Such data must be dealt with differently from interval or ratio data that have real numeric properties and only certain statistics apply for this type of data. The majority of the data collected for this research was ordinal, indicating different levels of agreement or grades of severity of certain factors.

The data sets were first observed in order to establish the distribution of the data. As the sample was quite large, normal distribution could in general be assumed, not always seen in smaller sets of data (Iacobucci and Churchill 2010).

Both descriptive and inferential statistics were used in the analysis of the data. Details are listed in Chapter 4 – 'Presentation of Results', but here is a brief list and overview of the analytic statistical tools applied for this research.

- Cross-tabulations and histograms – as descriptive statistics, to study and present responses, their frequency, distribution and central points
- Cronbach's Alpha - for consistency and reliability within the multi item scales.
- Spearman's Rho or Rank Correlation - to identify relationships between variables containing ordinal data, i.e. data lacking real numeric values.
- Principal Component Analysis – factor analysis used to identify patterns among the many variables of export barriers and reduce the number of these to a smaller set of factors (Iacobucci and Churchill 2010)

- Varimax Rotation – method applied to simplify the matrix of factors to enable better understanding (Hair et al. 2010)
- Stepwise Multiple Regression – to establish direct relationships between multivariate independent variables and the dependent variable
- Pearson's Correlation - to identify associations between numerical variables
- SEM – structural models that test and confirm relationships and effects between hypothesised, latent constructs that are based on theory (Hair et al. 2010, Kline 2011)
- Chi-Square test, CFI and RMSEA – to test model fit

3.7 Limitations of the study

This research suffered from several limitations, of which some are listed here:

- The research was conducted only in South Africa and the specific conditions prevailing in this country might not make the results transferrable to other economies.
- Limited reports available on empirical research conducted in South Africa reduced the possibility of applying measurement scales already tested under conditions prevailing in this economy.
- This research was conducted during the global economic crisis that might have had an effect on both real results and perceptions within the firm. It might have caused negative bias when measuring, e.g. export growth over the past few years (2008 to 2010)
- The sample was drawn from a rough, although large, database and the research was dependent on achieving a sufficiently high response rate representative of the target population.
- The method of administrating the questionnaire by internet limited the control of who answered the questions, that person's knowledge and direct involvement in the company's exports, their willingness to respond and honesty in reporting the right answer.
- The absence of face-to-face meeting between respondents and the researcher, limited the possibility to clarify questions and concepts if needed, potentially causing error or bias in the response.

- In spite of being substantial, the sample of 104 companies was still just above the lower end of what is acceptable for SEM, even for smaller models
- The differently measured variables being part of the *ExPerf* construct; averaged ratio scale (with log) mixed with averaged ordinal and clean ordinal scales. Facts (ratio) that are more exact figures were mixed with perceptions (e.g. perceived success) and could also have created a problem.
- In this research, as is the case in most studies, reflective variables were applied. But several authors (i.a. Styles 1998) recommend the use of formative instead of reflective variables, especially for export performance.

3.8 Validity and reliability

Validity and reliability of the research refer to the validity and reliability of its *measures* and Peter (1979), referring to research and science, goes as far as saying “sine qua non” (1979: 6) – i.e.; ‘without it, there are none’. For the researcher to comply with the two concepts is particularly important in quantitative research where individual answers, feelings, attitudes and attributes are put down to quantitatively measurable constructs in the form of numbers. The meaning and concepts are closely interrelated.

Validity refers to consistency and accuracy, and to what extent a measure is measuring what it is intended to do (Churchill 1979; Iacubucci and Churchill 2010). In quantitative research, if a measure is valid, it will also be reliable (Peter 1979) and the key lies in the actual quality of the measure used in the research (Churchill and Peter 1984).

3.8.1 External validity

When establishing the effect of a measure for a particular construct, i.e. the level of commitment or level of experience, the researcher was interested in ensuring the “generalizability” (Peter 1979: 10) of the measure. With external validity, the result would be much the same if the measure was tested later on another sample within the same population. It was, therefore, important, i.a. to

ensure that the sample of participants drawn from the sample frame were representative of the larger population (Iacobucci and Churchill 2010).

By posing a number of screening questions in the survey, the researcher was able to ensure that the respondents represented both manufacturing and exporting companies of a certain size, and that the respondent would be senior enough or sufficiently involved in the company's export business. This was achieved as far as possible within the framework of the distribution of a web based, anonymous survey

3.8.2 Internal validity

Internal validity goes back to the basic issue if the measure applied is really measuring what is meant, and only that.

In this research, internal validity was ensured by relying mostly on multi-item scales consisting of several observed indicators, which together were manifests of a latent variable representing either an exogenous or endogenous construct, the factor being investigated and estimated in the structural models.

When planning the survey, the researcher made sure these items, the independent variables selected as part of the measure, were grounded in theory and, even if sometimes simplified, the indicators had been tested in earlier empirical studies (Churchill 1979, Iacobucci and Churchill 2010, Kline 2011).

3.8.3 Reliability

Reliability refers to how "consistent ... [and] ... free from error" (Peter 1979: 6) a measure is. Errors could have their source in, i.a. personal, situational or administrational factors, unclear wording in the questionnaire, or inconsistent scales of measure, etc., that "distort the observed scores away from the true scores" (Churchill 1979: 65).

Reliability in this research was ensured by administering the same, strictly structured questionnaire in the same format to each individual participant. The

applied scales in the survey instrument were mostly “borrowed scales” (Churchill and Peter 1984: 366), consistent with those in earlier studies.

To ensure that there would be no misunderstanding of how to answer the questions in the survey, or the way in which to answer, the questionnaire was pre-tested twice before it was finally administered (Iacobucci and Churchill 2010).

Internal consistency and quality within the multi-item scales applied in this research were tested with *Cronbach’s coefficient alpha* as recommended by Churchill (1979) and Peter (1979).

CHAPTER 4: PRESENTATION OF RESULTS

4.1 Introduction

The objective of this research was to identify factors that have influence on the export performance for small and medium sized manufacturing companies in South Africa.

This chapter begins with an overview and demographic profile of the companies that took part in the research. Thereafter, the outcome relating to the measurement of the export performance of the participating companies is described.

In the next three sections, the results from testing each of the stated thirteen hypotheses pertaining to the identified internal (H1-H7) and external factors (H8-H12) as well as the companies' level of internationalisation (H13) are presented.

The chapter concludes with a brief summary of the results of the research.

4.2 Demographic profile of respondents

There were 167 companies that entered the survey. Of these, only 115 companies completed the entire survey, but eleven (11) of these needed to be excluded, as they did not fully meet all the set criteria.

Thus the remaining sample of 104 companies met all set criteria for the research, i.e.; manufacturing in South Africa, exporting from South Africa, and having between five (5) and 199 employees.

Missing data was rare and considered random, that is "ignorable" or "accidental" (Kline, 2011: 55). It constituted well below 10% of the data from one respondent only and was replaced by imputation through mode substitution (Hair et al., 2010) as the data was ordinal

As mentioned previously (Chapter 3.3.2), there is no complete and accurate data base available in South Africa that lists all SME manufacturing exporters in detail. As a consequence, a very broad mailing was conducted. Some telephonic follow up was also necessary to reach out to as many companies as possible in order to achieve a fairly substantial sample size.

As between 2,300 and 2,500 companies are expected to have been approached (3.3.2), the response rate is estimated to be only 4.2% to 4.5%, which is very low and well below the anticipated10% to 15%.

The survey was distributed during November and December 2011 and then again from January to April 2012, and followed up by random and targeted telephone calls from March to mid-May 2012. The explanation for the low response rate, besides the probability of having used not recently enough and accurately updated data bases, could be a combination of the busy period of end-of-year activities, holiday closure and the festive season, followed by new year start-up activities and demands of financial year end closure for most South African companies at the end of February.

Still, the final sample was deemed large enough to proceed with the planned statistical models.

Size of the participating companies

Table 8 below shows the different sizes of the participating companies, listed according to number of employees.

Slightly over half of the companies (55%) were classified as very small and small firms, while the remaining entities (45%) were considered medium sized.

Table 8: Size of companies – No. of employees

Number of Employees		**No.**	**%**
Very Small	5 - 19	24	23%
Small	20-49	33	32%
Medium sized	50-199	47	45%
Total		**104**	**100%**

Type of industry according to the degree of technology in manufacture

In Table 9, we see that 64,4% were manufacturers of products involving a low to medium degree of technology, with the highest concentration among medium technology manufacturers (41.3%). 16,3% reported being producers of high technology products and just above 19% were resource based manufacturers or producers of primary products.

For a more detailed description of these different categories, see the SITC listing in Appendix F.

Table 9: Degree of Industry Technology

Degree of Industry Technology	Degree	No.	%	
1. Primary Products	**1**	4	3.8%	3.8%
2. Resource Based Manufactures 1	**2**	8	7.7%	15.4%
3. Resource Based Manufactures 2	**3**	8	7.7%	
4. Low Technology Manufactures 1	**4**	12	11.5%	23.1%
5. Low Technology Manufactures 2	**5**	12	11.5%	
6. Medium Technology Manufactures 1	**6**	8	7.7%	41.3%
7. Medium Technology Manufactures 2	**7**	15	14.4%	
8. Medium Technology Manufactures 3	**8**	20	19.2%	
9. High Technology Manufactures 1	**9**	9	8.7%	16.3%
10. High Technology Manufactures 2	**10**	8	7.7%	
Total		**104**	**100%**	**100%**

Level of export involvement

Table 10 shows that there was a strong bias towards well established exporters, with 68% considering themselves as being active or committed exporters.

Table 10: Stage and Level of Export Involvement

Stage and Level of Export Involvement		
Stage	**No.**	**%**
1	9	9%
2	12	12%
3	12	12%
4	33	32%
5	38	37%
	104	**100%**

Export intensity

As indicated by Table 11, more than half (60%) of the exporters reported that their export sales expressed as a percentage of total sales, was less or equal to 30%. Half of these companies in turn, reported an export intensity of 10% or less.

Table 11: Export Intensity (Export Sales over total Sales)

Export Intensity	No.	%
1-10%	31	30%
11-20%	17	16%
21-30%	14	13%
31-40%	7	7%
41-50%	8	8%
51-60%	6	6%
61-70%	2	2%
71-80%	5	5%
81-90%	9	9%
91-100%	5	5%
	104	**100%**

Most important export markets and regions

Table 12 presents the countries and regions that were reported as being among the most important export markets for the companies that took part in the survey.

Listed by more than 90% of the respondents as their first and most important export regions were the SADC countries, the OECD countries, and also those situated in the rest of Africa (i.e. outside SADC).

The SADC and OECD countries are specified in Appendix F.

Twenty one companies (20%) stated that they considered countries that are part of BRIC among their three most important export markets, with China and Brazil scoring highest for exports. Countries in the Middle East were also stated as being important export markets (16%).

Table 12: Most Important Export Markets and Regions Exported to

Export Market / Region	Most Important Export Market / Region	Second Important Export Market / Region	Third Important Export Market / Region	Sum
SADC (15 Member Countries *)	45	17	8	70
Rest of Africa *(excl. SADC)*	7	25	10	42
OECD *(34 member countries **)*	43	10	11	64
Europe *(except OECD countries)*	1	4	3	8
Russia	1	0	1	2
Brazil	2	3	3	8
Rest of Middle- and South America *(except OECD and Brazil)*	0	4	4	8
Middle East	3	7	7	17
India	0	2	1	3
China	2	4	2	8
Rest of Asia *(except China, India and OECD)*	0	5	4	9
Other	0	0	2	2
	104	**81**	**56**	

Position held by respondents to the survey

Caution was taken to ensure the person responding to the survey was either responsible for or directly involved in and well informed about the operations, conditions and results of the company's export activities. Table 13 confirms that this was achieved with high certainty.

Table 13: Respondent Position within the Company

Respondent's Position within Company	No.	%
Owner	30	28.8%
CEO	4	3.8%
Managing Director	19	18.3%
Export Director	3	2.9%
Sales & Marketing Director	1	1.0%
Financial Director	7	6.7%
Director	1	1.0%
Export Manager	12	11.5%
Head of Export	1	1.0%
General Manager	2	1.9%
Business Manager	1	1.0%
Centre Manager	1	1.0%
Marketing Manager	2	1.9%
Operations Manager	2	1.9%
Other Management	14	13.5%
Export Assistant	2	1.9%
Sales (other)	1	1.0%
Consultant (other)	1	1.0%
Total	**104**	**100%**

4.3 Results relating to Export Performance Measures

The objective of this research was to identify factors that influence the export performance of manufacturing SME's in South Africa.

The dependent factor, the company's export performance, was expressed as a multidimensional construct, with a composite scale similar to that of Cavusgil and Zou (1994), containing four items measuring financial performance (growth in export sales and profitability of export sales); satisfaction with the company's exports (perceived success); and achievement of its strategic objectives. Items measured for each of the three years 2008 to 2010 were averaged.

Growth in Export Sales 2008-2010

Table 14 shows that the average rate of export sales growth among the participating companies over the three year period, 2008 to 2010, was 19.8%, with growth in exports contracting marginally between 2008 and 2009, but recovering again to increase by over 7% to over 24% growth in export sales between 2009 and 2010.

Table 14: Average Growth in Export Sales 2008-2010

Year	Average Growth in Export Sales	Y/Y
2008	17.7%	
2009	17.2%	-0.5%
2010	24.4%	7.2%
2008-2010	**19.8%**	

Compared to the other three items making up the construct of export performance, that were all slightly negatively skewed (most responses were slightly above the midpoint), the item of growth in export sales, measured individually for each year as well as the averaged variable, presented a problem due to its highly non-normal, positively skewed distribution.

Many companies (20%) reported no growth (0%) over the period, while more than half of them (+/- 55%) reported growth figures between 1% and 20%. In contrast, a few companies stated very high growth figures up to well above

100%, which created a long tail to the right (skewness statistics = 3.807). This can clearly be seen in Figure 7.



Figure 7: Distribution of Export Sales Growth 2008-2010

This imbalance was overcome in three steps; firstly, extreme outliers were removed from the data; secondly, a logarithmic transformation of the data was performed as recommended by both Hair et al. (2010) and Kline (2011); and thirdly, in order to create a complete measure, the many average zero values were replaced with 0.01, i.e. a low value close to zero.

The transformation is depicted in Appendix C.

The label of the new item Export Sales Growth with Log is: logGR

Profitability of Export Business 2008-2010

Measured on a 5-point Likert scale and as seen in Table 15, most respondents stated that the company's export business had been profitable throughout the three year period, forming a slight negative skew.

Table 15: Profitability of the Export Business 2008-2010

Profitability of the Company's Export Business (EP_PR_AV2)							
	1	**2**	**3**	**4**	**5**	**Total**	**Average**
2008	3	2	17	63	19	104	**3.89**
2009	2	4	22	57	19	104	**3.84**
2010	3	3	25	58	15	104	**3.76**
2008-2010						**Average**	**3.83**

Perceived Satisfaction and Success of the Export Business

When describing the respondent's satisfaction with the success of the export business over the three years, Table 16 shows how the answers peak around 3 and 4, expressing a moderately, successful export business.

Table 16: Satisfaction with Success of the Export Business 2008-2010

Satisfaction with Success of the Export Business (EP_SAT_AV2)							
	1	**2**	**3**	**4**	**5**	**Total**	**Average**
2008	4	5	37	38	20	104	3.63
2009	2	11	31	45	15	104	3.58
2010	3	9	31	42	19	104	3.63
2008-2010						**Average**	**3.61**

Achievement of the Strategic Objective

Table 17 shows how most companies, close to 75%, were either neutral or answered positively to the question whether the most strategic objective in their export marketing strategy had been achieved over the period.

Table 17: Achievement of Main Objective in Export Strategy 2008-2010

Achievement of Export Marketing Strategy (EP_STRAT)							
	1	**2**	**3**	**4**	**5**	**Total**	**Average**
2008-2010	6	14	35	38	11	**104**	**3.33**

Export Performance Construct and Scale

The items in the scale for Export Performance (ExPerf) and their labels are listed in Table 18. The scale was also tested with Cronbach's alpha (α) for internal reliability and consistency, its measure spanning from 0 to 1 with higher values indicating higher reliability and consistency between construct items. The alpha achieved for ExPerf was 0.706, i.e. within the acceptable range. The recommended alpha is at least 0.7, but values from 0.6 are also acceptable (Hair et al., 2010).

Table 18: Export Performance Construct and Labels

Export Performance (ExPerf)				
Item/Factor	**Period**	**Indicator**	**Label**	**Cr. Alpha**
% Export Sales Growth	2008-2010	%	**logGR**	**0.706**
Export Profitability	2008-2010	1 - 5	**EP_PR_AV2**	
Strategic Objective	2008-2010	1 - 5	**EP_STRAT**	
Satisfaction with Exports	2008-2010	1 - 5	**EP_SAT_AV2**	

4.4 Results for Hypotheses pertaining to Internal Factors

Most of the hypotheses in this study were tested by applying Structural Equation Modelling (SEM) with models built in SPSS Statistics v.20 and Amos 20.0.0.

A detailed, in-depth application and analysis of this methodology goes beyond the scope of this research, as well as the ability of the writer. For the purpose of this research, the structural models built were simple, testing the effects between two main constructs; the exogenous, independent factor and the endogenous, latent factor, i.e. export performance.

The results for each individual hypothesis (except for H10 which is dealt with differently) are displayed in the following sections, presenting the output SEM models including information on construct internal reliability (α), estimate coefficients and the most relevant and recommended model fit statistics (Schreiber, Stage, King, Nora and Barlow 2006; Hair et al. 2010; Kline2011).

A summary of the results from the research is presented in the last section of this chapter.

The actual observed indicators for all independent constructs and variables, their individual codes, answers to the survey and distribution of all responses, are presented in Appendix D.

At first, results pertaining to the seven internal factors (H1-H7) are presented.

4.4.1 Hypothesis 1: Export Marketing Strategy

The first hypothesis raised (H1) was that export performance is higher in companies that employ a well-planned export marketing strategy with clear strategic objectives.

The export marketing strategy (ExpStrat) was first captured in a five item scale (see H1 in Appendix D). Cronbach's Alpha at just under 0.8 indicated acceptable internal reliability between the items. However, a problem with error and model fit was encountered and the last indicator, Q08_09 (Compete on Quality /Technology), had to be taken out, leaving only four items in the scale. A slightly higher Alpha at 0.854 was caused by this, an indication of higher internal reliability.

Figure 8 shows the output model for H1. In the centre is a picture of the actual hypothesised and tested structural model with the two constructs depicted as oval circles; the independent *ExpStrat with* a hypothesised arrow pointing to the dependent *ExPerf that* indicates the suggested direct effect between the two factors, i.e. that ExpStrat has a direct hypothesised effect on ExPerf. Neither of these two factors have been directly measured, but observed through their respective variables, symbolised by rectangles. Arrows point from the constructs to these variables, indicating a reflective relationship, meaning that the latent constructs are demonstrated by their respective variables or indicators (Hair et al. 2010; Kline 2011). As with the factors/constructs, the indicators have labels (here: Q08_01, Q08_02, etc.), in this case they refer to

the number of the question in the questionnaire (Appendix A). Contrary to the main constructs (here: ExpStrat and ExPerf), these labels refer to a specific set of data observed and collected in the research (Appendix D). The small circles pointing to the indicators, in turn, represent measurement errors (e1, e2, etc.) that occur due to e.g. sampling error. They are “unique factors” (Schreiber et al. 2006: 323) and each refer to one variable only.

As in Figure 8, the output in SPSS Amos provide details of detailed statistics, estimates, coefficients and variances for each of these items, but as mentioned earlier, for the purpose of this research, only the relationships between the main constructs and the most relevant statistics will be discussed in this report.

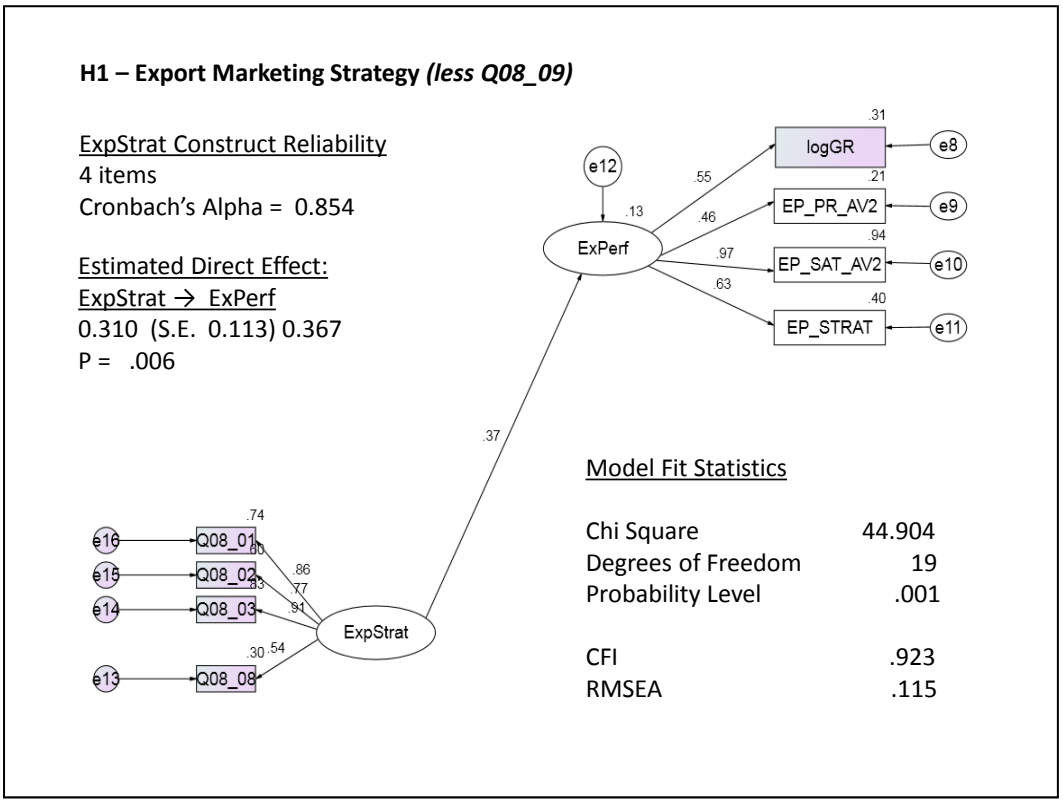


Figure 8: Export Strategy Effect on Export Performance

The *standardised* estimate or coefficient at 0.37 (.367) indicates a moderately direct effect between ExpStrat and Experf that supports the stated hypothesis. To ensure the structural model (for the hypothesis being tested), is a ‘good fit’, i.e. the estimated model “reproduces the observed covariance matrix among the

indicator items" (Hair et al. 2010: 664), a series of test statistics need to be observed.

There are several different Goodness-of-Fit (GOF) tests. Hair et al. (2010) describe these as divided into *absolute*, *incremental* and *parsimonious indices.*

The most central test that must always be reported, and considered an *absolute* or *exact fit index* is the *Chi-square model test* ($\boldsymbol{X^2_M}$), a measure of the closeness between the estimated and observed model. A desired result is a low chi-square, as close as possible to the models *degrees of freedom* (***df***), that is a measure indicating the total number of parameters present in the model, "the amount of mathematical information available to estimate model parameters" (Hair et al. 2010: 665). To ensure that the estimated and observed models, are similar and not different, a *non-significant* ***p****-value* it is desired, preferably above 0.05.

Both Schreiber et al. (2006) and Hair et al. (2010) list the *Normed Chi-Square* (NC) as another absolute measure of good fit. This is a ratio of X^2 over df with the ideal range being below or equal to 2 or 3. But Kline (2011) advises against applying this test, stating it is lacking statistic substance.

While the Chi-square test is i.a. sensitive to sample size, it is not a unique measure to test model fit (Hair et al. 2010; Kline 2011).

Two other tests that will also be applied here are the Root Mean Square Error of Approximation (RMSEA) and the Comparative Fit Index (CFI). The RMSEA should be as low as possible, close to or equal to zero. The ideal range according to Schreider et al. (2006) is less than .06 - .08. The values of CFI vary between 0 and 1 and a better model fit is indicated by a higher value, as close to 1 as possible, and at least .90 or above (Hair et al. 2010).

After reporting on the Chi-square test with degrees of freedom and the other two tests of approximation and comparative fit, the model statistics are presented. These are the estimates or coefficients of the model that show the actual relationship between or effects of the constructs (and indicators). These

estimates should be *statistically significant,* at least at the .05 level (95%) or less.

The variance indicated by the estimates shown in the model statistics should reveal whether there is a difference or an effect that is explained, at 95% or higher, through the variance among the variables and/or factors. Kline (2011) explains the importance of reporting not only the standardised coefficient shown in the graphic model, but also the unstandardised estimate. The reason is that in the model statistics, only the unstandardised estimate has a calculated standard error (S.E.) and p-value (significance). Therefore, in accordance with Kline's (2011) recommendation, all three values should be reported in this order: unstandardised estimate and its p-value, (the standard error in parenthesis) and then the standardised estimate that is also the estimate seen next to the structural model.

Studying the model for H1 in Figure 8:

Even if the X^2 at 44.9 over 19 df is fairly close, the Chi-square is significant at 0.001, with a p-value well below the 0.05 level. The exact fit hypothesis is therefore rejected, but this could be because of a too small sample of only 104 cases which falls into the lower acceptable range for SEM modelling (Hair et al. 2010). Since the CFI test at 0.923 is very good with a value above 0.9 and with RMSEA at 0.115, relatively low and not too far off from 0.08, the model is not considered to be a bad fit.

Following Kline (2011), the model statistics show an unstandardised estimate of 0.310, i.e. for every one (1) unit increase in ExpStrat, ExPerf goes up by 0.310 if all other independent variables are kept constant. With a p-value of 0.006, this is significant, not far from the 0.001 level. The standardised estimate, also seen next to the model and indicating a moderate direct effect, is 0.367

Estimates in social sciences are seldom as high as in e.g. natural sciences. The latter takes exact units and measures into consideration, while social sciences measure perceptions that are not as exact and also vary between respondents.

Hence, effect coefficients of 0.4-0.6 can be considered fairly strong. (Cohen 1990; Prentice and Miller 1992; Vacha-Haase and Thompson 2004)

The null hypothesis is therefore rejected and the first hypothesis, H1, is accepted. Even if there is not an absolutely perfect fit for this model, one can with some caution draw the conclusion that a well-planned and clear export marketing strategy has a direct positive effect on the company's export performance.

4.4.2 Hypothesis 1a: The Export Marketing Mix

Closely related to the export marketing strategy and an integral part of it, is the export marketing mix with its elements of product, distribution, promotion and price strategies (i.a. Madsen 1989, Chetty and Hamilton 1993, Cavusgil and Zou 1994, Zou and Stan 1998).

As part of the first hypothesis, an additional sub-hypothesis, H1a states that the export marketing mix influences export performance and in line with findings by Madsen (1989) and Cavusgil and Zou (1994), it also poses that of the four components, the export price strategy is the least related to export performance.

The model of H1a is depicted in Figure 9. It shows the latent construct of the Export Marketing Mix, *MktgMix*, and its hypothesised effect on ExPerf. The construct of the independent latent variable was measured by four observed variables (Appendix D) with a Cronbach Alpha of 0.686, just under the set criteria of 0.7 for internal reliability. According to Hair et al. (2010) values from 0.6 can also be acceptable.

The Chi-square is 38.481 with 19 degrees of freedom. The exact fit hypothesis is again rejected as the p-value at 0.005 is significant. However, the CFI at 0.916, which is above 0.9, and a RMSEA of 0.100, which is just over 0.08, still indicate that this is a well fit model. The unstandardised estimate is 0.219 and significant at the 0.001 level. The standardised estimate, seen next to the

graphic model, is 0.492 is fairly strong. This shows that the export marketing mix does have a direct effect on the company's export performance.

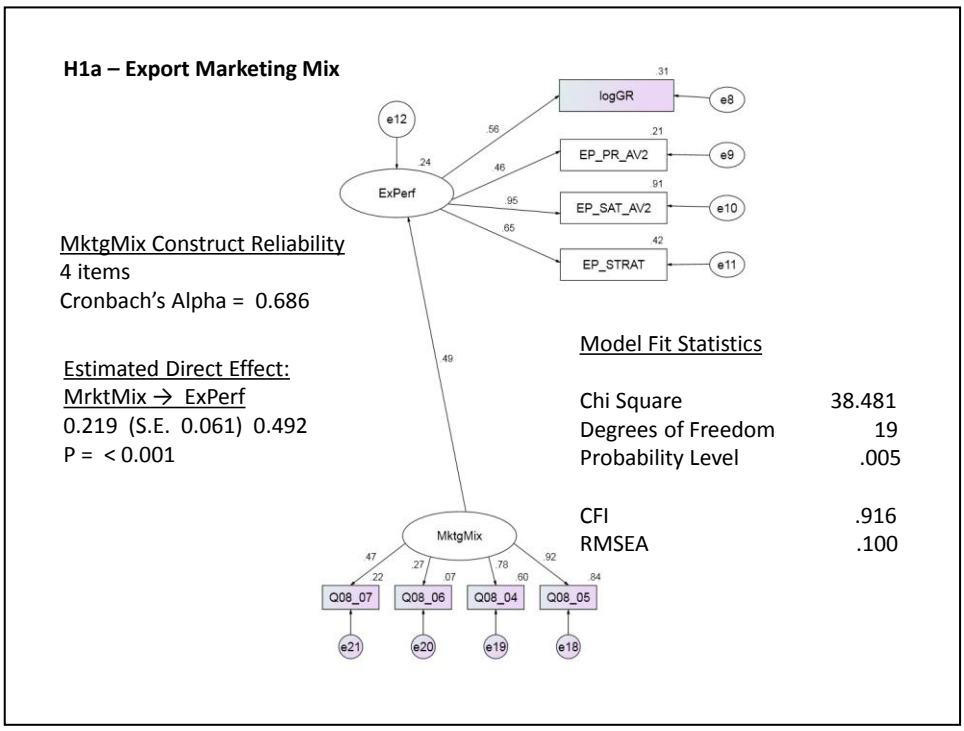


Figure 9: Export Marketing Mix Effect on Export Performance

In order to evaluate which of the four components of the marketing mix is the least related to export performance, Spearman's Rank order correlation was applied. Spearman's Rho (ρ) is an analysis of correlations suitable for variables that are ordinal, or ranked (Kline 2011).

Table 19: Marketing Mix Rank Correlation with Export Performance

Spearman's (Rho) Correlations MktgMix and Export_score

	Export_score	Q08_04	Q08_05	Q08_06	Q08_07
Export_score	**1.000**	.331**	.427**	-.058	.268**
Q08_04	**.331****	1.000	.698**	.158	.391**
Q08_05	**.427****	.698**	1.000	.247*	.416**
Q08_06	**-.058**	.158	.247*	1.000	.153
Q08_07	**.268****	.391**	.416**	.153	1.000

N = 104
** = Correlationis significant at the 0.01 level (2-tailed)

To measure export performance, a new composite scale, *Export_score*, was created by adding and averaging the four measures of export performance; EP_STRAT, EP_PR_AV2, EP_PR_AV2 and Growth1 (a re-scaled measure of the average export sales growth that could be used for a correlation analysis).

Table 19 lists the results of the analysis, from which the following rank order of the components of the marketing mix, correlated against the export performance measure, was established (listed in the order of highest to lowest – the most influential to the least influential):

Rank Order between Components of the Export Marketing Mix

1. Q08_05 Channel Structure and Distribution Strategy (.427**)
2. Q08_04 Adapted Promotion Strategy (.331**)
3. Q08_07 Adapted Product Strategy (.268**)
4. Q08_06 Price Penetration Strategy (- .058)

The list reveals that of the four pillars of the marketing mix, the channel structure and distribution strategy is the one most closely related to export performance, followed by the promotion and product strategies. These are all significant at the 0.01 level. It also shows that the price penetration strategy is the least related to the company's export performance, if at all.

Thus, for the additional hypothesis related to the export marketing strategy, the null hypothesis is rejected and H1a is accepted: The export marketing mix has quite a strong direct effect on export performance, of which the price penetration strategy, compared to the other components of the marketing mix, is the very least a related and is also not significant.

4.4.3 Hypothesis 2: International and Export Experience

The second hypothesis, H2, deals with the personal experience of management of the exporting firm. It states that export performance is higher in companies where management has experience from working internationally and with exports (i.a. Johanson and Vahlne 1977, Papadopoulus and Martín 2010).

The latent, independent factor representing international experience, *InterExp,* is composed by three observed variables, measuring management's experience from a general business point of view as well as internationally and experience from working with exports (Appendix D). Cronbach's Alpha was 0.770 indicating high internal reliability.

The structural model with the hypothesised effect of international experience on export performance is seen in Figure 10.

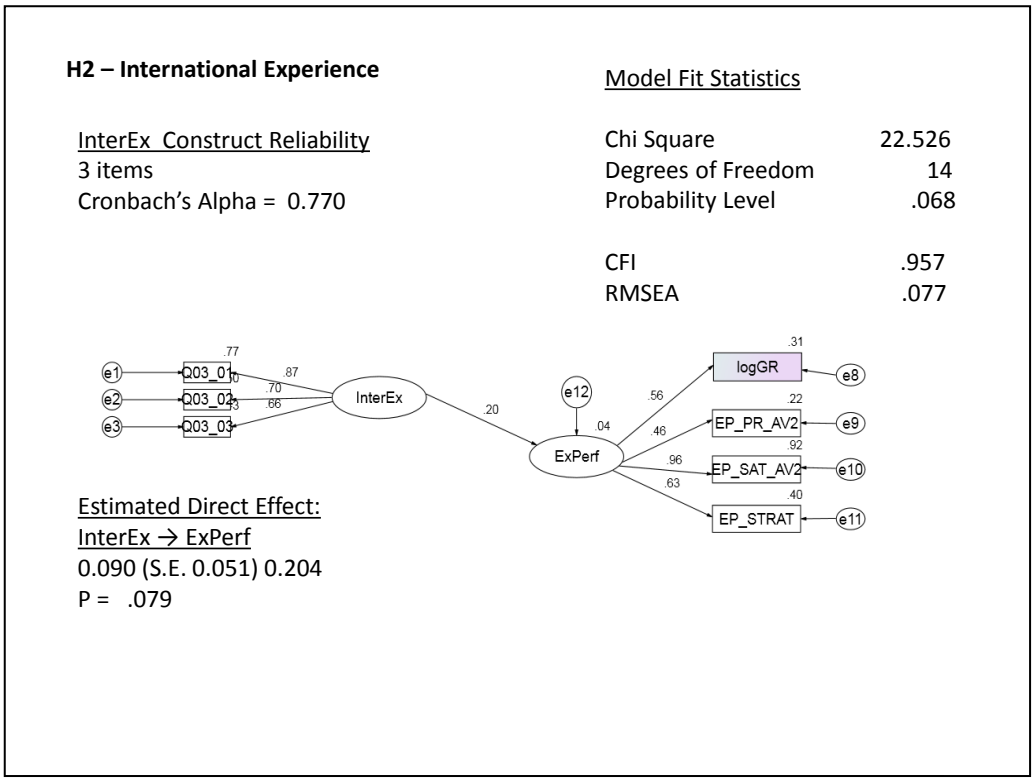


Figure 10: Management's International and Export Experience

The Chi-square is 22.526 with 14 degrees of freedom and a non-significant p-value of 0.068. The exact-fit hypothesis is therefore not rejected for this model. This means that the estimated model is very close to the observed model. This is further confirmed when studying the CFI which is 0.957, above the limit for a very good fit and the RMSEA which is 0.077, within the 0.08 limit.

Looking at the model statistics, the unstandardised estimate is 0.090 which is very weak and its p-value is 0.079 and thus, not significant (0.000-0.05).

Contrary to the expected and in spite of a standardised estimate of .204, the weak and close to non-existent effect of management's international experience on the company's export performance is also insignificant.

Thus, the null hypothesis is accepted and H2 is rejected, i.e. companies do not achieve a higher export performance as a result of its management having had personal experience from working internationally or with exports.

4.4.4 Hypothesis 3: International Knowledge and Competence

The third hypothesis, H3, deals with knowledge and competence, observed in four variables that measure the company's ability to acquire and make use of international market information, its management's knowledge of both country and market, as well as its ability to transform this knowledge and make use of it (Appendix D).

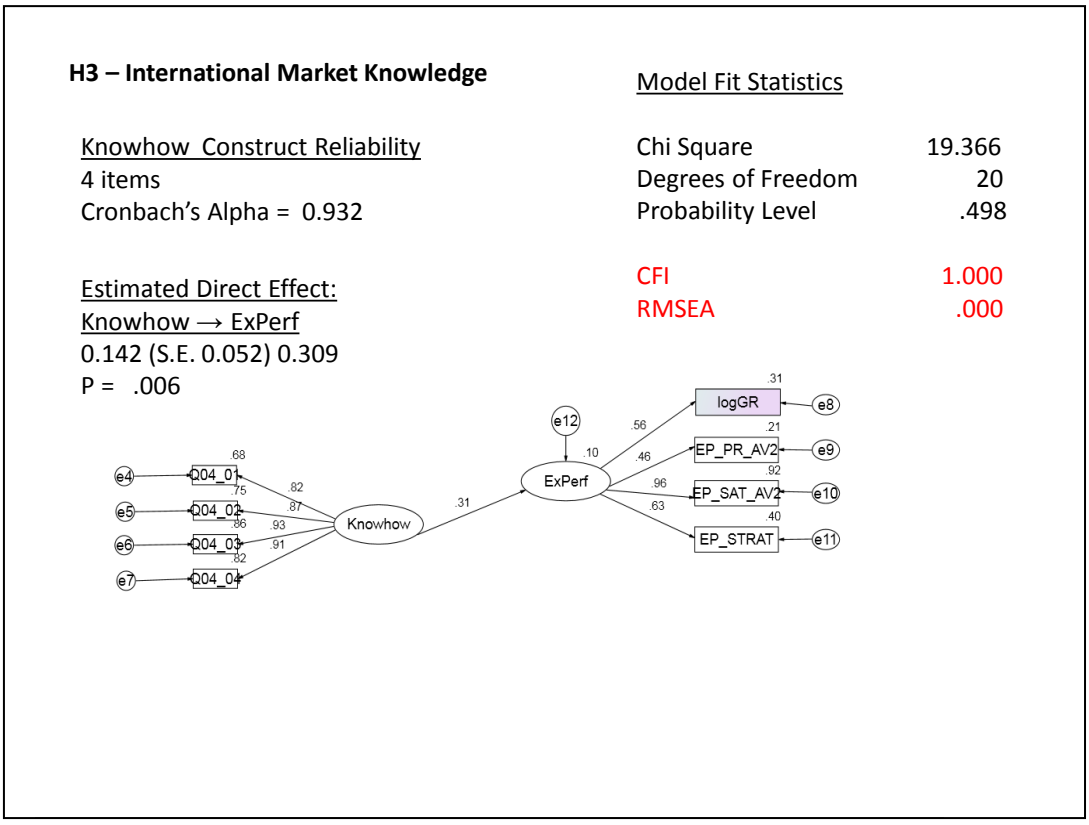


Figure 11: International Market Knowledge

It states that this knowhow is positively related to the company's export performance (Johanson and Vahlne 1977, Aaby and Slater 1989 and Chetty et al. 2006). Cronbach's Alpha at 0.932 indicates high internal reliability.

Figure 11 depicts this posited model.

Initially, the model seems to be a very good fit. Chi-square is 19.366 with 20 degrees of freedom and a high non-significant p-value of 0.498. But the CFI at 1.000 and RMSEA at .000 give a picture too good to be true. This could be an indication of a problem, even if Kline (2011) says that this often happens when the Chi-square is lower than the degrees of freedom, as seen in this case.

The model statistics has an unstandardised estimate of 0.142 that is significant, with the p-value of 0.006 being between the 0.01 and 0.001 level.

The standardised estimate of 0.309 indicates that international knowledge has a moderate positive effect on export performance. H3 is thus accepted and the null hypothesis rejected.

In spite of being comprehensive and based in theory, there seems to be a problem within the export performance construct, ExPerf, that keeps causing problems, irregularities or errors. This is general, not only in this model, but throughout all the models. A number of reasons could be the cause of this, and should be noted i.a.:

- This research was conducted during the global economic crisis that might have had an effect on both real results and perceptions with in the firm.
- In spite of being substantial, the sample of 104 companies is still relatively small at just about the lowest end of what is acceptable for SEM, even for smaller models (Hair et al. 2010).
- The differently measured variables being part of the ExPerf construct; averaged ratio scale (with log) mixed with averaged ordinal and clean ordinal scales; and facts (ratio) that are more exact figures, are mixed with perceptions (e.g. perceived success)could also create a problem.

However, to test the direct effect, an alternative model, H3 *alt*, with a slightly different ExPerf containing the original, averaged scale for growth in export performance, EP_GR_AV2 can be seen in Appendix E. The *alt* model has a Chi-square of 32. 279 with 20 degrees of freedom and is very close to non-significant at 0.040. The CFI 0.971 and RMSEA 0.077 indicate good model fit. The standardised estimate of 0.439 again point at a positive, direct effect that is also significant at < 0.001.

Therefore, H null is rejected and H3 accepted. It can with certainty be said that the company's ability to acquire and make use of international market information, its management's knowledge of both country and market, as well as its ability to transform this knowledge and make use of it, does have a positive direct effect on export performance.

4.4.5 Hypothesis 4: International Commitment

H4 states that export performance is higher in companies where management is strongly committed to exports (i.a. Johanson and Vahlne 1977, Cavusgil and Zou 1994, Zou and Stan 1998).

International Commitment, *Commitm*, was captured through a scale of five items measuring how well the company invests in time, effort, financial and human resources (Appendix D) allocated to its export activities. Internal reliability was high with Cronbach's Alpha at 0.910. The model is depicted in Figure 12.

Chi-Square was 85.341 which is high. Chi-square is sensitive to parameter size and with degrees of freedom of 27 and a significant p-value of 0.000, the exact fit test is rejected. The CFI is 0.878, just below 0.9 and RMSEA is .145 which is too high, also indicate a bad model fit.

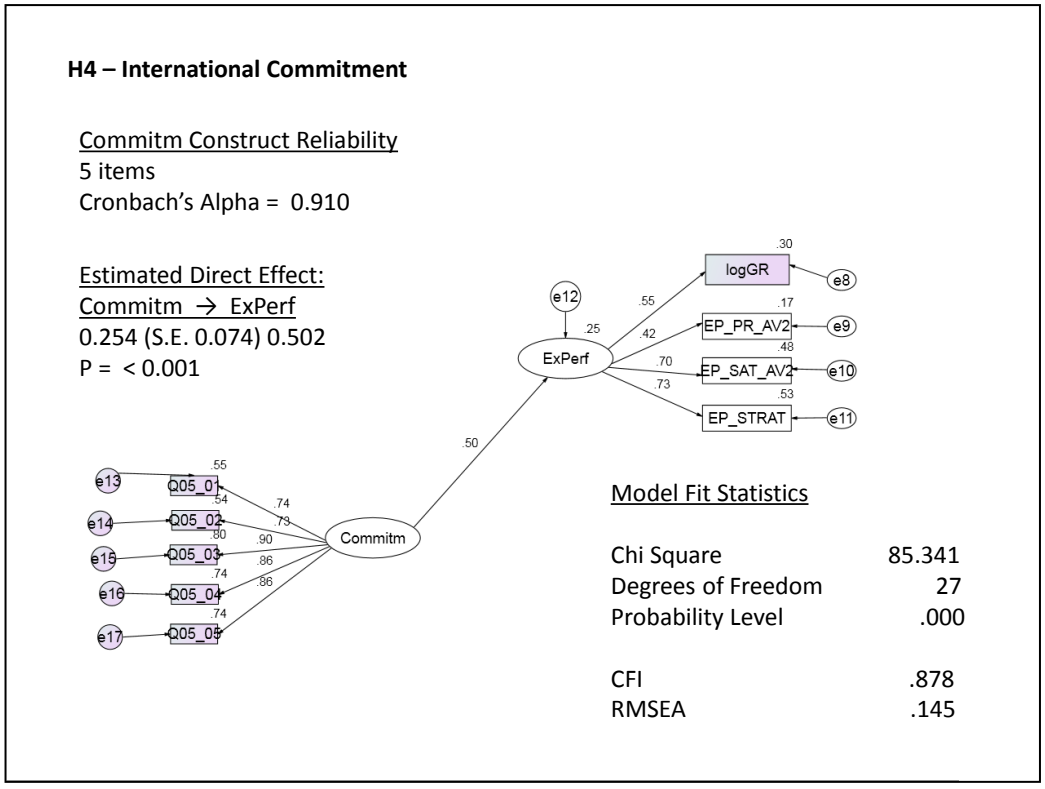


Figure 12: International Commitment

Unfortunately, in spite of an unstandardised estimate of 0.254 which is significant at < 0.001 and a standardised estimate of 0.502 what would normally indicate a strong, direct effect of management's commitment on export performance, this effect cannot be proven due to three failed model fit tests, i.e. the results that emanate from this model are inconclusive and the exact effect cannot be clearly proven.

The model needs to be closer studied, and possibly adjusted, by future researchers.

4.4.6 Hypothesis 5: Personal International Relationships

H5 states that export performance is higher in companies that maintain strong personal relationships with its international customers and channel partners (i.a. Cavusgil and Zou 1994, Lages et al. 2005a, Styles et al. 2008).

The original scale capturing the construct of personal international relationships had six items (Appendix D). One item was taken out (Q06_02 Trust and Commitment) to avoid model errors. The now five item construct, *IntnlRel*, achieved a Cronbach' s Alpha of 0.873, indicating high internal reliability. Figure 13 below, shows the hypothesised model.

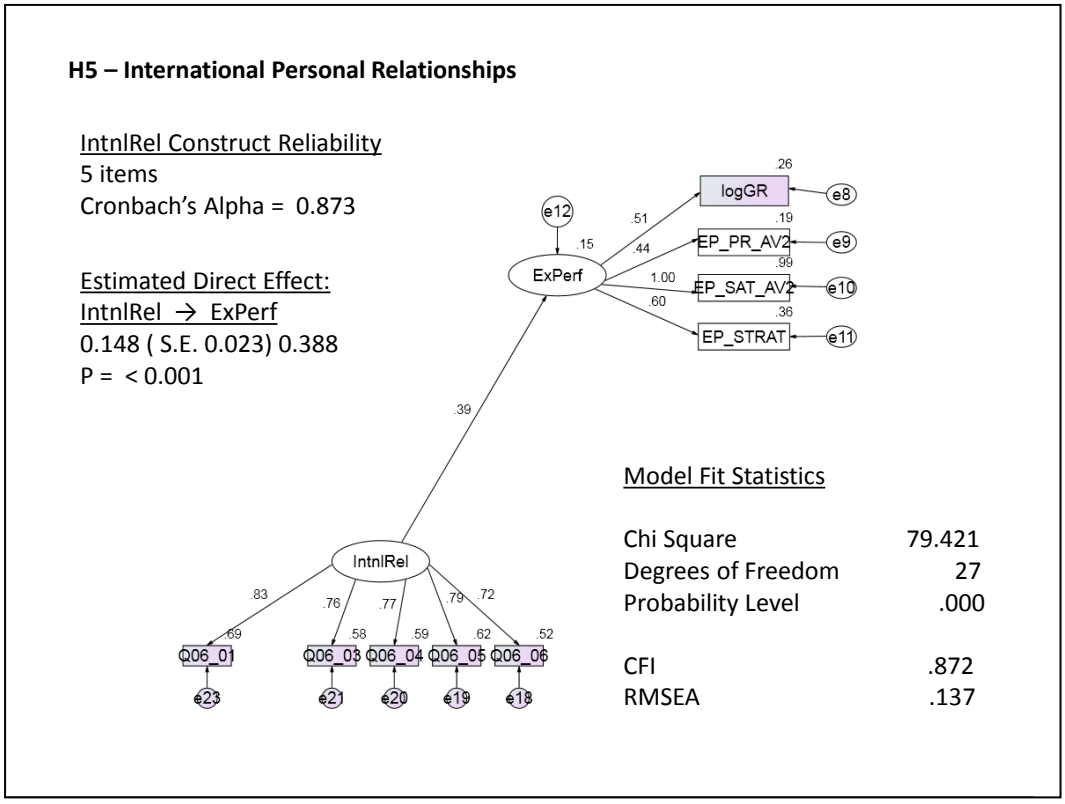


Figure 13: Personal International Relationships

The exact fit hypothesis was rejected as the Chi-square was 79.421 with 27 degrees of freedom and a significant p-value of 0.000. Also, CFI at 0.872 and RMSEA 0.137 indicate a not so good model fit. Even if the unstandardised estimate of 0.148 is significant at less than 0.001 and the standardised estimate .388 indicate a moderately positive direct effect on export performance, the bad model fit again and unfortunately, makes it impossible to draw this conclusion. Therefore, the hypothesised effect of personal international relationships on the company's export performance cannot be proven. The model needs to be closer studied, and possibly adjusted.

4.4.7 Hypothesis 6: Size of the Company

H6 states that there is a direct relationship between the size of the company and its export performance. The hypothesised model is depicted in Figure 14.

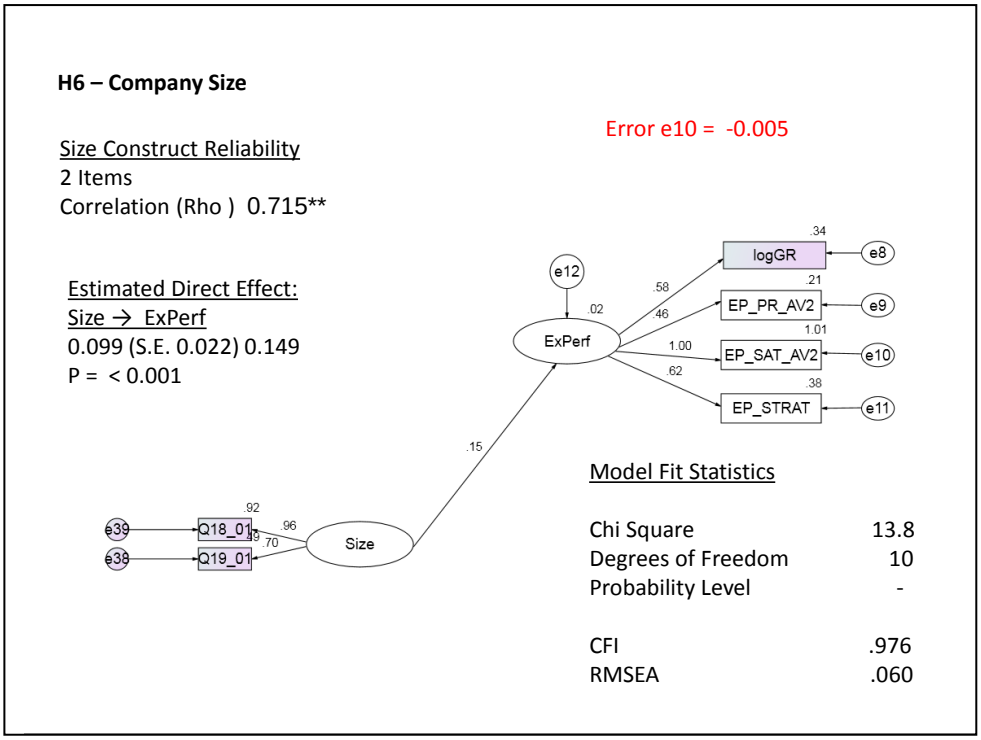


Figure 14: Company Size

The construct of company size, *Size*, was measured in two variables, number of employees and total turnover (Appendix E). To extract a value for Cronbach's Alpha, at least three variables are needed. Instead, internal reliability was established by correlation, Spearman's Rho (ρ) at 0.715.

CFI is 0.976 and RMSEA 0.060 indicate a good model fit. The unstandardised estimate is 0.99 is significant at < 0.001. The standardised estimate of 0.149 indicates a positive but relative weak effect.

With a construct of only two variables, the model is under-identified and all of its parameters cannot be estimated (Kline 2011). This might be the cause of the negative error of 0.005 noted in this model. In general, researchers recommend the "three-indicator-rule" (Hair et al. 2010: 704). Chi-square is low at 13.8 and the 10 degrees of freedom are very close, but there is no p-value present.

Even if the displayed error is very small, it cannot be disregarded. Therefore, an alternative model H6 alt (Appendix E) was created to try to find an error free solution. But even so, for this model, all three model fit test failed; the Chi-square at 34 was high and distant from the 9 degrees of freedom and also significant, the CFI at 0.828 not high enough and RMSEA at 0.136 too high.

The model of H6 needs to be investigated further. The bad model fit unfortunately makes it inconclusive. Under these circumstances, it is impossible to prove if the size of the company does have an influence on its export performance, or not.

4.4.8 Hypothesis 7: Entrepreneurial Orientation

H7 states that a proactive, entrepreneurial orientation of the firm's management is positively related to its export performance (i.a. Moen 1999, Andersson 2000, Robertson and Chetty 2000). The model is depicted in Figure 15.

The construct of entrepreneurial orientation, *Entrepre*, was measured by four variables (Appendix D) with an Alpha of 0.849, indicating high internal reliability.

Chi-square was 60.914, which is a little high with 21 degrees of freedom. As the p-value was significant 0.000, the exact fit hypothesis was rejected.

CFI was 0.886, which is not high enough, and RMSEA at .136 was not sufficiently low. The three failed model fit tests, is a sign that also this model, H7, is a bad model, even if the unstandardised estimate was .144 and significant at < 0.001 and the standardised estimate .312 indicating a moderately direct effect on export performance.

This is disappointing as the model is not under-identified; it does show high internal reliability and its estimates seem to be significant. As in earlier failed models, it is believed that this could be a consequence of a too low sample size.

The model for H7 cannot be proven and needs to be further studied. In this instance it is impossible to either reject or accept the stated hypothesis.

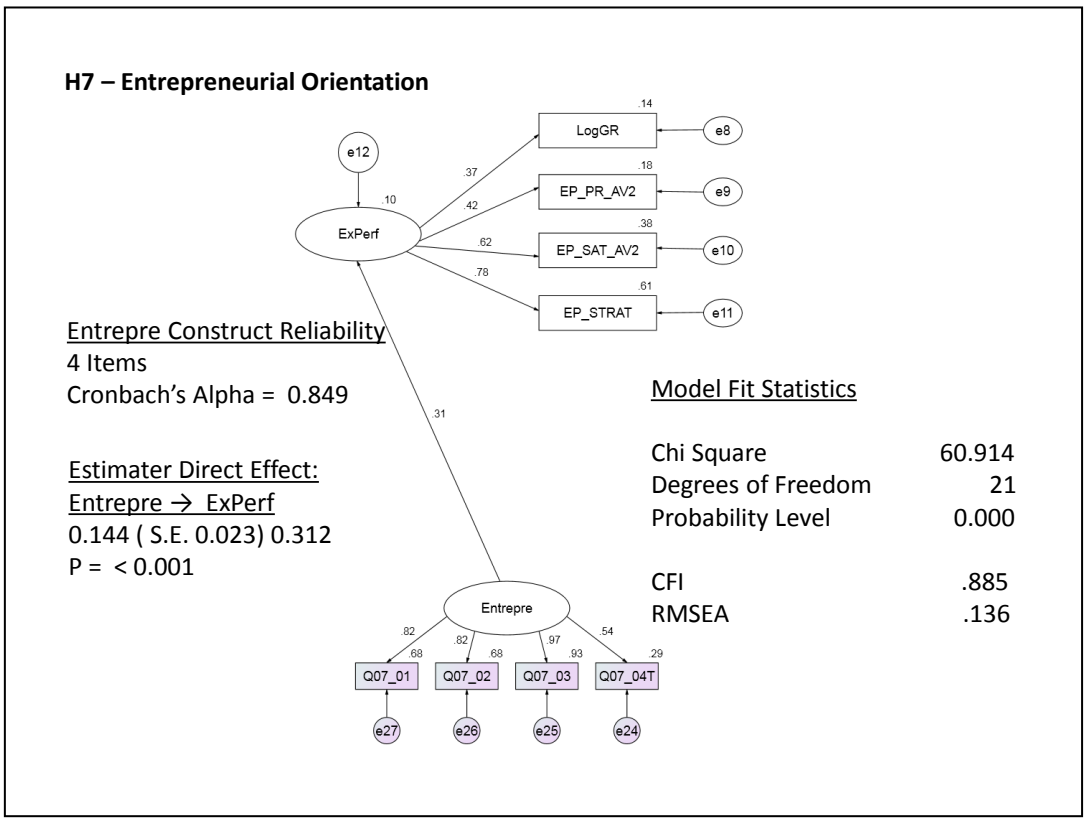


Figure 15: Entrepreneurial Orientation

4.5 Results for Hypotheses pertaining to External Factors

This research is aimed at identifying factors that have influence on the export performance for small and medium sized manufacturing companies in South Africa. After having presented a number of internal factors, the following section will deal with the results obtained from the research pertaining to factors external to the company.

4.5.1 Hypothesis 8: Degree of Industry Technology

H8 poses that there is a positive relationship between the level of the "manufacturing complexity" (Zou and Stan 1998: 351), i.e. the level of technology within the industry that the firm operates in and its export performance (Cavusgil and Zou 1994, Zou and Stan 1998).

Companies responded to this question according to SITC, the Standard International Trade Classification (Appendix F) from which the degree of technology was observed in one unique variable, *DegrTech*. The SEM model is presented in Figure 16. See also Q14_01 (Appendix D).

With only one observed item, the model would be under-identified, but Hair et al. (2010) say that SEM models with only one item can exist, as is the case here in H8. Such items are then seldom defined as a construct. This is indicated in Figure 16 by one single square representing the observed item, *DegrTech*.

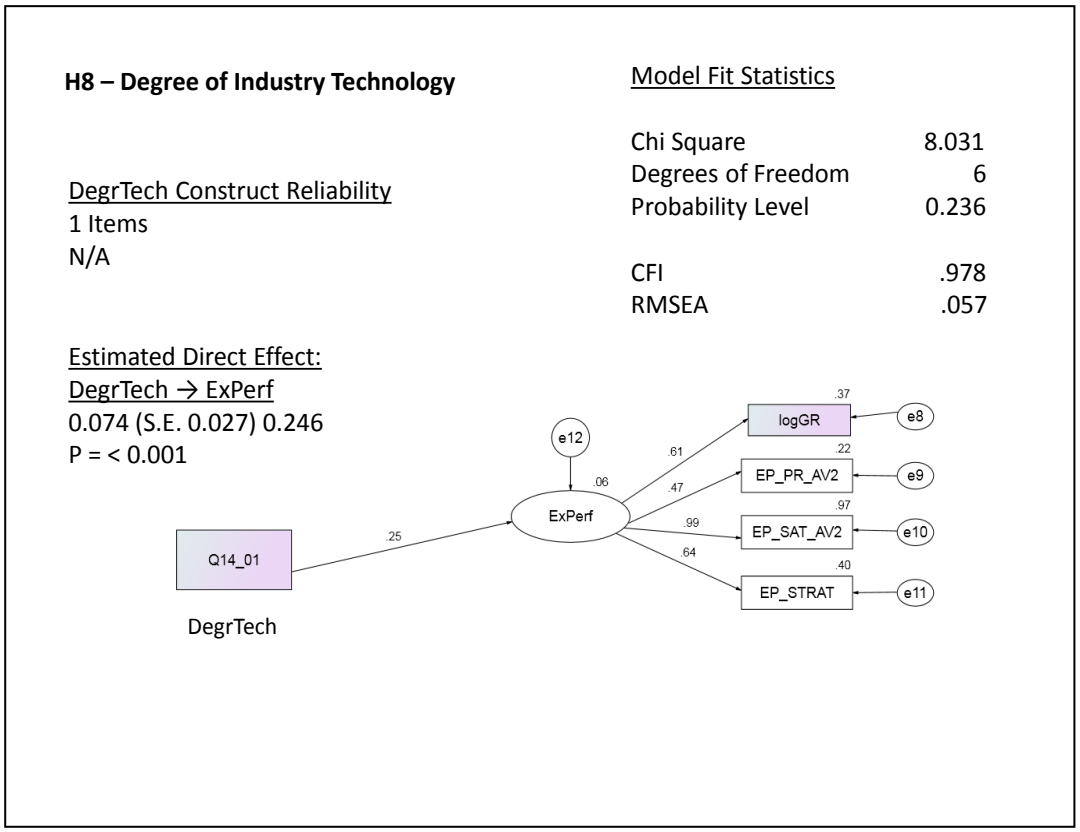


Figure 16: Degree of Industry Technology

Chi-square was 8.031 with 6 degrees of freedom and non-significant with a p-value of 0.236. Thus the exact fit hypothesis was accepted.

The model fit test equally revealed a good model fit with a high CFI value of .978 and a low RMSEA of .057. Studying the model statistics, the unstandardised estimate of 0.074 was significant at less than 0.001 and the standardised estimate of 0.246 indicating a moderate direct effect on export performance.

Thus the null hypothesis is rejected and H8 is accepted. I.e. the model proves that there is a positive relationship between the degree of technology of the industry within which the firm operates, and its export performance.

4.5.2 Hypothesis 9: Industry Instability

H9 states that companies operating in turbulent and unstable environments achieve higher export performance (Das 1994, Zou and Stan 1998). The model for H9 is presented in Figure 17.

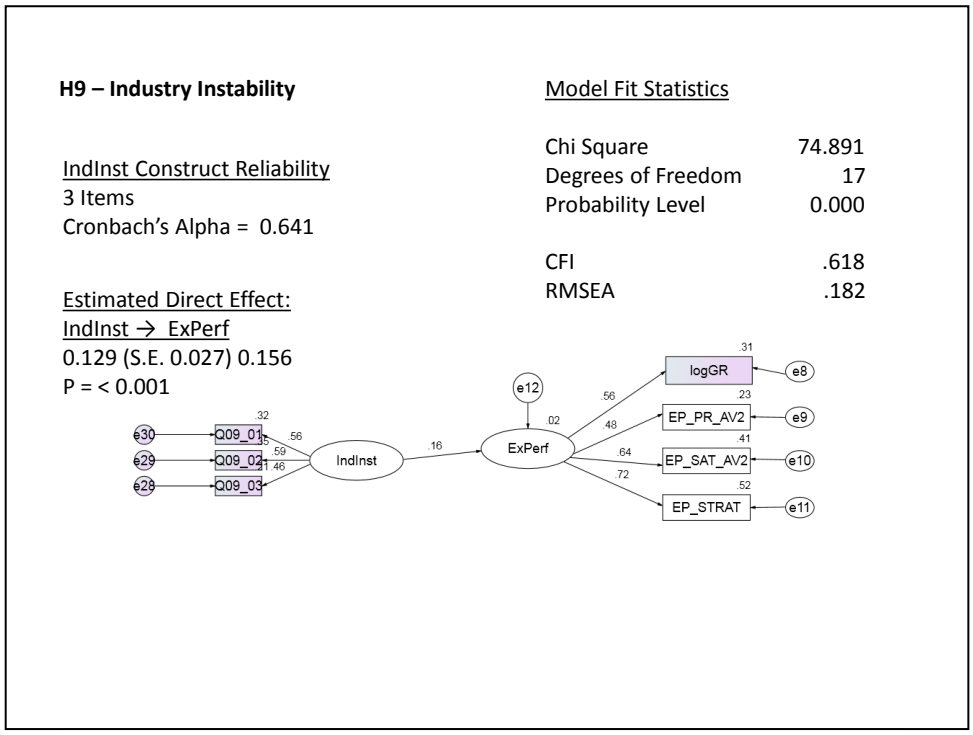


Figure 17: Industry Instability

The construct of industry instability, *IndInst*, was observed in three items aimed at capturing the turbulence, constantly changing and unstable competition (Appendix E) in the industry.

The internal reliability was 0.641, slightly below the desired 0.7 limit. The Chi-square was 74.891 with 17 degrees of freedom and with a significant p-value of 0.000 the exact fit hypothesis was therefore rejected.

CFI at .618 was not sufficiently high and RMSEA of .182 too far off from zero (0). The model statistics delivered an unstandardised estimate of 0.129 that was

significant and the standardised estimate 0.156 which is an indication of a positive but weak direct effect on export performance.

There might be a small direct effect of industry instability on export performance, but it cannot be proven by the model established for this study. All other indicators and model fit tests failed. As a consequence, H9 is inconclusive and cannot be proven. Both the measurement scale and model need to be further developed and investigated.

4.5.3 Hypothesis 10: Barriers to Export

H10 states that the influence that barriers to export have on a company's export performance varies and is related to how serious and difficult to deal with such barriers are perceived by management to be.

From the literature review, 13 items frequently listed as barriers to exports were listed and rated according to their seriousness (Q12_01-13) and how difficult (Q13_01) it was for the company to deal with the most serious factors (Appendix D).

Spearman's rank order correlation which is suitable to rank ordinal scale variables (Iacobucci and Churchill 2010) was applied. The list below ranks the barriers to export in order of seriousness and difficulty to deal with (most being significant at the 0.01** or 0.05* level):

1. Lack of action and support by the domestic Government **
2. Lack of access to pre-shipping finance **
3. Legal and regulatory environment on the foreign market **
4. Unfavourable rules and regulations in the domestic market ** (shared)
   Foreign currency exchange risks ** (shared)
5. Lack of business intelligence and information of export market **
6. Geographical Distance to target market **
7. Unfamiliar business practices in the target market **
8. Unfamiliar culture, language and habits in the export market *
9. Price regulations, subjective tariffs and quotas in the target market *

10. Political instability and hostile environment in the target market
11. Poor infrastructure in the export market
12. Poor deteriorating economic conditions in the target market

In order to establish if there is a general pattern among the many export barriers, how difficult they are perceived to be dealt with and, how such export barriers and difficulties relate to the company's export performance, it is both beneficial and necessary to simplify the model. If the many different perceptions expressed could be 'extracted' and grouped together in some way, it would reduce the number of variables to a smaller set of composites and make it easier to handle (Hair et al. 2010). The first step to achieve this was to perform a Principal Component Analysis, a "components method of extraction" (Hair et al. 2010: 132).

Based on the factor analysis and having set the criteria to keep factors with eigenvalues equal to or greater than one (1), it was decided to keep four (4) factors that were then orthogonally rotated six (6) times by Varimax rotation until a position was achieved that clearly divided the variables into four (4) factors that were named: *Psychic and Geographical Distance; Market Instability; Government and Legal*; and *Finance and Currency*.

These factors were then regressed by Pearson's correlation, first against Q13_01, the difficulty to deal with the different factors, and then against *export_score* an integral composite score representing export performance used earlier in connection with H1a (see 4.4.2).

Highlighting those found to be viewed as most difficult to deal with, the factors were listed in order of the most difficult to deal with to the factor considered least difficult, were (** being significant at the 0.01 level):

1. Factor 3 – Government and Legal issues **
2. Factor 4 – Issues around Finance and Currency **
3. Factor 1 – Psychic and Geographical Distance **
4. Factor 2 – Market Instability

The two (2) factors that were found to be most negatively related to export performance and significantly so (** being significant at the 0.01 level) were:

1. Factor 4 – Issues around Finance and Currency **
2. Factor 1 – Psychic and Geographical Distance **

The remaining 2 (two) factors, Government and Legal Issues, and Market Instability, were both insignificant and had scores very close to zero (0).

Stepwise multiple regressions confirmed the above results. The regression also revealed that the three (3) factors ranked as being of most concern to the respondents, jointly explain 25% of the variation in how difficult these export barriers are seen by management to handle.

The stepwise multiple regression that followed of the four (4) factors of barriers against export performance singled out one (1) factor, Factor 4, representing financial barriers, as having the most negative impact on the company's export performance.

A complete table listing the results from the factor analysis, the Varimax rotation and the three correlation regressions can be seen in Appendix G and H.

4.5.4 Hypothesis 11: Market Attractiveness

The model for H11 is seen in Figure 18. The hypothesis states that export performance is higher in companies that export to countries with high economic growth and development, with stable political and economic environments, and with benign, stable and free markets (i.a. Covin and Slevin 1989, Madsen 1989, Robertson and Chetty 2000).

This would be the definition of an attractive market and the construct of market attractiveness, *MktAttr*, was created by a tree item scale measuring the economic development and growth, free and fair market and safe business environment in the export market (Appendix D). Cronbach's Alpha was 0.662, just below the ideal limit of 0.7.

Chi-square was 30.543 with 15 degrees of freedom. The p value at 0.010 is low and significant (closer to 0.000 than 0.050) so the exact fit hypothesis was rejected.

Otherwise, studying the model fit statistics, the CFI at 0.916 and RMSEA at 0.100 that is quite close to 0.080 indicate quite a good model fit.

The unstandardised estimate is 0.118 and significant at less than 0.001 and the standardised estimate is .238 indicating a moderate direct effect on export performance.

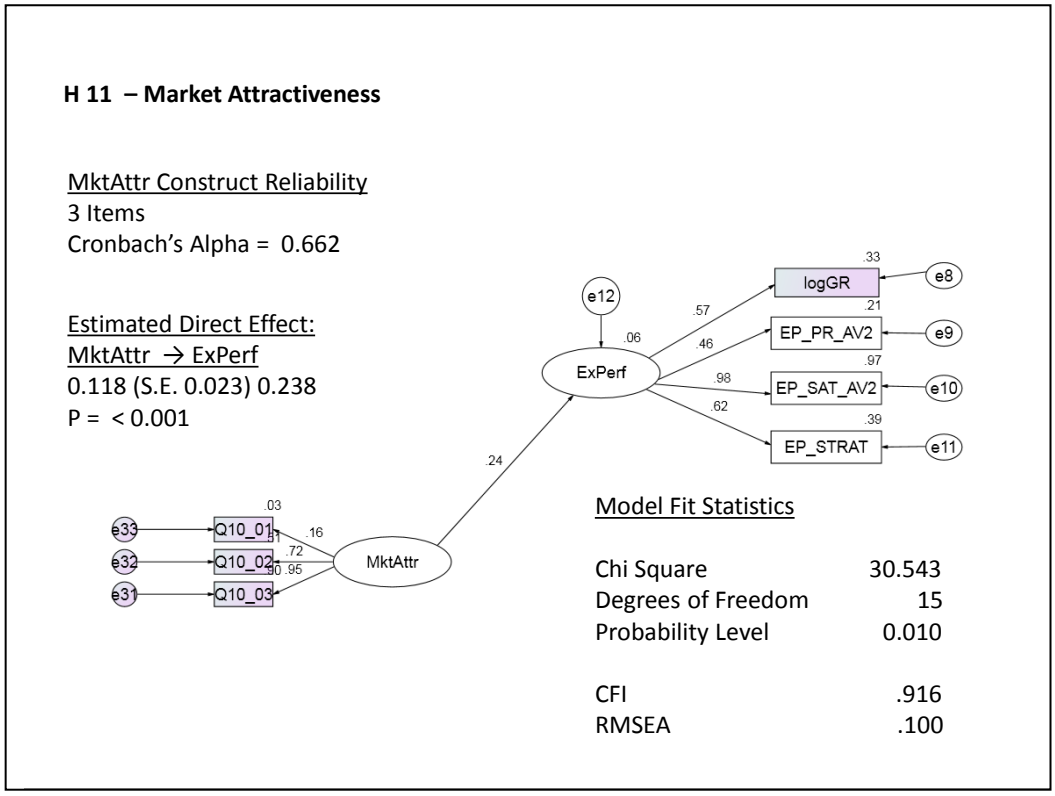


Figure 18: Market Attractiveness

Due to the mostly positive model fit statistics, the null hypothesis was rejected and the alternative H11 accepted, i.e. the model proves that operating in an attractive, safe and free export market environment has a direct positive effect on the company's export performance.

4.5.5 Hypothesis 12: Market Competitiveness

Figure 19 shows the research outcome and model of H12 that states that there is a positive relationship between exporting to markets that have a high degree of competitiveness and export performance.

A serious problem with this model was encountered. The original model had two observed items capturing the construct of Market Competitiveness, *MktComp*,

(Appendix D). But to enable the model to run in SPSS Amos, and already under-identified, one item (Q11_01) had to be taken out. With only one item remaining, the internal construct reliability was not possible to measure.

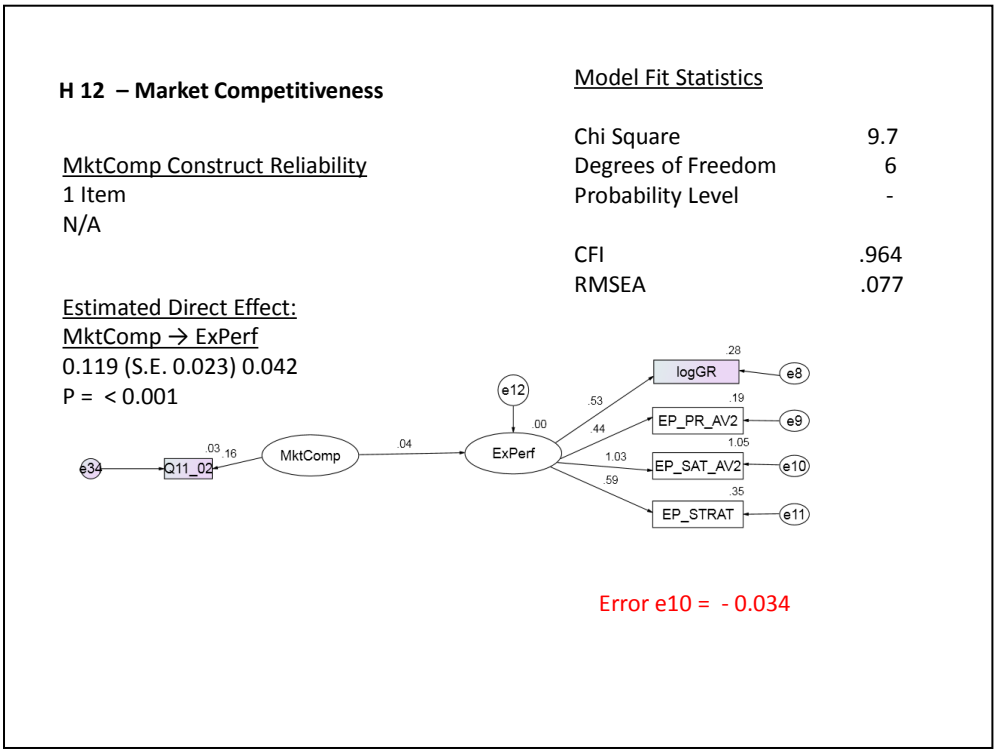


Figure 19: Market Competitiveness

The Chi-square was 9.7 with 6 degrees of freedom. A p-value was not provided and instead, the model had a negative error of -0.034. The exact fit hypothesis could not be accepted. In spite of this, the values of both CFI and RMSEA indicated a good model fit, with .964 and .077 respectively. The unstandardised estimate was 0.111 and significant at less than 0.001 but the standardised estimate was 0.042, just about zero. In an attempt to achieve an error free

model an alternative model, H12 alt, was created. But the model fit statistics for this model was even less beneficial and did not improve the results.

Consequently, the effect of H12 on export performance, if positive or not, could not be established. H12 cannot be proven. The error in the model, possibly coupled with sample error and sample size makes it impossible to draw any substantial conclusion and needs to be further investigated.

4.6 Results for Hypothesis pertaining to the Level of Internationalisation

In the literature review, the stage or level of internationalisation (Johanson and Vahlne 1977, Leonidou and Katsikeas 1996) was identified as a third dimension of factors that influence export performance, a combination of both internal and external factors that develop over time.

4.6.1 Hypothesis 13: Level of Internationalisation

H13 states that there is a positive relationship between the level of internationalisation of the firm and its export performance. Following Papadopoulos and Martín (2010), the construct of level of internationalisation, *LevInter*, was measured by two observed variables; export intensity (export sales over total sales) and stage of export development in line with Gençtürk and Kotabe (2001) (Appendix D and I). The model is depicted in Figure 20.

As there were only two indicators, the internal reliability was established by Spearman's correlation (Rho), ρ = 0.583** that was significant at the 0.01 level.

Chi-square was 14.6 with 10 degrees of freedom, which is very close, but no p-value was achieved. Instead, an error indicated that some problems were present in the model, probably due to under-identification (only two items in the scale) and maybe also, as in some other models, due to sample size. The error was negative, but fairly small at -.019. The CFI was high at 0.970 and RMSEA 0.67, which were both within the desired ranges. It was therefore decided to keep the model.

The unstandardised estimate was 0.181 and significant at less than 0.001. The standardised estimate was 0.418 which indicates a fairly strong direct effect on export performance. (An alternative model, *H13 alt*, similar to those of H3 and H6 can be seen in Appendix E).

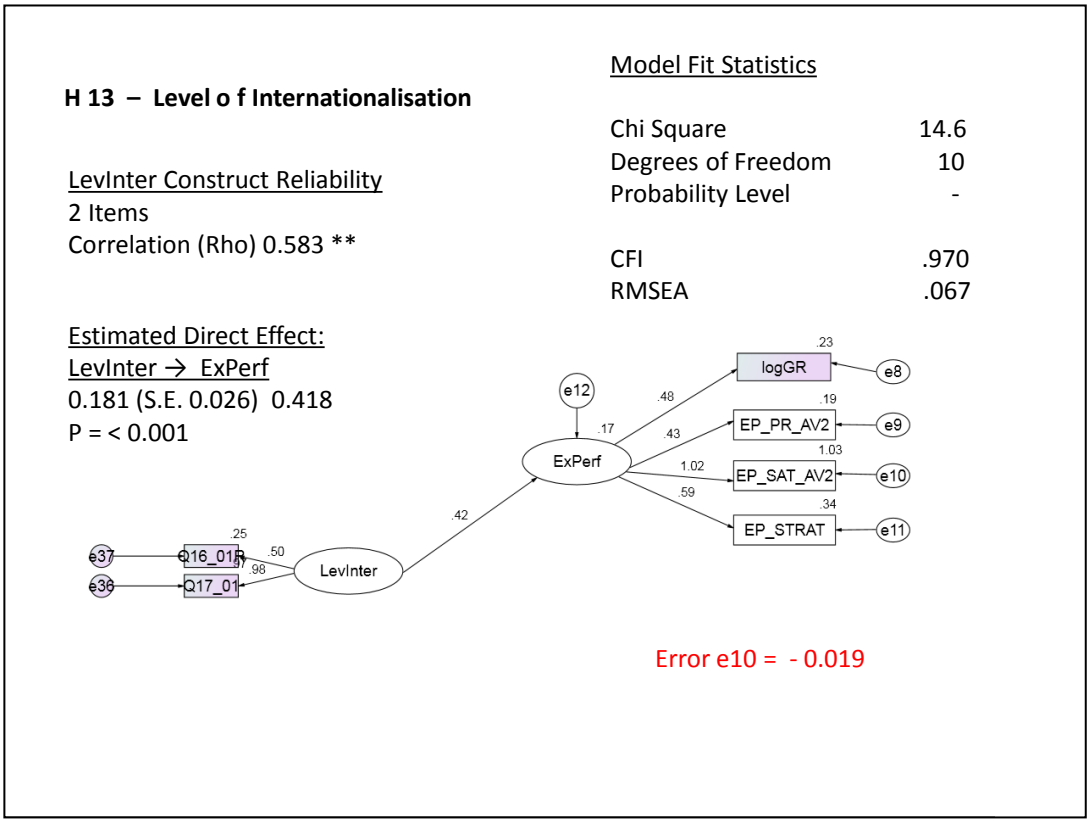


Figure 20: Level of Internationalisation

The null hypothesis was rejected and H13 was accepted, i.e. the model proves, even if with some caution, that a higher level of internationalisation has a positive effect on export performance.

4.7 Summary of the results

The following results were confirmed and proven by this research:

- Export performance is higher in companies that design and employ an export marketing strategy with clear strategic objectives, i.e. a well-planned and clear export marketing strategy has a direct positive effect on the company's export performance.
- The export marketing mix has a positive direct effect on export performance, of which the price penetration strategy, compared to the other components of the marketing mix, is the very least related to the export performance and the effect is also not significant.
- Most closely correlated to export performance is the channel and distribution strategy, followed by promotion and product adaption.
- Management's experience from working internationally or with exports has no direct effect on the company's export performance.
- The company's ability to acquire and use international market knowledge is directly and positively related to its export performance.
- There is a positive relationship between the degree of technology of the industry within which the firm operates, and its export performance. A higher degree of technology leads to higher performance.
- Export performance is higher in companies that export to countries with high market attractiveness (economic growth, stable political environment and safe business environment).
- The level of internationalisation (export involvement) has a direct positive effect on export performance.
- The influence that barriers to export have on the company's export performance varies and is related to how serious and difficult to deal with such barriers are perceived by management to be.

Identified as the three most severe export barriers and that the companies felt were most difficult to deal with, and significantly so (at the 0.01 level) were:

1 - Government and Legal issues

2 - Issues around Access to Finance and Currency

3- Psychic and Geographical Distance

The two factors that were found to be most negatively related to the companies' export performance and significantly so (at the 0.01 level) were:

1- Issues around Finance and Currency

2 - Psychic and Geographic Distance

Inconclusive hypotheses

Some of the hypotheses were inconclusive and could not be proven. This was not expected, but was possibly due to model error or sample size and need to be reviewed, further investigated and researched. These were the hypotheses pertaining to the following six (6) factors:

- International Commitment – management's commitment and support to the company's export business.
- Personal relationships with the company's international customers and channel partners.
- The size of the company
- The entrepreneurial orientation of the firm's management

…as well as the effect on the company's export performance from operating in markets

- …with a high degree of instability
- …with a high degree of competitiveness

Table 20 lists the model statistics that was base for the decisions concerning the results to be presented from this research. It appears again in Appendix K.

Table 20: Presentation of Results from SEM Models

Presentation of Results													
Hypothesis	**Label**	**Cr.Alpha**	**X^2_M**	**df_M**	**P Value**	**Error**	**CFI**	**RMSEA**	**Unstand. Estimate**	***p***	**S.E.**	**Standard. Estimate**	**Accept / Reject**
H1	ExpStrat	0.854	44.904	19	0.001		0.923	0.115	.310	0.006	0.113	**.367**	Accept / Caution
H1 a	MrktMix	0.686	38.481	19	0.005		0.916	0.100	.219	< 0.001	0.061	**.492**	Accept
H2	InterEx	0.770	22.526	14	0.068		0.957	0.077	.090	0.079	0.051	**.204**	Reject
H3	Knowhow	0.932	19.366	20	0.498		1.000	0.000	.142	0.006	0.052	**.309**	Accept / Caution
H3 alt	*Knowhow*	*0.932*	*32.279*	*20*	*0.04*		*0.971*	*0.077*	*2.811*	*< 0.001*	*0.332*	*.439*	-
H4	Commitm	0.910	85.341	27	0.000		0.878	0.145	.254	< 0.001	0.074	**.502**	No good model
H5	IntnlRel	0.873	79.421	27	0.000		0.872	0.137	.148	< 0.001	0.023	**.388**	No good model
H6	Size	*ρ0.715***	13.8	10	N/A	**e10= .005**	0.976	0.060	.099	< 0.001	0.022	**.149**	No good model
H6 alt	*Size*	*ρ0.715***	*34.028*	*9*	*< 0.001*		*0.828*	*0.164*	*2..546*	*< 0.001*	*0.341*	*.272*	-
H7	Entrepre	0.849	60.914	21	0.000		0.885	0.136	.144	< 0.001	0.023	**.312**	No good model
H8	DegrTech	N/A	8.031	6	0.236		0.978	0.057	.074	< 0.001	0.017	**.246**	Accept
H9	IndInst	0.641	74.891	17	0.000		0.618	0.182	.129	< 0.001	0.027	**.156**	No good model
H10	Export Barriers' Influence on Export Performance - are dealt with separately												
H11	MktAttr	0.662	30.543	15	0.010		0.916	0.100	0.118	< 0.001	0.023	**.238**	Accept
H12	MktComp	N/A	9.7	6	N/A	**e10= -.034**	0.964	0.077	0.119	< 0.001	0.023	**.042**	No good model
H12 alt	*MktComp*	*N/A*	*6.064*	*3*	*0.109*		*0.820*	*0.100*	*0.119*	*<0.001*	*0.023*	***.052***	-
H13	LevInter	*ρ0.583***	14.6	10	N/A	**e10= -.019**	0.970	0.067	0.181	< 0.001	0.026	**.418**	Accept / Caution
H13 alt	*LevInter*	*ρ0.583***	*21.203*	*9*	*0.012*		*0.913*	*0.115*	*4..043*	*< 0.001*	*0.429*	*.612*	-

The model statistics listing the estimates for the reflective variables that define the endogenous constructs, i.a. ExPerf, MktMix, InterEx, etc. are not discussed in detail in this chapter. For the level of this research and for the purpose of completing the research report, it was decided to focus on reporting on the outcome of the main constructs and not the many individual variables.

But in order to enable a meaningful discussion in Chapter 5 and Chapter 6, some of the main variables had to be mentioned there. The details of these, questions and individual variables and some of the model statistics that were the result of this research (also for models that were not good / inconclusive) are listed in Appendix D and Appendix L.

CHAPTER 5: DISCUSSION OF THE RESULTS

5.1 Introduction

The objective with this research was to identify factors that influence the export performance of small and medium sized manufacturing companies in South Africa. In this chapter the results that could be drawn from the research will be discussed and interpreted.

Following a brief and repeated overview of the demographic profiles of the participating companies and how export performance was defined and measured, the outcomes from the research pertaining to these will follow. This is necessary to provide the reader with the relevant framework for the discussion.

Thereafter follows a discussion around the outcome and interpretation of the tested hypotheses relating to the firm's internal and external factors, the observed effects of these on its export performance, and the effect stemming from the company's level of internationalisation.

The results from the research will be interpreted and compared with the earlier findings in the literature review, and possible differences will be explored and possible reasons discussed.

As noted in the previous chapter (Chapter 4), the outcomes of six (6) of the originally raised hypotheses were unfortunately inconclusive and could be neither proven nor disproven. It is suggested that this failure could be due to either sample size, or problems or inconsistency within the built models. This does not mean that this research rejects or ignores earlier theory described in the literature review. It is rather so that for those particular cases, this research is not able to add any new findings pertaining to the South African environment.

The outcome and conclusive results from eight (8) of the stated hypotheses (including one sub-hypothesis, H1a) are presented, interpreted and discussed in this chapter.

5.2 Demographic profile of respondents

The 104 companies that participated in this research were small and medium sized manufacturing enterprises (SMEs) in South Africa that export at least part of its manufactured goods to countries outside South Africa.

In line with the criteria set in the National Small Business Act 201 of 1996, these were companies with between five (5) and 199 full time employees (Republic of South Africa 1996).

In this section, the size of the participating companies and the different industries that they operate within, are presented.

Size of the responding companies

Slightly over half (55%) of the companies in this study were classified as small with less than 50 employees (5-49), and the remaining 45% were medium sized, i.e. they reported having 50 or more employees, but less than 200.

It is interesting to note that, in spite of the slight shift noted towards medium sized companies in this study, the distribution is still fairly similar to that reported among SMEs by Gumede in 2004, described in Section 3.3. He reported 61% of South Africa's manufacturing SMEs as being small and 39% to be medium sized. His figures were obtained from the National Enterprise Survey (NES) that is seen to be a good estimation of the SME landscape in South Africa, and thus viewed to be transferrable to the entire population. Table 21 compares the outcome from this research with that of Gumede (2004) and NES.

Table 21: Distribution of SMEs - Gumede/NES (2004) vs. This Research

Company Classification Manufacturing Sector (Small Business Act)	No. of Full Time Employees (Small Business Act)	% SA Manufacturing Exporting SME's in NES (Gumede 2004)	% SA Manufacturing Exporting SME's in this research	% Change
Very Small	5-19	30%	23%	-7%
Small	20-49	31%	32%	1%
Medium-Sized	50-199	39%	45%	6%
Total		**100%**	**100%**	

One explanation for this slight shift toward medium sized companies, and in view of how difficult it was to obtain a sample large enough during the time period when the data was collected (described both in Chapter 3 and Chapter 4), could be that the slightly larger companies had more resources at hand and, thus, were more willing to take part in the survey.

Often captured and classified as one homogenous group, SMEs with a staff component varying from five (5) to 199 employees present a very wide range of company size, a diverse group of enterprises operating with varying resources and under very different circumstances.

Manufacturing industries represented in the research

All sectors of manufacturing industries were represented in the research. However, the largest group of the responding companies, close to 65%, were engaged in manufacturing processes involving a low to medium degree of technology. These are industries classified between no. 4 to no. 8 in SITC (The Standard International Trade Classification), closer described in Appendix F. The bulk of these, in turn, were involved in industries within the upper end of the medium degree of technology. These are companies operating in the automotive, process and engineering industries.

For clarity, the table first presented in Chapter 4, is repeated here.

Table 22: Degree of Industry Technology (based on SITC)

Degree of Industry Technology	Degree	No.	%	
1. Primary Products	**1**	4	3.8%	4%
2. Resource Based Manufactures 1	**2**	8	7.7%	15%
3. Resource Based Manufactures 2	**3**	8	7.7%	
4. Low Technology Manufactures 1	**4**	12	11.5%	23%
5. Low Technology Manufactures 2	**5**	12	11.5%	
6. Medium Technology Manufactures 1	**6**	8	7.7%	41%
7. Medium Technology Manufactures 2	**7**	15	14.4%	
8. Medium Technology Manufactures 3	**8**	20	19.2%	
9. High Technology Manufactures 1	**9**	9	8.7%	16%
10. High Technology Manufactures 2	**10**	8	7.7%	
Total		**104**	**100%**	**100%**

Approximately a fifth of the respondents, 19%, were listed in category 8 (of 10), the engineering industry. 16% of the companies were involved in high technology manufacturing (electrics and electronics, pharmaceuticals, instrumentation, etc.)

Another fifth of the companies, close to 20%, reported to be operating within the production and handling of primary, agro- and mineral-based products.

The importance of industry technology and its effect on export performance will be explored more closely in section 5.5.1 when discussing Hypothesis 8.

5.3 Discussion on Hypotheses pertaining to Internal Factors

Before discussing the results pertaining to the hypotheses tested in this study and the results stemming from these, it is worthwhile to repeat information about the dependent factor, the export performance, and to describe how this was defined in this research and the meaning and consequence of that.

An inclusive measure of export performance

This research measured export performance as a four-dimensional construct, jointly reflected by the *growth* in the firm's export sales, the *profitability* of its export business, the *achievement of strategic objectives*, as well as management's perceived *satisfaction* with the export business. This was initially suggested by Cavusgil and Zou (1994) and later built upon and further developed by many other authors (i.a. Styles 1998; Zou et al. 1998; Lages et al. 2005b).

In this way, the three required 'performance' criteria as defined by Walker and Reukert (1987) were captured, namely the *effectiveness*, *efficiency* and *adaptability* of the firm's export strategy, i.e. both financial and strategic measures were captured. In this way, not only objective but also subjective elements were included, such as e.g. the perception of the overall satisfaction with the export business. Shoham (1998) also suggested that the multi-dimensional approach assists in avoiding the effects of fluctuations often experienced in one-dimensional measures.

The four dimensions together provided a more exact performance measure than has been the case in studies where only one or two dimensions, such as e.g. purely sales related measures as export sales growth or export intensity (export sales over total sales) were applied (Aaby and Slater 1989; Madsen 1989).

Even if applied by many researchers throughout the literature as stated by Madsen (1989), the use of purely export intensity as the only performance measure can be misleading, as its success depends on the company's individual strategic goals and thus makes comparison difficult.

To illustrate this, one company might plan to export 90% or most of its produced goods, but at the end of the year achieves only 75%. Another firm, might have taken the decision to offset most of its products in the local market, and would be perfectly satisfied to reach 30% in export sales. Due to increased international demand, however, 50% of sales were for exports. The first company that has failed its strategic target still has much higher export intensity than the second company which has almost doubled its international sales and, if measured by its export intensity only, will be seen as having achieved a higher performance.

In this study, export intensity was instead applied as one of the factors indicating the level of internationalisation (Papadopoulos and Martín 2010) and will be dealt with under that section (5.6.4).

Export sales deriving from the entire firm was the unit of measure used in the research.

The period over which export performance was measured were the three years 2008, 2009 and 2010. It is important to note that these were the years of global financial and economic downturn that might have had influence on both the participating companies' actual export performance, and also its perceptions and general outlook on the economy.

Even if so, Table 14 indicates the average growth in export sales over the years 2008-2010 to have been close to 20%. But as further explained in Section 4.3,

the reported values varied hugely from 20% of the respondents having experienced no growth at all during these years, to a few companies that reported very high growth over the same period. This caused a skew distribution depicted in Figure 7.

In spite of this, most respondents reported that, in general, they were satisfied with the outcome of the company's export business, that the set strategic objectives had been achieved, and that their export business had been profitable during the measured period (see also Appendix C).

This positive outcome was, of course, good news and came as a positive surprise amidst the otherwise turbulent economic background. It may be that this mostly positive sentiment was borne out of the fact that more than two thirds (69%) of companies reported being experienced and well established exporters (Table 10 and Appendix I).

5.3.1 Hypothesis 1: The Export Marketing Strategy

This research proves that export performance is higher in South African companies that design and employ an export marketing strategy with clear strategic objectives, i.e. a well-planned and clear export marketing strategy has a direct positive effect on the company's export performance. This finding was also significant (at less than 0.01).

The export market strategy was most strongly defined and reflected by the company having: clear plans in place for all its export markets; a clearly outlined strategy; and, formal management systems in place to systematically collect and analyse information, when planning future strategies. (Appendix D). The export marketing strategy was also reflected in the company pursuing long term, sustainable goals rather than short term financial targets.

The importance of the export marketing strategy and its positive direct effect on the company's export performance registered among the South African companies was expected and is in line with the broader literature (e.g. Madsen

1989; Leonidou et al. 2002; Sousa et al. 2008) and cannot be overly emphasised.

This means that for companies to be successful, i.e. to achieve a higher export performance, the planning of their export business must pursue more long term and sustainable goals (Cavusgil and Nevin 1981). Their market entry strategy must entail the careful selection of what markets to operate in (Styles and Ambler 1994; Leonidou and Katsikeas 1996), together with segmentation and targeting (Leonidou et al.2002), and not only aim at the more short term result driven goals and often purely financial perspectives, such as profitability and sales growth (Cavusgil and Zou 1994).

To enable this, formal systems must be in place within the company (Cavusgil and Nevin 1081; Aaby and Slater 1989; Chetty and Hamilton 1993), to continuously scan the environment, collect and analyse relevant market information, also concerning trends in the market and opportunities that arise, and lastly, but not least, to match these with the company's internal capabilities (Cavusgil and Zou 1994; Sousa 2008).

Appendix D shows that most of the respondents in South Africa (60%) confirmed that they had a clearly outlined export strategy in place and an even larger portion (70%) stated that they were pursuing long term sustainable goals, rather than immediate, short term, financial targets.

Considering this, it was contradictive to establish the fact that many fewer companies (40%) confirmed to actually have methods and systems in place to study and investigate their markets. Equally few companies (40%) reported having detailed plans and goals in place for all their export markets.

An explanation for this inconsistency could be that companies do not clearly define their export marketing strategy versus their overall strategy. If that is the case, this would be a mistake. Although a part of the company's overall strategy, the export marketing strategy and its components should be dealt with and planned separately and in detail, to lay the foundation for higher export performance.

5.3.2 Hypothesis 1a: The Marketing Mix

This research proves that the export marketing mix has a strong positive direct effect on the export performance among the South African companies that participated in the study.

It was also established that, compared to the other components of the export marketing mix (often and generally referred to as the 4 Ps), the effect of applying a price penetration strategy when entering new markets is the least related to export performance. It shows a very weak, close to non-existent, and even negative correlation with export performance, which is also non-significant.

The planning of the export marketing mix is an integral part of the export strategy development and its influence on export performance is highlighted throughout the literature. The findings of this research are therefore consistent with the findings reported by earlier authors.

For the purpose of this study, the marketing mix was reflected by a well formulated channel and distribution strategy; policies for both promotion and products to be adopted in order to better suit the foreign markets; and lastly, but also as must be noted, at the very least, by applying lower prices in order to penetrate new markets.

Appendix D shows that half (50%) of the participating exporters highlighted the importance of their channel and distribution strategy for their foreign markets. Half (50%) of the companies reported that they applied adapted promotion strategies for their export markets, in order to better suit different customers and cultures. Slightly more (60%) confirmed adapting their products to better suit their foreign customers. In contrast, less than a third of the respondents (30%) admitted to applying lower prices in order to enter new markets.

The results from the research show that the channel and distribution strategy, followed by promotion and product adaption, are the three components of the marketing mix most closely correlated to a company's export performance.

In the literature, the views pertaining to the effect of applying lower prices to penetrate new markets go in different directions. Several authors maintain the importance of an export pricing strategy (Aaby and Slater 1989; Chetty and Hamilton 1993; Leonidou et al. 2002).

The findings from this research, however, confirm the opposing views of Madsen (1989), Cavusgil and Zou (1994) and Zou and Stan (1998). These authors established that a competitive pricing strategy has a weak and even negative effect on export performance. Buyers might feel uncertain of the quality of products that are priced too low and even turn away from these in favour of higher priced products they perceive as being more reliable or of a higher quality (Madsen 1989).

5.3.3 Hypothesis 2: International and Export Experience

To the contrary of what was expected, the findings from this research prove that the actual experience gained by the company's management from having worked internationally or with exports, or even its general business experience, has no direct effect on the company's propensity to achieve a higher export performance.

This finding was not expected and turns around theory created in earlier research. The model and reason for this needs to be further investigated.

As outlined in the preceding literature review (Chapter 2), theory states that it is the firm's experience from conducting business internationally (Zou and Stan 1998), as well as its experience from working with exports (Aaby and Slater 1989) that predicts whether it will be successful in achieving a higher export performance. Encompassing these, together with earlier work by e.g. Johanson and Vahlne (1977), as well as recent studies like Papadopoulos and Martín (2010), all claim that international experience built over time through continuous business exchanges has a direct positive effect on the company's export performance. It is suggested that companies that want to start exporting should acquire staff and managers who already have international experience and will

transfer their experience to the company, and in doing so, will benefit from such international experience (Johanson and Vahlne 1977; Cavusgil and Zou 1994).

In this study, the company's international and export experience, in addition to management's general business experience, was defined by its management's international experience, from having worked and lived abroad and from its earlier working experience from export operations.

When studying Appendix D, and the answers relating to H2, it is important to note that answers about a company's management and its experience were provided by management itself.

Almost all (90%) of the companies that took part in this research reported that their management had a high level of general business experience. This is not surprising as the researcher deliberately turned to senior management to respond to the survey and as seen in Table 13 (Section 4.2) this was achieved with high certainty. Most of the companies, almost 2/3 (70%), stated that their management had a high level of experience from working with export operations. This is consistent with the findings from other parts of this research. As will be discussed later in this report and already reported in Table 10 (Section 4.2), the majority of the companies that took part in the survey (68%) considered themselves to be experienced or committed exporters (see also Appendix I). To be a company involved in exports was also one of the set criteria to take part in the study. Comparably few of the managers (40%) had experience from working and/or living abroad.

In spite of this, contrary to the expected, the companies' reported international experience did not cause any change in their export performance.

There could be several reasons for this unexpected outcome:

- As also established in the literature on export performance, there is a continuous inconsistency throughout the literature when it comes to the use of vocabulary and expressions (Chetty et al. 2006; Papadopoulos and Martín 2010). In this context, terms such as *experience*, *knowledge* and *competence* are often used interchangeably as if they are the same thing,

when there is in fact a distinctive difference in meaning between them (refer to Table 4 under Section 2.3.1).

Penrose (1959) e.g. explains how experience is so closely anchored in the transformation that is caused by personal actions and learning only and, therefore is so personal that it is in-transferrable.

This is closely related to the section that follows and that deals with the findings for H3 as it is rather the knowledge and competence, i.e. the company and its management's, ability to identify, acquire and apply international and market knowledge, and not the individual experience from international business that positively influences the export performance of the firm.

- The world and the operating environment have changed. The literature on export performance and its determinants emerged from the early 1960s and grew in importance during the 1990s and into the new millennium. These 50 years of evolution have also witnessed an enormous shift in how business is done and in the behaviour of both the firm and the individual.

  The globalisation of business operations; the means of communication and transportation around the globe; Google, Facebook, Internet, LinkedIn and their likes – are now part of today's reality. Managers based in South Africa, involved in exports or not, fly and cross the globe overnight and enter a boardroom or meet with colleagues in Paris, Dubai or wherever they need to be. Matrix organisations build on the competence of multinational teams with individuals based across the globe. In such a changing world, it might be that the personal *experience* - as experience is personal (Penrose 1959) - has lost importance, and thus, its influence.

5.3.4 Hypothesis 3: International Knowledge and Competence

The findings from this research prove that the company's ability to acquire and use international market knowledge is directly and positively related to its export performance. This finding was also significant at the 0.01 level and an alternative model (*H3 Alt* in Appendix E) resulted in even better model fit and was also significant at less than 0.001

This result was expected and is in accordance with the literature (i.a. Johanson and Vahlne 1977; Aaby and Slater 1989; Eriksson et al. 1997; Papadopulos and Martín 2012).

The concept of *knowledge* versus *experience* was briefly discussed in the previous section (Section 5.4.3) and established what is confirmed and proven with the joint findings of H2 and H3 in this research, and thus repeated here: That among South African manufacturing SMEs it is the knowledge and competence, i.e. the company and its management's ability to identify, acquire (i.e. gain access to) and apply international and market knowledge, rather than the individual experience from it, that positively influences the export performance of the firm.

The international knowledge and competence in this study, also referred to as international "know-how", was reflected in management's level of international competence; the company's ability to find access to and evaluate international market information; management's level of country knowledge; and, management's level of market knowledge.

Market knowledge and country knowledge seem to be the same thing, but as discussed in the literature review, there is a distinct difference between these two concepts. Eriksson et al. (1997) distinguish between 'business' and 'institutional' knowledge, where the first refers to knowledge on, e.g. market, business network, customers, suppliers, etc., i.e. what here is referred to as '*Market Knowledge'* and the latter stands for knowledge on the actual country, its government, rules and regulations and so on, i.e. '*Country Knowledge'*.

It is the ability to realise, evaluate and use such knowledge, to apply the knowledge to react and/or to develop business opportunities that forms the competence, in this instant, the international competence and know-how.

Before studying the spread of answers (Appendix D) to the questions supporting H3, it is again worth noting that the respondents to the questions about the company management's knowledge, was its management.

Most of the respondents (70%) stated that management in their companies had a high level of competence, in realising business opportunities from applying market information at hand. To a larger extent (60%), they were also confident of their company's ability to source and access such relevant market information. This fact was further confirmed in the high level (70%) of confidence in management's market knowledge. It is interesting to note that the slightly lower figure reported (50%) for the institutional knowledge reported among company management, i.e. their country knowledge - is confirmed by the equally lower level of experience reported in the previous section (5.4.3) from living and working abroad.

The higher level of confidence encountered in the South African companies' international competence and know-how, together with their management's market knowledge is not surprising and also consistent with the fact mentioned earlier, that most companies considered themselves to be experienced and committed exporters, i.e. they reported a high level of internationalisation.

The higher level of international knowledge and competence within the companies that took part in this study had a direct and moderately positive effect on their export performance.

As stated earlier in this report, both in Chapter 4 and at the beginning of Chapter 5, it was unfortunately not possible to solve and find conclusive results from four (4) further models relating to the firm's internal factors (H4 International Commitment; H5 International Relationships; H6 Size of the firm; and H7 Entrepreneurial Orientation). These factors, therefore, are left out from the discussion and will have to be further researched at a later stage.

5.4 Discussion on Hypotheses pertaining to External Factors

The literature in Chapter 2 clearly divides factors that influence export performance into groups of factors either internal to the firm (already dealt with in this chapter) and thus, controllable by the company – or external factors, emanating from the firm's environment outside its direct control. Few authors list and discuss such external factors in detail. The reason for this could be that it is more difficult to clearly describe such external environments as it very much depends on the nature of the firm itself, the industry and country in which it operates (Zou and Stan 1998). There are many different markets with varying conditions and "different situations give rise to different behaviours" (Mintzberg et al. 1998: 289).

In this section, the research results pertaining to such external factors will be presented and discussed.

The characteristics of the industry the firm operates within, and, in particular, the *complexity* and *hostility (*benign*)* of that industry (Mintzberg 1979), are found to have a strong influence on the firm's export performance. That was also proven by this research among South African manufacturing SMEs.

5.4.1 Hypothesis 8: Degree of Industry Technology

H8 states that here is a positive relationship between the complexity, the degree of technology orientation of the industry within which the firm operates, and its export performance. This research confirms this and proves that a higher degree of technology in the industry, leads to higher export performance. The connection, established in this study, is weak to moderate but it is significant (at less than 0.001).

This finding is in line with the results from the literature review that says that the higher complexity involved in the manufacturing process of products with higher technology increases the competitiveness of the company and allows it to charge higher prices for its goods. But it also increases the level of commitment and relationship between the exporter and its importer and distributor on the

foreign market. This is a consequence of the need for higher involvement and commitment, to work closer together to provide training, technical support and joint promotion to market the more technological products (Cavusgil et al. 1993; Cavusgil and Zou 1994; Zou and Stan 1998).

The degree of technology of the industry that the South African companies that took part in this study operate within was defined by the classifications applied in the Standard Industrial Trade Classification (SITC), are described in detail in Appendix F.

The distribution of responses are seen in Appendix D and also listed in Table 22 of this chapter, under “Demographic profile of respondents”. More than half of the participating companies, close to 60%, represent industries with medium to high degree of technology within their industry.

The results from this research pertaining to the level of technology, also referred to a technology orientation of the industry, satisfy Minzberg’s (1979) claim of the importance of *complexity* dimension of the firm’s environment that he says, impacts the way firms do business in a market.

5.4.2 Hypothesis 11: Market Attractiveness

The results from this research prove that export performance is higher in companies that export to countries with high market attractiveness.

Market attractiveness in this study was foremost defined by foreign markets that offer a safe environment for business operations, and a stable and free market environment with fair competition. The attractive market environment had a moderate and positive effect on export performance. The effect on export performance was also significant (at less than 0.001).

This outcome was expected and in agreement with the literature. The benign market conditions referred to by Minzberg (1979) as part of the environment’s *hostility* dimension depend on the relationships between business operating and competing in the marketplace and the market’s governments or policy makers.

The results prove that South African companies that operate in markets with no or very low levels of hostility, i.e. in *benign* foreign markets, perform better than those that do not. Such countries are characterised by stable and liberal free market conditions, with fair competition and a “safe setting for business operations” (Covin and Slevin 1989: 75) as well as stable political and economic environments, that encourage and promote business (Robertson and Chetty 2000), offering an “abundance and richness of investment and marketing opportunities" (2000: 215).

Studying Appendix D, one extracts that a large number (60%) of the companies considered themselves to be operating in countries offering a safe business environment and also (50%) in stable and free markets.

Although no facts in this study support this with certainty, Table 12 in Section 4.2 lists the respondents’ most important export markets. Many companies reported the OECD countries to be some of their most important markets. The OECD countries (Appendix F) are markets that, in general, have been considered to be stable and free markets that offer a safe business environment.

In the survey, there was a third factor defining market attractiveness. This was markets showing high economic development and growth. Madsen (1989) states that export markets with high economic development are often markets that also have high growth. Such export markets are often very attractive markets and in spite of often occurring trade barriers such as e.g. high psychic distance, the negative effects of such barriers, are often counteracted by a positive export performance.

70% of the respondents stated that they were operating in markets showing high economic development and growth. Again looking at Table 12 (Section 4.2), it is interesting to note that this is in fact confirmed. Many of the companies that took part in this research reported Africa (both SADC and outside SADC) and other emerging, high growth markets like the countries that form part of BRIC as being among their most important export markets. These markets are

viewed, in general, as very attractive due to the high economic growth and the business opportunities that spring from this environment.

Contrary to what was expected, the results from this study did not establish that the market attractiveness that caused the higher export performance was also reflected in high economic development and growth. The connection was weak and also not significant.

5.4.3 Hypothesis 10: Barriers to Export

H10 states that the influence that barriers to export have on the company's export performance varies and the company's export performance is related to how serious and difficult to deal with such barriers are perceived to be by its management.

This research supports this hypothesis in that it proves that:

- the seriousness of different export barriers that the firm is exposed to both in the domestic and the export market, is perceived differently and varies between the companies.
- it is the perceived difficulty in dealing with these barriers, that has a direct, negative effect on the company's export performance

Export barriers are as "all those attitudinal, structural and operational, and other constraints that hinder the firm's ability to initiate, develop or sustain international operations" (Leonidou 1995: 31). Penrose (1959) says that the "environment is different for every firm" (1959: 191) and that the environment is "an image in the entrepreneur's mind ... and it is not the environment as such, but rather the environment as the entrepreneur sees it, that is relevant .." (1959: 189). That is, it depends on the context.

As a consequence of this, several authors (Madsen 1989; Yeoh and Jeong 1995; Zou and Stan 1998) state that they have not been able to establish a direct, negative association between the impact of export barriers and the company's export performance.

This research conducted among South African manufacturing SMEs confirms that barriers to export are indeed perceived very differently by different companies. What some exporters perceive as barriers to entry, even severely so, other companies have no problem with and do not see as standing in the way for its export business (i.a. Leonidou 2004).

But the findings of this research indirectly oppose those stated by the authors above (Madsen 1989; Yeoh and Jeong 1995; Zou and Stan 1998). It has not been able to establish a direct connection between the export barriers and the firm's export performance, but via *the moderator effect* of the 'perceived difficulty to deal with these barriers' it proves a direct, negative effect, that is also significant, for two specific factors (see below). Of these, in particular one, '*Issues around Finance and Currency'*, is identified in this research as the factor that most severely inhibits export performance among manufacturing South African SMEs.

The list below ranks the barriers to export in order of seriousness and difficulty to deal with. (Only those significant at the 0.01** or 0.05* level are reported here):

1. Lack of action and support by the domestic government **
2. Lack of access to pre-shipping finance **
3. Legal and regulatory environment on the foreign market **
4. Unfavourable rules and regulations in the domestic market ** *(shared 4)*
   Foreign currency exchange risks ** *(shared 4)*
5. Lack of business intelligence and information of export market **
6. Geographical distance to target market **
7. Unfamiliar business practices in the target market **
8. Unfamiliar culture, language and habits in the export market *
9. Price regulations, subjective tariffs and quotas in the target market *

As explained in Section 4.5.3, the author had extracted 13 items listed frequently in the literature review as barriers to export. Being well familiar with the South African business environment, the author also judged these 13 barriers as being relevant to the local business manager involved in exports.

A factor analysis (detailed method outlined in section 4.5.4) simplified the model and clearly divided the many barriers into four (4) distinctive groups that were then regressed by Pearson's correlation in order to rank these in order of their perceived difficulty to deal with, as viewed by the South African SMEs. The ranking of the three (3) most difficult factors were significant at the 0.01 level. These are repeated here for clarity.

1. Factor 3 – Government and Legal issues **
2. Factor 4 – Issues around Finance and Currency **
3. Factor 1 – Psychic and Geographical Distance **

This means that these were the areas of most concern for the respondents.

The connection between the fourth factor, Factor 2 representing 'Market Instability', and the perceived difficulty, was close to non-existent with a score close to zero (0) and also non-significant.

The two (2) factors that were found to be most negatively related to export performance for the companies that took part in the research, and significantly so at the 0.01 level were:

1. Factor 4 – Issues around Finance and Currency **
2. Factor 1 – Psychic and Geographical Distance **

The remaining two (2) factors, Factor 3 for Government and Legal Issues, and again, Factor 2 for Market Instability, were both insignificant and had scores very close to zero (0).

Stepwise multiple regressions confirmed the above results. The regression also revealed that the three (3) factors ranked as being of most concern to the respondents, jointly explain 25% of the variation in how difficult these export barriers are seen by management to handle.

The stepwise multiple regression that followed of the four (4) factors of barriers against export performance singled out one (1) factor, Factor 4, representing financial barriers, as having the most negative impact on the company's export performance.

Even if this effect was not strong, little under 10% of the variation in export performance is explained by the extent to which management perceives barriers to be difficult to handle. This finding was also significant at less than 0.005.

'Issues around Finance and Currency' is identified in this research as the factor that most severely inhibits export performance among manufacturing South African SME's.

The factor that stands out as the second factor hindering export performance is Factor 1 representing distance barriers (both psychic and geographic). This factor also entails the knowledge factor, identified as so important in Section 5.4.4 (H3). This further confirms H3 as the difficulty that firms experience from the lack of access to information and relevant market intelligence is negatively correlated to export performance.

5.5 Discussion on the Hypothesis Pertaining to the Level of Internationalisation

5.5.4 Hypothesis 13: Level of Internationalisation

This research proves that the level of internationalisation (export involvement) has a direct positive and fairly strong effect on export performance, and this effect is significant at less than 0.001

This finding was expected and is in line with the literature. It confirms the claim by Papadopoulos and Martín (2010) that a higher level of internationalisation in the firm leads to higher export performance.

The level of internationalisation was defined as being jointly reflected by the firm's stage of export involvement at the time of the research (as in Gençtürk and Kotabe 2001, depicted in Appendix I); and, by its export intensity (export sales over total sales).

Close to 70% (Appendix D), reported a higher level of export involvement, stating that their company was either an active or committed exporter, i.e. they indicated to be at Level 4 or Level 5, the two highest positions (Appendix I).)

9% of the companies said that they were passive exporters, i.e from Level 1. In general they had very little interest in developing the export business of their company and if and when export sales materialised, it would be as a consequence of ad hoc requests from abroad.

23% of the South African SMEs belonged to either the 2nd or 3rd levels. These companies had started exporting, were not yet convinced, but were exploring the viability and practicalities of investing resources into exports, or they were experimenting with the idea of growing its export business and expanding into new markets.

Table 11 (Section 4.2) shows the results pertaining to the export intensity among the participating companies of which most companies (60%) together achieved an average of 17%. That is 17% of their total sales were from exports.

30% of the companies had an average export intensity of 7%; 16% had in average an export intensity of 17%; and 13% of the respondents reported an average export intensity of 20%, that is close to a third of total sales was for exports.

A few companies maintained that their export intensity was much higher, reporting figures as high as 90%-100%. These exporters are expected to have been very well established, with a high total level of internationalisation.

Johanson and Vahlne's (1990) "Uppsala Internationalisation Model" (1990: 11) follows the "incremental process" (Papadopoulos and Martín 2010: 388) that defines the stepwise development of internationalisation leading from the receipt of ad hoc orders from abroad, to step by step entering new markets and, over time, achieving higher "stages" (Katsikeas and Leonidou 1966: 527) or levels of export involvement. This brings with it a learning process leading to accumulated knowledge (Johanson and Vahlne 1977). Earlier in this report, the importance of knowledge was highlighted. Papadopoulos and Martín (2010)

stated with their model created over 30 years later that the Uppsala Model of Johansson and Vahlne (1977; 1990) was still valid and also established that a higher level of internationalisation causes higher export performance.

This direct, positive effect on export performance was tested through H13 in this research and confirmed and proven to be valid also among South African manufacturing SMEs.

5.6 Conclusions

This research investigated factors influencing export performance among 104 South African manufacturing SMEs. These were companies with between five (5) and 199 employees. All categories of manufacturing industries were represented.

A four-dimensional construct including both objective and subjective elements and together capturing all three performance criteria (Walker and Reukert 1987) was applied when measuring the export performance. The measurement period was the three years 2008-2010 and the respondents were asked to consider the total export business of the firm in their responses.

In spite of the research being conducted in the aftermath of the global economic downturn, the sentiment among the responding companies was in general positive. Most companies reported being satisfied with the company's export business and the average reported growth in export sales over the measured period was 20%. In this context, it is important to also highlight that more than two thirds (2/3) of the participating companies stated that they were either experienced or well established exporters. That is they were operating at an advanced stage and level of export involvement.

The following conclusions can be drawn from the results and findings of this research that proves the following:

5.6.1 Hypotheses pertaining to Internal Factors

- Hypothesis 1 states that export performance is higher in companies that plan, design and employ a detailed export marketing strategy with clear strategic objectives. When selecting and targeting markets for their exports, and planning future export strategies, these companies have formal management systems in place to systematically collect and analyse market information and they pursue long term, sustainable goals rather than the more immediate, short term financial targets.

  This hypothesis (H1) was confirmed and proven by this research. This finding was expected and in line with the broader literature where the export marketing strategy is listed as one of the most listed determinants of export performance (Madsen 1989; Leonidou et al. 2002; Sousa et al. 2008).

  A larger number of the South African respondents confirmed that they had a clearly outlined export marketing strategy in place and were pursuing more long term, strategic goals. In view of this, the fact that many fewer companies stated having formal systems in place to monitor the environment and collect market information, or detailed marketing plans for all their export markets, was not expected and somewhat contradictive.

- Hypothesis 1a states that the export marketing mix has a positive direct effect on export performance. As expected, and in line with earlier research, this hypothesis (H1a) was confirmed and proven. The marketing mix is an integral part of the export marketing strategy.

  H1a further states that compared to the other components of the marketing mix, the price penetration strategy is the very least related to the export performance and might even have a negative effect on the performance.

  This part of the hypothesis was accepted and proven with this research. The results from the research show that the channel and distribution strategy, followed by promotion and product adaption strategies, are the

three components of the marketing mix that are most closely correlated to the company's export performance. As a contrast, the price penetration strategy was the item least connected to the firm's export performance. Its effect was very weak, negative and insignificant.

- Hypothesis 2 states that international experience gained within the company, its management's experience from working with exports and/or living and working abroad, is positively related to export performance.

  This hypothesis (H2) was not supported and against what was expected based on the broader literature, this hypothesis was rejected and it was instead proven that management's international experience does not cause any variation in the company's export performance.

  One reason for this unexpected finding, in addition to the continuous inconsistency throughout the literature when it comes to vocabulary and expressions used (as is also the case within the literature on export performance), could be that over the 50 years throughout which the literature on export performance has evolved, the operating environment has changed dramatically. The way companies and individuals communicate, travel and work today is much more global. It could be that the personal experience from living and working abroad has lost its importance in the context of achieving a higher export performance and that it is rather, as discussed next, the ability to source and access relevant market information, that is crucial.

- Hypothesis 3 states that the company's ability to acquire and use international market knowledge is directly and positively related to its export performance.

  This hypothesis (H3) was supported and the research proves that the ability to identify and access relevant market information as well as the capability to make use of such know-how in order to realise business opportunities in the export market (i.e. competence) has a direct positive

effect on the company's export performance. This was expected and in line with findings from earlier research.

In the context of this study, this means that it is the access to information and know-how, rather than the international experience that is so crucial and leads to higher performance.

5.6.2 Hypotheses pertaining to External Factors

- Hypothesis 8 states that there is a positive relationship between the degree of technology of the industry within which the firm operates, and its export performance. A higher degree of technology leads to higher performance. As expected, and reflecting the findings from earlier literature, this hypothesis (H8) was supported and proven when it comes to the South African exporting manufacturing SMEs

- Hypothesis 10 states that the influence that barriers to export have on the company's export performance varies and is related to how serious and difficult to deal with such barriers are perceived to be by management.

  This research supports this hypothesis (H10) in that it proves that:

  - ✓ the seriousness of different export barriers that the firm is exposed to both in the domestic and the export market, is perceived differently and varies between the companies.
  - ✓ it is the perceived difficulty in dealing with these barriers, that has a direct, negative effect on the company's export performance.

  Several authors (Madsen 1989; Yeoh and Jeong 1995; Zou and Stan 1998) state that they have not been able to establish a direct, negative association between the impact of export barriers on the company's export performance. This research opposes this position in that it proves - via *the moderator effect* of the 'perceived difficulty to deal with these barriers' - a direct, negative effect on export performance caused by two specific factors/ export barriers. One of these, in particular *Issues around Finance*

and Currency, is in this research identified as the factor that most severely inhibits export performance among manufacturing South African SMEs.

The second factor that stands out as hindering export performance represents *'distance'* barriers (both psychic and geographic). This factor also entails a knowledge factor, which further confirms H3, as the difficulty that firms experience at the lack of access to information and relevant market intelligence is negatively correlated to export performance.

- Hypothesis 11 states that export performance is higher in companies that export to countries with high market attractiveness. Market attractiveness in this study was foremost defined by foreign markets that offer a safe environment for business operations; and a stable and free market environment with fair competition.

  This Hypothesis (H11) was supported and it was proven by this research that an attractive market environment has a moderate and positive effect on the company's export performance.

  In the survey, a third factor was included to define market attractiveness. This was markets showing high economic development and growth But contrary to what was expected, the results from this study did not establish that market attractiveness that caused the higher export performance was also reflected in high economic development and growth.

5.6.3 Hypothesis pertaining to Level of Internationalisation

Hypothesis 13 states that the level of internationalisation (export involvement) has a direct positive effect on export performance.

This hypothesis (H13) is supported by the research that proves that the level of internationalisation has a direct positive and fairly strong effect on export performance.

This finding was expected and is in line with the literature. It confirms the claim by Papadopoulos and Martín (2010) that a higher level of internationalisation in the firm leads to higher export performance.

5.6.4 Hypotheses that were Inconclusive

For clarity, it is here repeated what was stated earlier in this chapter as well as in Section 4.7, that some of the hypotheses raised were inconclusive and could not be proven. This was not expected, but was possibly due to model error or sample size and need to be reviewed, further investigated and researched. These were the hypotheses pertaining to the following six (6) factors:

- International commitment – management's commitment and support to the company's export business.
- Personal relationships with the company's international customers and channel partners.
- The size of the company
- The entrepreneurial orientation of the firm's management

…as well as the effect on the company's export performance from operating in markets

- …with a high degree of instability
- …with a high degree of competitiveness

CHAPTER 6: CONCLUSIONS AND RECOMMENDATIONS

6.1 Introduction

This chapter provides a brief summary of the results emanating from this study and research.

It begins with a very brief revisit of the conditions and background as set out in the earlier sections of the report, tying back to the underlying facts that provide the objective of the study, i.e. to identify factors that have influence on the export performance for South African SMEs.

Thereafter, the main findings of the research, their interpretation and meaning will again be highlighted, also in the context of the preceding literature review and especially where the results from this study differ from those of the earlier literature. There are also some concepts drawn from earlier scholars that were tested here and that can now also be confirmed in this environment and have been found valid also in South Africa, i.e. in an emerging economy and African market.

Every research has its limitations and so inevitably this study also suffered from several weaknesses. Some of these limitations were described and dealt with in detail in Chapter 3, describing the methodology and the weak points of the built models and the statistics. Here, the more general, overriding limitations are pointed out.

With the background of these findings and set of indicators, the author will provide some recommendations on actions or measures that might act as pointers or guidelines for companies that are planning to grow their exports and international presence, as well as government officials and other policy makers.

The chapter ends with some suggestions for future research.

6.2 Conclusions of the research

The study aims at identifying factors that have influence on the export performance of South African manufacturing SMEs. Exports are considered an important contributor towards a country's economic growth and wealth and an enabler of inflow of foreign exchange, specialisation, increased production, and the much needed job creation (i.a. Thirlwall 2000; The World Bank 2014).

In spite of the importance of and growing interest in emerging markets, comparingly few studies have been conducted within this environment (Calof and Viviers, 1995) and there is a call for more research to focus on growing economies, such as the BRIC region (Sousa et al., 2008) and growing economies in Asia and in Africa. The challenge for South Africa is that it is lagging behind other developing economies when it comes to export performance and international market positioning (e.g. Edwards and Alves 2006; Edwards and Lawrence 2008) and Eyraud (2009) points at the inverted relationship where most of South Africa's production is driven by domestic demand, as opposed to the situation in most other emerging markets where it is driven by foreign demand (Figure 1 in Section 1.2). The importance of the manufacturing SME sector in South Africa as a creator of job opportunities is highlighted by many authors (i.a. Gumede 2004).

This research was conducted in South Africa against the backdrop of the global financial crisis and a domestic market affected by economic stagnation in 2008 and the years of slow recovery that followed (Selassie, 2011). It studies relationships to export performance reported by 104 very small, small, and medium sized manufacturing companies, representing a cross section of different industries. The larger number (70%) of these reported to be active and committed exporters. The measurement years were the three years 2008 to 2010.

An inclusive, multi-dimensional measure of export performance, as recommended by several authors (Cavusgil and Zou 1994; Styles 1998; Zou et al. 1998; Lages et al. 205b; Papadopoulos and Martín 2010), was applied. This ensured that both financial (effectiveness and efficiency) and strategic

(adaptive) aspects were covered, together with a measure of perceived satisfaction (success of the company's export business).

The following main conclusions can be drawn from the results of the research, proving the following:

- Export performance is higher in companies that plan, design and employ a detailed export marketing strategy. Companies that have clear strategic objectives, formal systems in place to monitor the environment, collect market information and data for the planning, selection and targeting of export markets and the planning future export activities that pursue long term, sustainable goals, rather than immediate, short term financial targets, are more likely to achieve higher export performance. The importance of the export marketing strategy is highlighted throughout the broader literature as one of the most listed determinants of export performance (Madsen 1989; Leonidou et al. 2002; Sousa et al. 2008).

- The positive direct effect on export performance by the export marketing mix, an integral part of the export marketing strategy, was also proven. The results from the research show that the channel and distribution strategies followed by promotion and product adaption strategies are the three components of the marketing mix most closely correlated to the company's export performance. In contrast, the price penetration strategy was the item least connected to the firm's export performance, with only a very weak (or non-existent), negative and insignificant effect.

- Against what was expected based on the broader literature, this research proves that management's international experience does not cause any variation in the company's export performance. One reason for this unexpected finding could be that over the 50 years throughout which the literature on export performance has evolved, the operating environment has changed dramatically. The way companies and individuals communicate, travel and work today is much more global and it could be that in this setting the personal experience from living and working abroad

has lost its importance in the context of achieving a higher export performance.

- It is rather so, as was expected and in line with findings from earlier research and also confirmed and proven by this research, that rather than having the international experience, it is the ability to identify and access relevant market information, and the capability within the firm to make use of such know-how in order to realise business opportunities in the export market (i.e. competence) that has a direct positive effect on the company's export performance. Gumede and Rasmussen (2002) and Gumede (2004) raise the issue of access to information as among the most important factors influencing export performance for South African SMEs.

- The relationship between the degree of technology of the industry within which the firm operates, and its export performance as outlined in the literature (Cavusgil et al. 1993; Cavusgil and Zou 1994; Zou and Stan 1998; The World Bank 2014) was confirmed and proven among the South African manufacturing SMEs.

- Several authors (Madsen 1989; Yeoh and Jeong 1995; Zou and Stan 1998) state that they have not been able to establish a direct, negative association between the impact of export barriers on the company's export performance. This research opposes this position in that it proves - via *the moderator effect* of the 'perceived difficulty to deal with these barriers' - a direct, negative effect on export performance caused by two specific factors/ export barriers. One of these, in particular, *Issues around Finance and Currency*, is identified in this research as the factor that most severely inhibits export performance among manufacturing South African SME's. In the South African context, Gumede (2004) and Kaplan (2011) highlight the importance of access to finance.

- This research confirms the results from earlier studies (Covin and Slevin 1989; Robertson and Chetty 2000) and proves that export performance is higher in companies that export to countries with high market attractiveness. In these countries and markets, actors are offered a safe

environment for business operations and a stable and free market environment with fair competition. But contrary to what was expected as often stated in the literature (i.a. Madsen 1989; Zou and Stan 1998), the results from this study did not establish that the market attractiveness that caused the higher export performance, was also reflected by high economic development and growth.

- Papadopoulos and Martín (2010) established a clear connection between the level of internationalisation within a company and its export performance. This effect was tested and proven also by this research. One positive consequence from achieving and maintaining a high level of internationalisation could be the increased and sustained access to information, country knowledge and market intelligence that was also proven to be a crucial determinant of export performance.

6.3 Limitations of the research

This research suffered from several limitations, of which some are listed here:

- The research was conducted in South Africa only and with special focus on the manufacturing industries. Therefore, the results might not be transferrable to conditions that exist in other countries, economies and industry sectors, like the services sector.
- Limited reports available on empirical research conducted in South Africa and other emerging markets reduced the possibility of applying measurement scales already tested under conditions prevailing in this type of economies. Thus, the source of most measurement scales and constructs, to the larger extent reflecting conditions in industrialised and developed economies
- The research was conducted during and directly after the global economic crisis. This might have had an effect on both real results and perceptions within the firm. It might have caused negative bias among the respondents.

6.4 Recommendations

This research confirms and again proves what earlier South African authors have stated (Gumede and Rasmussen 2002; Gumede 2004), i.e. the important and crucial role that the company's access to relevant market knowledge and intelligence plays for South African SMEs and their predisposition to succeed in their export business. The ability to identify and access relevant market information and the capability within the firm to make use of such know-how has a direct positive effect on the company's export performance.

This research further confirms that the lack of access to relevant business information, i.e. not being able to access sufficient intelligence about foreign country and market conditions, is seen by respondents to be one of the most difficult barriers to deal with, and, therefore, negatively affects the company's export performance. Gumede (2004) says that the difficulty in accessing information and the cost thereof, is mostly severely felt by smaller companies, i.e. SMEs, and suggests that exporters unite in business linkages in the form of business associations and export councils and utilise government and other institutional resources as well.

To share crucial business intelligence and market information between companies in the same industry, that might also be competitors, is not always possible or even feasible. It is recommended therefore, that industrial associations, export councils and government authorities act as neutral sources of information and assist by providing subsidised access to business intelligence networks, business consulting services and to international databases that might otherwise require high subscription fees.

In today's business environment, the range of major and well-known and reliable internet based sources that are free of charge and suitable for desktop research grows more and more extensive. The challenge is to be able to complement, evaluate and validate this data.

Managers of exporting firms are recommended to continuously aim at establishing contacts with business and industry networks based in the foreign

market in order to identify and connect with locally based, reliable sources of information and other actors that possess in-depth knowledge to share.

Governments and other policy makers can play an important role here in assisting to investigate and evaluate such contacts, as well as providing funding to bridge the difficulties with financing access to business intelligence networks, databanks and service providers.

Without such assistance, it will be only the larger, well established companies that can afford access to information and thus succeed in exports. The Word Bank (2014) emphasises the importance for South Africa to broaden its export base, i.e. to enable many more and especially smaller companies, to start and grow their export business, which in turn will enable much faster economic growth and secure more job opportunities.

A further finding from this research is the confirmation and proof, also in the context of the South African industry, that a higher level of industry technology orientation has a direct positive effect on export performance. The World Bank (2014) acknowledges this, and points out that “trading in products that are technologically sophisticated and highly capital-intensive has positive implications for competitiveness” (2014: 1).

Kaplan (2011) raises the issue about the lack of finance and, in particular, the lack of access to ‘pre-shipping finance’ to South African exporters as being a large inhibitor that negatively influences not the company’s ability to gain access to international market intelligence and capital needed to fund i.a. “large export contracts….technology-based start-ups…commercialisation of research.. [and] the launch of new products” (2011: 21), but also the company’s ability to invest in much needed R&D to increase value, quality, and thus, international competitiveness of manufactured goods for exports.

Coupled to the value of higher technological industry orientation, therefore, is the negative effect that lack of access to finance produces.

But again, the focus on purely large and technically advanced exporters, limits the opportunity for South Africa to broaden its exports.

The lack of access to finance, and especially pre-shipping finance is as in the case with access to information, even harder felt by smaller companies and hinders growth. Funds for international marketing campaigns, as well as for investment in higher technology, product, process and service (here: services for the delivery of the manufactured goods) development would also be a necessary improvement for products manufactured at a medium to low technological level. Here government can play an important role and it is recommended that government officials, policy makers and financial institutions come together to, in cooperation and in consultation with business industry networks, to find ways to provide finance on a broader scale and to assist South African SMEs. This would contribute to and enable a broader development of globally competitive suppliers and exporters at all levels (technological levels).

A good example of what government can do to assist an industry and contribute towards a broader development of export business, both large and small, is the Automotive Production Development Programme (APDP) that was introduced in January 2013 and replaced the phased out Motor Industry Development Programme (MIDP) which ended in 2012. The APDP offers incentives, rebates and cash grants to the broader motor vehicle industry, i.e. not only to the large automotive manufacturers. This incentive scheme has as its objective to double the production and output of personal cars, but also aims to improve quality and international competitiveness among the many, and often small, local automotive component manufacturers that supply the industry (Lamprecht 2013).

It is recommended that the broader effect of this programme be evaluated, and that if it, in fact contributes to both broader and increased manufacture and exports, as well as economic growth and job creation, that the model be implemented to support other export industries, especially to improve exports for South African SME’s.

Access to finance in this form, would also support the crucial need for access to knowledge, discussed earlier in this section.

This research empirically proves that companies that export to markets demonstrating a high level of market attractiveness achieve higher export performance. Attractive markets offer a benign and safe environment for business to operate in and also stable and free market conditions with fair competition (Covin and Slevin 1989; Robertson and Chetty 2000) and little government involvement (in the form of regulations, quotas, tariffs and other barriers).

The larger part of the companies (60%) said that they are operating in countries with high economic growth and development

Little over half of the respondents stated that their most important export markets are situated in the SADC and the rest of Africa. South Africa is part of Africa and it is clear that these markets are not only geographically ‘closer to home’, but also offer new and potentially interesting business opportunities in a region that is showing high economic growth.

Being present in these markets today could create an advantage as an early entrant and enable South African exporters to position themselves before other, new entrants. But access to information is often a challenge, the operating business environment is not always safe and stable and several risk factors are present. While operating on these markets might bring a long term advantage, South African SMEs that intend to export to these markets, need to prepare and conduct their research carefully.

Based on the findings of this research, it is recommended that South African SMEs direct most, or at least part of their export activities toward markets that are considered to be more attractive, stable and free, e.g. many of the OECD countries. Even if geographically further distant, companies that operate in and export to such markets, were found to perform better.

Another aspect is the knowledge factor; access to relevant market information, accurate statistics and financial information is often more easily accessible in, for instance, some of the European Union countries (EU).

Lastly, and not least, several factors proven to have a direct positive effect on the company's export performance are closely tied to its export marketing strategy.

The export marketing strategy and several of its components, for instance the export marketing mix that deals with distribution, promotion and product strategies were proven in the research to have a direct positive effect on the outcome of export performance. This is in line with the broader literature (Madsen 1989; Leonidou et al. 2002; Sousa et al. 2008) and listed as one of the most important determinants of export performance in about every article on the matter.

The larger part of the respondents stated that their companies had a clearly outlined export marketing strategy in place and were also pursuing more long term, strategic goals. But only half of these respondents reported also having detailed marketing plans for all their export markets; or ready systems in place to monitor the environment and collect market information. Exporters that have such measures in place do perform better.

Therefore the recommendation to management of exporting companies is to set aside and invest in time, personnel and other resources, in order to carefully research the environment for each of its target markets and include and consider all possible aspects needed for a comprehensive export marketing strategy. This may be very time consuming, and as mentioned earlier, often both difficult and costly to achieve, but once systems, measurement tools and processes are in place, and, as knowledge within the company about foreign markets, industry networks and countries accumulates, this task over time will demand less effort.

In addition to plans for selecting, targeting, positioning and for the marketing mix, adapted if necessary, to achieve the set goals, such marketing strategy should also entail plans on how to overcome obstacles and barriers; how and where to source finance; what other resources, such as staff and talent, IT systems, knowledge management systems, partners for cooperation, sources of information, etc., will be needed in order to operate and export successfully.

Government, industrial associations and financial institutions, in cooperation with the industry are recommended to create a support function, both as a financial incentive and support via its intermediaries, to subsidise the collection of market know-how, otherwise out of reach for South African SMEs.

SMEs, and especially the smaller companies will need both practical and financial assistance, that could be in the form of soft loans, to develop their export marketing strategy and the systems and processes needed to collect, accumulate and apply relevant market information.

6.5 Suggestions for further research

In spite of having collected data from a fairly large sample (104 companies) that was then closer studied in the research, there were unfortunately some results that were inconclusive due to failed model test statistics. The errors were possibly due to sample size or model error. The details of these are listed in details in Chapter 4 and summarised under Sections 4.7 and 5.7.4.

From the researcher's view, the areas that would be of particular value to investigate and further research that would enhance and complement the findings of this research are the effects on export performance of the following factors:

- The size of the company
- The entrepreneurial orientation of the firm's management

…and the effect on the firm's export performance from operating in markets

- …with a high degree of instability
- …with a high degree of competitiveness

At last, a closing remark: This research was conducted during the years 2011-2013 measuring performance, reflecting conditions in the market for the three years 2008 to 2010. The importance of identifying ways to enable higher export performance for South African SMEs is equally important now in 2014. The National Development Plan (NDP) highlights exports as a driving force to grow GDP and job creation on a broader scale (The World Bank 2014).

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APPENDIX A

Research Instrument

Research on Factors Influencing Export Performance

Thank you for taking part in my research on the export performance of South African companies. Your assistance and input is valuable to me.

Please answer every question in the survey, having in mind **the situation in your company as it really IS**.

Throughout the survey, the focus is on the **TOTAL EXPORT ACTIVITY** for your company.

You are guaranteed that all information provided to me as part of completing this survey, will be handled as **strictly confidential**. Collected information will only be reported in aggregated formate and no individual information will be disclosed.

1. Is your company manufacturing any of its products in South Africa?

◯ Yes
◯ No

2. Is your company exporting any of these products outside the borders of South Africa?

◯ Yes
◯ No

If your answer is NO to either or both of these two first questions, I thank you very much for your willingness to participate, but you do not need to complete this survey as it intends investigating conditions in South African firms that both **manufacture and export**.

If your answer is YES to both of these two first questions, please continue answering the remaining questions on the following pages.

3.

International and Export Experience

In our company.....

	1 Strongly disagree	2	3	4 Neutral (50-50)	5	6	7 Strongly agree
Management has a high level of experience in export operations.	◯	◯	◯	◯	◯	◯	◯
Management has a high level of international experience *(having lived or worked in foreign countries).*	◯	◯	◯	◯	◯	◯	◯
Management has a high level of general business experience.	◯	◯	◯	◯	◯	◯	◯

4.

International Market Knowledge and Competence

	1 Strongly disagree	2	3	4 Neutral (50-50)	5	6	7 Strongly agree
Management has a high level of **market** knowledge *(about demand, clients, suppliers, competitors)* in the markets we export to.	◯	◯	◯	◯	◯	◯	◯
Management has a high level of **country** knowledge *(about government regulations, rules, culture, geography, etc.)* about the countries we export to.	◯	◯	◯	◯	◯	◯	◯
Management has a high level of international **competence** *(ability to use knowledge and experience effectively to evaluate and respond to business opportunities).*	◯	◯	◯	◯	◯	◯	◯
Our ability to access and evaluate relevant international market information is high.	◯	◯	◯	◯	◯	◯	◯

5.

International Commitment

	1 Strongly disagree	2	3	4 Neutral (50-50)	5	6	7 Strongly agree
Within our company, we dedicate the right amount of personnel to work with our exports.	◯	◯	◯	◯	◯	◯	◯
In order to develop our export activities, our export personnel is adequately trained.	◯	◯	◯	◯	◯	◯	◯
Management in our company makes a point of developing long term international business opportunities.	◯	◯	◯	◯	◯	◯	◯
Management in our company allocates a large amount of its time to our export activities.	◯	◯	◯	◯	◯	◯	◯
Management in our company allocates appropriate financial resources to support our export activities.	◯	◯	◯	◯	◯	◯	◯

6.

International Relationships

	1 Strongly disagree	2	3	4 Neutral (50-50)	5	6	7 Strongly agree
In our company, we maintain strong personal relationships with our foreign customers / channel partners.	◯	◯	◯	◯	◯	◯	◯
There is a high level of mutual trust and commitment between our company and our foreign customers / channel partners.	◯	◯	◯	◯	◯	◯	◯
Our company provides high levels of technical support and/or training to our foreign customers / channel partners.	◯	◯	◯	◯	◯	◯	◯
Our company shares a high level of important market information with our foreign customers / channel partners.	◯	◯	◯	◯	◯	◯	◯
We frequently communicate *(by telephone, email, etc.)* with our foreign customers and channel partners.	◯	◯	◯	◯	◯	◯	◯
Management frequently makes personal visits to our foreign customers and channel partners, to meet face-to-face with them.	◯	◯	◯	◯	◯	◯	◯

7.

Entrepreneurial Orientation

Mangement in our company.....

	1 Strongly disagree	2	3	4 Neutral (50-50)	5	6	7 Strongly agree
..has a strong international vision.	◯	◯	◯	◯	◯	◯	◯
..has a positive attitude towards exporting.	◯	◯	◯	◯	◯	◯	◯
..is actively pursuing export opportunities that arise.	◯	◯	◯	◯	◯	◯	◯
..is afraid of taking risks.	◯	◯	◯	◯	◯	◯	◯

8.

Export Marketing Strategy

	1 Strongly disagree	2	3	4 Neutral (50-50)	5	6	7 Strongly agree
1. In our company, we have a clearly outlined export strategy in place.	◯	◯	◯	◯	◯	◯	◯
2. We have formal management systems in place, systematically collecting and analysing information that we apply when planning our future export strategies.	◯	◯	◯	◯	◯	◯	◯
3. Our export strategy entails clear strategic plans and goals for each of the markets we operate on.	◯	◯	◯	◯	◯	◯	◯
4. Our promotion strategy for our export markets is adapted to suit different customers and cultures.	◯	◯	◯	◯	◯	◯	◯
5. The channel structure and distribution strategy for our foreign markets are important features in our export marketing strategy.	◯	◯	◯	◯	◯	◯	◯
6. Our pricing strategy is to apply lower prices in order to penetrate newmarkets.	◯	◯	◯	◯	◯	◯	◯
7. We adapt our export products to suit the needs and preferences of our clients on our foreign markets better.	◯	◯	◯	◯	◯	◯	◯
8. Our export marketing strategy rather pursues long term sustainable goals than the more immediate, financial goals.	◯	◯	◯	◯	◯	◯	◯
9. Rather than competing on price, it is our strategy to emphasise our product and technological features/quality/service.	◯	◯	◯	◯	◯	◯	◯

The statements of the next five questions deal with THE EXTERNAL ENVIRONMENT of your company's export activities.

9.

The Industrial Environment

Having in mind *the main industry* that we operate within...

	1 Strongly disagree	2	3	4 Neutral (50-50)	5	6	7 Strongly agree
Our industry environment, is turbulent, with rapid, unpredictable changes.	◯	◯	◯	◯	◯	◯	◯
There is a constant need for innovation and change in technology within our industry.	◯	◯	◯	◯	◯	◯	◯
Our industry environment is unstable, with new competitors constantly entering the industry.	◯	◯	◯	◯	◯	◯	◯

10.

Market Attractiveness

Having in mind *the main export market* that we operate within...

	1 Strongly disagree	2	3	4 Neutral (50-50)	5	6	7 Strongly agree
There is a high level of economic development and growth in the market we export to.	◯	◯	◯	◯	◯	◯	◯
The foreign market we export to, is a stable, free market with fair competition.	◯	◯	◯	◯	◯	◯	◯
The foreign market we export to offers a safe environment for business operations.	◯	◯	◯	◯	◯	◯	◯

11.

Market Competitiveness

Keeping in mind *the main export market* that we operate within...

	1 Strongly disagree	2	3	4 Neutral (50-50)	5	6	7 Strongly agree
There are many firms competing on our most important export market.	◯	◯	◯	◯	◯	◯	◯
On our most important export market, there is fierce price competition among the rivalling firms.	◯	◯	◯	◯	◯	◯	◯

12.

Barriers to Export

Please rate the severity and extent that each of the following factors act as barriers to export for your company. Rate your answers on a scale from 1 to 7, ranging from 1-Not a barrier to 7-Very severe barrier.

	1 Not a barrier	2	3	4 Neutral (50-50)	5	6	7 Very severe barrier
Unfamiliar culture, different society, language or habits in the export market.	◯	◯	◯	◯	◯	◯	◯
Lack of access to business intelligence and market information about the export market.	◯	◯	◯	◯	◯	◯	◯
Poor infrastructure in the country we export to *(e.g. energy, roads, rail, port, telephone and internet)*.	◯	◯	◯	◯	◯	◯	◯
The geographic distance to the export market.	◯	◯	◯	◯	◯	◯	◯
Legal or regulatory environment in the target market.	◯	◯	◯	◯	◯	◯	◯
Unfavourable rules and regulations in our domestic market.	◯	◯	◯	◯	◯	◯	◯
The lack of action and support of exports from the domestic Government.	◯	◯	◯	◯	◯	◯	◯
Lack of access to pre-shipping finance.	◯	◯	◯	◯	◯	◯	◯
Foreign currency exchange risks.	◯	◯	◯	◯	◯	◯	◯
Unfamiliar business practices in the target market.	◯	◯	◯	◯	◯	◯	◯
Price regulations, exclusive tax rates, quotas, blockage or subjective tariff classifications in the target market.	◯	◯	◯	◯	◯	◯	◯
Poor, deteriorating economic conditions in the target market.	◯	◯	◯	◯	◯	◯	◯
Political instability and hostile environment in the target market.	◯	◯	◯	◯	◯	◯	◯

13.

Barriers to Export

Considering the barrier/s to export above, that you have marked as being the most severe: Indicate how difficult it is for your company, in terms of effort/skill/procedure/time to deal with such barriers to export by rating your answer on a scale from 1-7, from 1-Not difficult at all to 7-Very difficult for us

	1 Not difficult at all	2	3	4 Neutral (50-50)	5	6	7 Very difficult for us
For our company to deal with such export barriers, is...	◯	◯	◯	◯	◯	◯	◯

14.

The Degree of Technology of the Industry

From the list below, please mark the ONE sector that best represents the main type of products that you manufacture and export - that is *the main industry* within which you operate:

◯ **1. PRIMARY PRODUCTS**: Fresh fruits, meat, rice, cocoa, tea, coffee, wood, coal, crude petroleum, gas, metals

◯ **2. RESOURCE BASED MANUFACTURES 1**: Agro/forest-based products: Prepared meats/fruits, beverages, wood products, vegetable oils

◯ **3. RESOURCE BASED MANUFACTURES 2**: Mineral-based products: Ores & concentrates, petroleum/rubber products, cement, cut gems, glass

◯ **4. LOW TECHNOLOGY MANUFACTURES 1**: Fashion cluster: Textile fabrics, clothing, headgear, footwear, leather manufactures, travel goods

◯ **5. LOW TECHNOLOGY MANUFACTURES 2**: Other lowtechnology: Pottery, simple metal parts/structures, furniture, jewellery, toys, plastic products

◯ **6. MEDIUM TECHNOLOGY MANUFACTURES 1**: Automotive products: Passenger vehicles and parts, commercial vehicles, motorcycles and parts

◯ **7. MEDIUM TECHNOLOGY MANUFACTURES 2**: Process industries: Synthetic fibres, chemicals and paints, fertilisers, plastics, iron, pipes/tubes

◯ **8. MEDIUM TECHNOLOGY MANUFACTURES 3**: Engineering industries: Engines, motors, industrial machinery, pumps, switchgears, ships, watches

◯ **9. HIGH TECHNOLOGY MANUFACTURES 1**: Electronics and electrical products: Office/data processing/telecommunications equip, TVs, transistors, turbines, power generating equipment

◯ **10. HIGHT TECHNOLOGY MANUFACTURES 2**: Other high technology: Pharmaceuticals, aerospace, optical/measuring instruments, cameras

◯ **11. SPECIAL TRANSACTIONS**: Electricity, cinema film, printed matter, art, coins, pets, non-monetary gold

The Standard International Trade Classificaiton (SITC) used here was developed by Lall (2002).

15.
Main Export Market

Please indicate the top 3 countries or regions to which you export. (If you only export to one market, one answer is of course sufficient.)

	Our 1st market	Our 2nd market	Our 3rd market
SADC	◯	◯	◯
Rest of Africa *(all excl. SADC)*	◯	◯	◯
OECD *(34 member countries - see list below)*	◯	◯	◯
Rest of Europe *(except OECD countries)*	◯	◯	◯
Brazil	◯	◯	◯
Rest of Middle- and South America *(except Chile, part of OECD, and Brazil, listed separately)*	◯	◯	◯
India	◯	◯	◯
China	◯	◯	◯
Middle East	◯	◯	◯
Rest of Asia *(all except China and India, listed separately - and Japan, part of OECD)*	◯	◯	◯
Other *(please specify here below)*	◯	◯	◯

Other (country or region):

SADC Member Countries (15): Angola, Botswana, DRC, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Swaziland, Tanzania, Swaziland, Zimbabwe.

OECD Member Countries (34): Australia, Austria, Belgium, Canada, Chile, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Israel, Italy, Japan, Korea, Luxembourg, Mexico, Netherlands, New Zealand, Norway, Poland, Portugal, Slovak Republic, Slovenia, Spain, Sweden, Switzerland, Turkey, United Kingdom, United States.

16.
Internationalisation: Export Intensity

Considering your company's total export activity, please indicate the proportion of export sales as a percentage (%) of total sales within your organisation, also named "export intensity":

Export sales as a percentage (%) of total sales is:

17.

Internationalisation: Level of Export Involvement

Below is a list describing different levels of export involvement of exporting companies.

Please read the statements carefully, and then *choose ONE* of the 5 alternatives (1-5) - the statement that best corresponds to your company's *present stage and level of export development and involvement.*

◯ **1. PASSIVE EXPORT INVOLVEMENT**: Our company has little interest in exporting and foreign market development. Any export activity is typically prompted by unsolicited enquiries in a reactive manner. That involves no effort from our side to explore the feasibility of exporting.

◯ **2. EXPLORATORY EXPORT INVOLVEMENT**: Our company actively explores the feasibility of exporting but still exports less than or equal to 5% of our total sales. As our international activities are still marginal to our business, we are not really sure if we are interested in allocating specific resources, management or production capacity to any export market.

◯ **3. EXPERIMENTAL EXPORT DEVELOPMENT**: We have started exporting and are experimenting with the idea of growing our exports further and expand into new markets, probably into neighbouring countries and/or countries with a culture similar to ours. Our export sales volume is over 5%.

◯ **4. ACTIVE EXPORT INVOLVEMENT**: We are experienced exporters with export sales volumes exceeding 5% of total sales. We export on a regular basis and adjust our offerings to optimally suit possible changes in the foreign environments. We allocate resources and design our strategies to meet the needs of our foreign customers and capitalise better on foreign market opportunities.

◯ **5. COMMITTED EXPORT INVOLVEMENT**: We are committed exporters with sales volumes of over 5% in export sales. We continuously search for business opportunities worldwide, also in countries that have very different cultures from ours and that are geographically very distant.

The literature states a number of different scales, listing different levels of the firm's export involvement. The above list is taken directly from Gençtürk & Kotabe (2001:53-54).

18.

Company Size: Number of Employees

Please indicate the size of your company in terms of *the total number of full time employees*.

◯ 1-4 full time employees

◯ 5-19 full time employees

◯ 20-49 full time employees

◯ 50-199 full time employees

◯ 200 or more full time employees

19.

Company Size: Sales/Revenue

Please indicate the size of your company, measured as *the total annual sales (domestic and exports)*.

- ◯ Less than R 200,000
- ◯ R 200,000 - R 1,000,000
- ◯ More than R 1,000,000 but less than R 5,000,000
- ◯ R 5,000,000 - R 13,000,000
- ◯ More than R 13,000,000 but less than R 51,000,000
- ◯ R 51,000,000 - R 100,000,000
- ◯ More than R 100,000,000 but less than R 200,000,000
- ◯ R 200,000,000 or more

EXPORT PERFORMANCE

The following four questions, no 20-23, deal with the export performance measures of your organisation. As throughout the entire survey, it is *the total export activity* of your company that is the focus of this research.

20.

Export Performance: Annual Growth Rate

The annual growth rate of our company's export sales during the last three (3) years (2008-2010) was:

2008 - Percent (%)	
2009 - Percent (%)	
2010 - Percent (%)	

21.

Export Performance: Profitability

How would you rate the *profitability* of your company's export business during these same three years (2008-2010)?

Please rate your answer on a scale from 1 to 5, where 1 is "Not at all profitable"; 3 is "Break Even"; and 5 is "Very profitable".

In terms of profitability..

	1 Not profitable at all	2	3 Break even	4	5 Very profitable
Our company's export business for the year of 2008 was	◯	◯	◯	◯	◯
Our company's export business for the year of 2009 was	◯	◯	◯	◯	◯
Our company's export business for the year of 2010 was	◯	◯	◯	◯	◯

22.

Export Performance: Satisfaction

Again looking back over this three year period, 2008-2010, and in spite of the global economic downturn during these years, how would you rate *the overall success* of your company's export business?

Please rate your answer on a scale from 1 to 5, where 1 is "Not at all successful", 3 is "Neutral (neither/nor)" and 5 is "Very successful".

	1 Not at all successful	2	3 Neutral (neither/nor)	4	5 Very successful
Our export business for 2008 was:	◯	◯	◯	◯	◯
Our export business for 2009 was:	◯	◯	◯	◯	◯
Our export business for 2010 was:	◯	◯	◯	◯	◯

23.

Export Performance: Fulfillment of Strategic Objective

Thinking of the most important strategic export objective that your company set over the past three years (2008-2010): To what extent do you feel that strategic objective was achieved?

Please rate your answer on a scale from 1 to 5, 1 being "Not at all Achieved" and 5 being "Well Achieved".

	1 Not at all achieved	2	3 Neutral (neither/nor)	4	5 Well achieved
The most important objective in our company's export marketing strategy was	◯	◯	◯	◯	◯

24.

Respondent to this Survey

Please indicate your position within the company.

◯ Owner
◯ CEO
◯ Managing Director
◯ Export Director
◯ Financial Director
◯ Export Manager
◯ Other Management
◯ Export Assistant
◯ Other (please specify title)

You are guaranteed that all information provided to me as part of completing this survey will be handled as strictly confidential. Information provided will only be reported on an aggregate level and no individual information or source of information will be disclosed.

25.

Summary Report of Final Results

Would you like to receive a copy of the main findings of this research once it has been finalised?

- ◯ YES thank you
- ◯ NO thank you

26.

Company Contact Details

If you have indicated that you would be interested in receiving a copy of the most important findings of this research, I will please need your contact details, to be completed here below.

Please note that these details are not compulsory and are only requested in order for me to send you a summary report after completion of the research (if you have indicated that you wish to obtain one).
Your contact details will not be disclosed in any form or shared with any third party.

Company Name	
Name of Person Answering this Survey	
Telephone	
Email	

Thank you very much for your cooperation and support!

If you have any questions or need any information, please don't hesitate to contact me.

Yours sincerely,
Eva Shaw
MBA Student at Wits Business School
Email: eshaw.research@telkomsa.net
Mobile: 083 778 8394

APPENDIX B

Email Accompanying Research Instrument

For the attention of HEAD OF EXPORTS,

Dear Sir/Madam,

My name is Eva Shaw.
This email is an invitation to take part in my research that I wrote to inform you about a little while ago. You will find the web link leading to the survey below.

In order to complete my MBA degree at Wits Business School (WBS), I am conducting research for my final thesis.

The objective of the research is to identify **factors that have influence on the export performance of South African manufacturing SME´s**.

Thus I am asking if you would please participate in my survey on your experience of your company´s exports in the past. The survey will not deal with detailed information about any of your future plans or strategy. To complete the survey should not take more than 20 minutes of your time.

It is important that the person who responds to this survey is directly involved in your company´s export activities and is well informed about the company´s overall exports, its results and strategic planning process. If you are not this person, please can you be so kind and **forward this email to the person within your company that is best suited to take part in the survey. Further than this person, please do not forward this message outside your organisation.**

You access the survey by clicking on the web-link below.

https://www.surveymonkey.com/s/EShawResearch

Please note that survey responses will be handled as **strictly confidential**. The information provided will be used only at an aggregated level and no individual responses, although anonymous, will be divulged, forwarded or shared with any third party.

I will be glad to share the results of this research with participants that complete the entire survey. When ordering a report at the end of the survey, you will be asked to complete your contact details, for this sole purpose.

Thank you for considering my request.

Your participation will be valuable for the success of my research.

Yours sincerely,

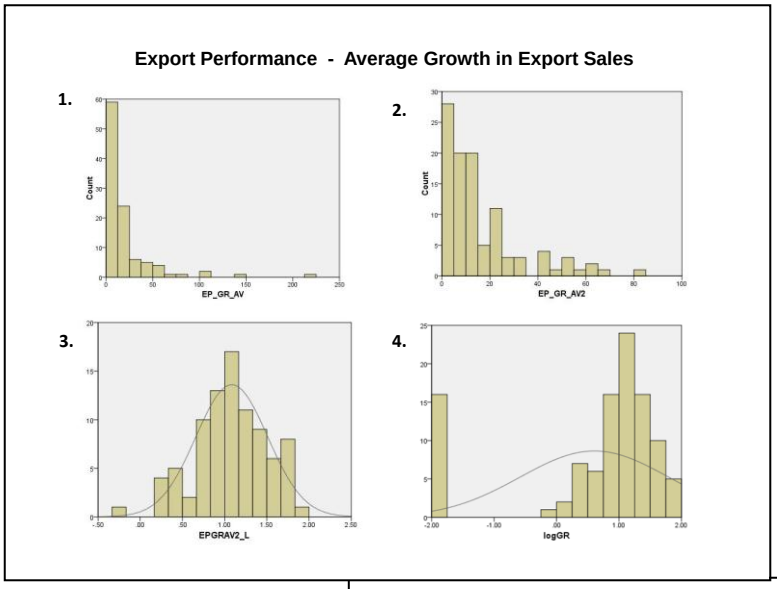
Eva Shaw
MBA Student at Wits Business School
Email: eshaw.research@telkomsa.net

I apologise if you have received this email in error or if you have already received this communication via another channel. That was not my intention. **Please note:** If you do not wish to receive further emails from me, please click the unsubscribe link below, and you will be automatically removed from my mailing list. **unsubscribe by clicking here**

APPENDIX C

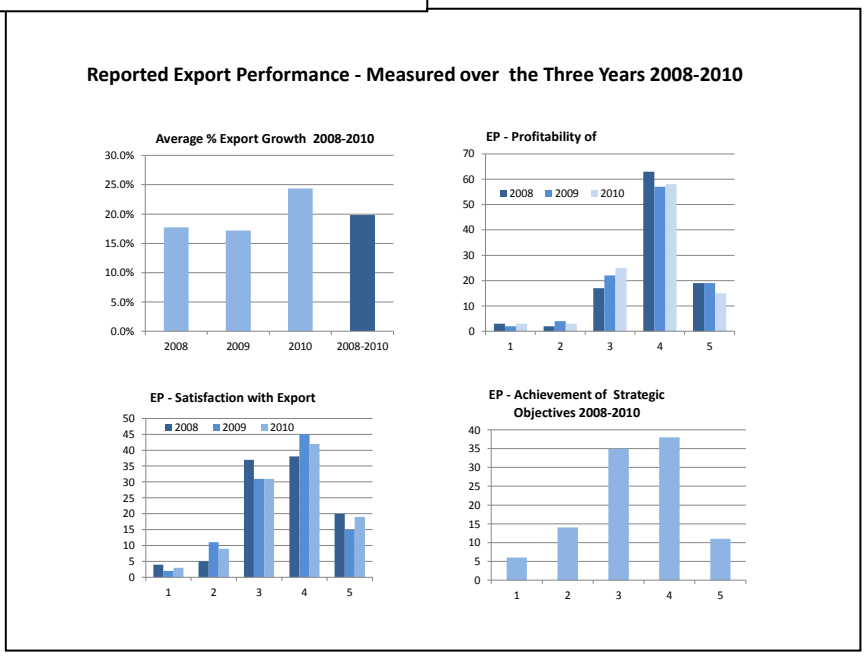
Export Performance Measures – Especially "Growth"

Export Sales Growth						
	2008	%	2009	%	2010	%
0%	20	19%	21	20%	21	20%
1-10%	45	43%	42	40%	35	34%
11-20%	18	17%	20	19%	21	20%
21-30%	7	7%	6	6%	7	7%
31-40%	2	2%	6	6%	4	4%
41-50%	2	2%	3	3%	6	6%
51-60%	3	3%	1	1%	5	5%
61-70%	1	1%	1	1%	1	1%
71-80%	2	2%	0	0%	0	0%
81-90%	1	1%	1	1%	1	1%
91-100%	0	0%	2	2%	0	0%
>100%	3	3%	1	1%	3	3%
Total	104	100%	104	100%	104	100%



Transformation from EP_GR_AV to logGR

1) Original EP_GR_AV
2) Removed outliers
3) Logarithmic Transformation (This caused several items to be left out, leaving only 87 in the sample.)
4) Replaced 0's with 0.01 to include the entire sample



APPENDIX D

List and Distribution of Answers to Questions for H1-H13

H1 - Export Marketing Strategy (ExpStrat)									
Item / No. of responses per point	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**n**	**Label**
Clearly Outlined Strategy	5	14	11	15	**27**	21	11	104	**Q08_01**
Formal Systems in Place	13	15	13	19	**20**	14	10	104	**Q08_02**
Clear Plans for All Markets	9	15	12	**23**	**23**	15	7	104	**Q08_03**
Long Term Sustainable Goals	1	5	6	18	21	**33**	20	104	**Q08_08**
Compete on Quality / Technology	0	2	6	17	19	**31**	29	104	**Q08_09**

H1 a - Export Marketing Mix (MktgMix)									
Item / No. of responses per point	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**n**	**Label**
Adapted Promotion	11	13	11	20	16	**23**	10	104	**Q08_04**
Channel and Distribution	2	14	13	18	**28**	15	14	104	**Q08_05**
Lower Prices	10	16	**23**	20	18	11	6	104	**Q08_06**
Adapted Products	7	7	8	15	16	**26**	25	104	**Q08_07**

H2 - International and Export Experience									
Item / No. of responses per point	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**n**	**Label**
Mgmt's Export Experience	5	4	11	9	18	**30**	27	104	**Q03_01**
Mgmt's International Experience	16	10	11	**22**	12	12	21	104	**Q03_02**
Mgmt's General Business Experience	2	1	3	6	9	40	**43**	104	**Q03_03**

H3 - International Know-how									
Item / No. of responses per point	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**n**	**Label**
Mgmt's Market Knowledge	5	6	13	10	22	24	24	104	**Q04_01**
Mgmt's Country Knowledge	9	12	12	18	23	21	9	104	**Q04_02**
Mgmt's International Competence	6	6	11	10	25	**28**	18	104	**Q04_03**
Ability to Access Relevant Market Info	8	10	12	11	**25**	23	15	104	**Q04_04**

H4 - International Commitment									
Item / No. of responses per point	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**n**	**Label**
Sufficient Personnel to Exports	5	9	9	20	**22**	18	21	104	**Q05_01**
Export Personnel Well Trained	6	12	10	21	16	**24**	15	104	**Q05_02**
Develops L/T Business Opportunities	5	5	7	10	16	27	**34**	104	**Q05_03**
Sufficient Time to Exports	5	16	8	15	**23**	19	18	104	**Q05_04**
Sufficient Finances to Exports	6	14	8	15	22	**24**	15	104	**Q05_05**

H5 - International Personal Relationships									
Item / No. of responses per point	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**n**	**Label**
Strong Personal Relationships	2	2	4	9	19	29	**39**	104	**Q06_01**
High level of Trust and Commitment	1	3	3	11	16	**38**	32	104	**Q06_02**
Techn. Support & Training to Partner	3	11	15	17	13	21	**24**	104	**Q06_03**
Share Market Information with Partners	5	13	12	**21**	19	19	15	104	**Q06_04**
Frequent Communication	0	7	6	8	14	28	**41**	104	**Q06_05**
Personal Visits	11	16	8	12	12	21	**24**	104	**Q06_06**

H6 - Company Size										
Item / No. of responses per point	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**n**	**Label**
Number of Employees	0	24	33	**47**	0	N/A	N/A	N/A	104	**Q18_01**
Total Turnover	2	2	10	17	**30**	23	11	9	104	**Q19_01**

H7 - Entrepreneurial Orientation									
Item / No. of responses per point	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**n**	**Label**
International Vision	3	6	6	15	16	26	**32**	104	**Q07_01**
Positive to Exports	2	6	2	6	12	30	**46**	104	**Q07_02**
Actively Pursuing Ppportunities	1	6	4	9	10	29	**45**	104	**Q07_03**
NOT Afraid of Taking Risks	3	10	8	22	19	**24**	18	104	**Q07_04T**

Scales for H1, H1a, H2; H3, H4; H5 and H7: 1 = strongly disagree; 4 = neutral: 7 = strongly agree

Scales for H6: Number of employees divided into 5 groups, of which only 3 central are valid here
Turnover divided into 8 groups
Both scales for H6 from 1 = smallest/lowest to 5 and 8 respectively = most/highest

Continue; List and Distribution of Answers to Questions for H1-H13

H8 - Industry Technology												
Item / No. of responses per point	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**n**	**Label**
Degree of Technology	4	8	8	12	12	8	15	**20**	9	8	104	**Q14_01**

H9 - Industry Instability									
Item / No. of responses per point	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**n**	**Label**
Turbulent Environment	5	10	11	**27**	18	14	19	104	**Q09_01**
Demand for Innovation / Technology	1	10	11	18	14	**27**	23	104	**Q09_02**
Unstable with New Entrants	9	13	8	18	**26**	16	14	104	**Q09_03**

H10 - Export Barriers - Severity									
Item / No. of responses per point	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**n**	**Label**
Unfamiliar Culture	14	16	14	**29**	15	8	8	104	**Q12-01**
No Access to Business Info	11	18	10	17	**23**	18	7	104	**Q12_02**
Poor Infrastructr. in Export Market	**25**	17	5	17	22	11	7	104	**Q12_03**
Geogr. Distance to Export Mkt	13	18	6	19	19	**21**	8	104	**Q12_04**
Legal / Regulatory Environment EM	15	10	9	**26**	19	19	6	104	**Q12_05**
Unfavourable Rules and Reg. DM	18	17	11	**21**	12	14	11	104	**Q12_06**
Lack of Governm. Action & Support	17	7	10	**24**	13	19	14	104	**Q12_07**
Lack of Pre-Shipping Finance	22	11	8	**28**	11	12	12	104	**Q12_08**
Foreign Currency Exchange Risks	12	12	9	15	**25**	13	18	104	**Q12_09**
Unfam. Business Practice on EM	14	17	16	**30**	14	11	2	104	**Q12_10**
Price Reg. / Tariffs & Quotas EM	19	14	11	**30**	14	11	5	104	**Q12_11**
Deteriorating Economic Conditions EM	11	13	14	**22**	**22**	18	4	104	**Q12_12**
Political Instability in EM	**28**	16	13	19	13	10	5	104	**Q12_13**
Export Barriers - Difficulty									
Item / No. of responses per point	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**n**	**Label**
Difficulty to Deal With	6	8	17	**27**	21	18	7	104	**Q13_01**

H11 - Market Attractiveness									
Item / No. of responses per point	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**n**	**Label**
High Econ. Developm. & Growth	1	5	11	**24**	**24**	23	16	104	**Q10_01**
Stable and Free Market	5	8	13	22	18	**27**	11	104	**Q10_02**
Safe Business Environment	2	6	13	22	21	**30**	10	104	**Q10_03**

H12 - Market Competitiveness									
Item / No. of responses per point	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**n**	**Label**
Many Firms Competing	2	6	12	16	**27**	23	18	104	**Q11_01**
Fierce Price Competition	1	6	7	16	27	**33**	14	104	Q11_02

H13 - Level of Internationalisation												
Item / No. of responses per point	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**n**	**Label**
Export Sales / Total Sales	**31**	17	14	7	8	6	2	5	9	5	104	**Q16_01**
Level/Stage of Export Developm.	9	12	12	33	**38**	N/A	N/A	N/A	N/A	N/A	104	**Q17_01**

Scale for H8: 10 classes, valid here, as listed in SITC - from lowest to highest

Scales for H9, H11 and H12: 1 = strongly disagree; 4 = neutral: 7 = strongly agree

Scales for H10: Severity; 1 = no barrier; 4 = neutral; 7 = very severe barrier
Difficulty; 1 = not difficult at all; 4 = neutral; 7 = very difficult for us

Scales for H13: Export sales / total sales; actual ratio later divided into 10 groups from 1 = lowest to 10 = highest
Stage of export engagement; 5 groups from 1 = lowest to 5 = highest

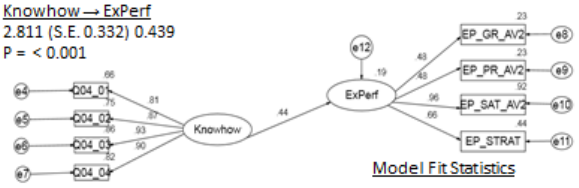
APPENDIX E

Alternative Models to H3, H6 and H13

H3 alt – International Market Knowledge (with EP_GR_AV2)

Knowhow Construct Reliability
4 items
Cronbach's Alpha = 0.932

Estimated Direct Effect:
Knowhow → ExPerf
2.811 (S.E. 0.332) 0.439
P = < 0.001



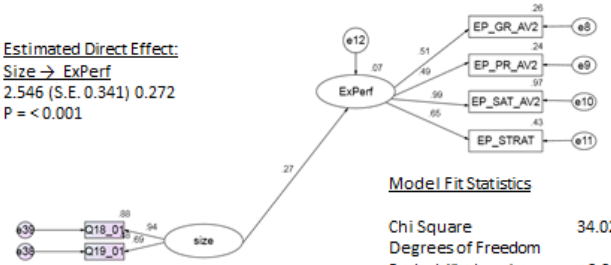
Model Fit Statistics

Chi Square	32.279
Degrees of Freedom	20
Probability Level	.040
CFI	.971

H6 alt – Company Size (with EP_GR_AV2)

Size Construct Reliability
2 Items
Correlation (Rho) 0.715**

Estimated Direct Effect:
Size → ExPerf
2.546 (S.E. 0.341) 0.272
P = < 0.001



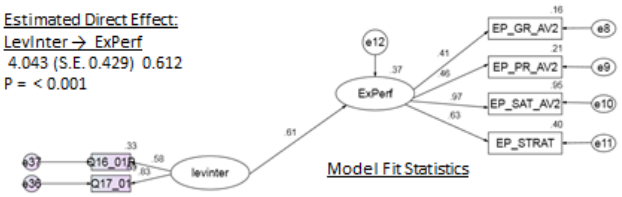
Model Fit Statistics

Chi Square	34.028
Degrees of Freedom	9
Probability Level	< 0.001
CFI	.828
RMSEA	.164

H 13a – Level of Internationalisation (with EP_GR_AV2)

LevInter Construct Reliability
2 Items
Correlation (Rho) 0.583 **

Estimated Direct Effect:
LevInter → ExPerf
4.043 (S.E. 0.429) 0.612
P = < 0.001



Model Fit Statistics

Chi Square	21.203
Degrees of Freedom	9
Probability Level	.012
CFI	.913
RMSEA	.115

APPENDIX F

Details of SITC, OECD and SADC

H 8 - Classifications for Degree of Industry Technology Applied in Questionnaire STANDARD INTERNATIONAL TRADE CLASSIFICATION (SITC)			
1	**PRIMARY PRODUCTS**		Fresh fruit, meat, rice, cocoa, tea, coffee, wood, coal, crude petroleum, gas, metals
	MANUFACTURED PRODUCTS		
	Resource based manufactures		
2	RB1:	Agro/forest-based products	Prepared meats/fruits, beverages, wood products, vegetable oils
3	RB2:	Mineral-based products	Ores & concentrates, petroleum/rubber products, cement, cut gems, glass
	Low technology manaufactures		
4	LT1:	Fashion Cluster'	Textile fabrics, clothing, headgear, footwear, leather manufactures, travel goods
5	LT2:	Other low technology	Pottery, simple metal parts/structures, furniture, jewellery, toys, plastic products
	Medium technology manufactures		
6	MT1:	Automotive products	Passenger vehicles and parts, commercial vehicles, motorcycles and parts
7	MT2:	Process industries	Synthetic fibres, chemicals and paints, fertilisers, plastics, iron, pipes/tubes
8	MT3:	Engineering industries	Engines, motors, industrial machinery, pumps, switchgears, ships, watches
	High technology manufactures		
9	HT1:	Electronics and electrical procducts	Office/data processing/telecommunications equip, TVs, transistors, turbines, power generating equipment
10	HT2:	Other high technology	Pharmaceuticals, aerospace, optical/measuring instruments, cameras
11	**"SPECIAL" TRANSACTIONS**		Electricity, cinema film, printed matter, art, coins, pets, non-monetary gold
Source: Lall (2000) as modified by Edwards (2005)			

OECD Member Countries (34):

Australia, Austria, Belgium, Canada, Chile, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Israel, Italy, Japan, Korea, Luxembourg, Mexico, Netherlands, New Zealand, Norway, Poland, Portugal, Slovak Republic, Slovenia, Spain, Sweden, Switzerland, Turkey, United Kingdom, United States.

SADC Member Counties (15):

Angola, Botswana, DRC, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Swaziland, Tanzania, Zambia, Zimbabwe

APPENDIX G

H10 Barriers to Export – Rank Order, Factor Analysis & Correlation

Spearman's Rank Order Correlation

		Q13_01	Q12_01	Q12_02	Q12_03	Q12_04	Q12_05	Q12_06	Q12_07	Q12_08	Q12_09	Q12_10	Q12_11	Q12_12	Q12_13
Q13_01	Correlation Coefficient	1	.222*	.322**	0.101	.279**	.335**	.329**	.396**	.381**	.329**	.270**	.199*	0.072	0.144
	Sig. (2-tailed)	.	0.023	0.001	0.306	0.004	0.001	0.001	0	0	0.001	0.006	0.043	0.467	0.146
	N	104	104	104	104	104	104	104	104	104	104	104	104	104	104
Q12_01	Correlation Coefficient	.222*	1	.602**	.388**	.227*	.353**	.251*	.243*	.235*	0.167	.515**	.278**	0.132	.297**
	Sig. (2-tailed)	0.023	.	0	0	0.02	0	0.01	0.013	0.016	0.09	0	0.004	0.18	0.002
	N	104	104	104	104	104	104	104	104	104	104	104	104	104	104
Q12_02	Correlation Coefficient	.322**	.602**	1	.495**	.356**	.341**	.298**	.262**	.329**	.236*	.444**	.198*	0.136	.299**
	Sig. (2-tailed)	0.001	0	.	0	0	0	0.002	0.007	0.001	0.016	0	0.044	0.169	0.002
	N	104	104	104	104	104	104	104	104	104	104	104	104	104	104
Q12_03	Correlation Coefficient	0.101	.388**	.495**	1	.300**	.239*	.226*	0.182	.269**	.228*	.488**	.330**	.286**	.575**
	Sig. (2-tailed)	0.306	0	0	.	0.002	0.015	0.021	0.065	0.006	0.02	0	0.001	0.003	0
	N	104	104	104	104	104	104	104	104	104	104	104	104	104	104
Q12_04	Correlation Coefficient	.279**	.227*	.356**	.300**	1	.411**	.302**	.277**	0.174	.264**	.403**	.264**	.241*	0.173
	Sig. (2-tailed)	0.004	0.02	0	0.002	.	0	0.002	0.004	0.077	0.007	0	0.007	0.014	0.079
	N	104	104	104	104	104	104	104	104	104	104	104	104	104	104
Q12_05	Correlation Coefficient	.335**	.353**	.341**	.239*	.411**	1	.412**	.354**	.257**	-0.05	.417**	.314**	0.191	.303**
	Sig. (2-tailed)	0.001	0	0	0.015	0	.	0	0	0.008	0.612	0	0.001	0.052	0.002
	N	104	104	104	104	104	104	104	104	104	104	104	104	104	104
Q12_06	Correlation Coefficient	.329**	.251*	.298**	.226*	.302**	.412**	1	.769**	.343**	.222*	0.178	.350**	.198*	.237*
	Sig. (2-tailed)	0.001	0.01	0.002	0.021	0.002	0	.	0	0	0.024	0.07	0	0.044	0.015
	N	104	104	104	104	104	104	104	104	104	104	104	104	104	104
Q12_07	Correlation Coefficient	.396**	.243*	.262**	0.182	.277**	.354**	.769**	1	.463**	.296**	.231*	.300**	0.155	.203*
	Sig. (2-tailed)	0	0.013	0.007	0.065	0.004	0	0	.	0	0.002	0.018	0.002	0.116	0.038
	N	104	104	104	104	104	104	104	104	104	104	104	104	104	104
Q12_08	Correlation Coefficient	.381**	.235*	.329**	.269**	0.174	.257**	.343**	.463**	1	.435**	.383**	.381**	0.179	.310**
	Sig. (2-tailed)	0	0.016	0.001	0.006	0.077	0.008	0	0	.	0	0	0	0.069	0.001
	N	104	104	104	104	104	104	104	104	104	104	104	104	104	104
Q12_09	Correlation Coefficient	.329**	0.167	.236*	.228*	.264**	-0.05	.222*	.296**	.435**	1	.325**	.366**	.349**	.231*
	Sig. (2-tailed)	0.001	0.09	0.016	0.02	0.007	0.612	0.024	0.002	0	.	0.001	0	0	0.018
	N	104	104	104	104	104	104	104	104	104	104	104	104	104	104
Q12_10	Correlation Coefficient	.270**	.515**	.444**	.488**	.403**	.417**	0.178	.231*	.383**	.325**	1	.590**	.344**	.608**
	Sig. (2-tailed)	0.006	0	0	0	0	0	0.07	0.018	0	0.001	.	0	0	0
	N	104	104	104	104	104	104	104	104	104	104	104	104	104	104
Q12_11	Correlation Coefficient	.199*	.278**	.198*	.330**	.264**	.314**	.350**	.300**	.381**	.366**	.590**	1	.431**	.606**
	Sig. (2-tailed)	0.043	0.004	0.044	0.001	0.007	0.001	0	0.002	0	0	0	.	0	0
	N	104	104	104	104	104	104	104	104	104	104	104	104	104	104
Q12_12	Correlation Coefficient	0.072	0.132	0.136	.286**	.241*	0.191	.198*	0.155	0.179	.349**	.344**	.431**	1	.512**
	Sig. (2-tailed)	0.467	0.18	0.169	0.003	0.014	0.052	0.044	0.116	0.069	0	0	0	.	0
	N	104	104	104	104	104	104	104	104	104	104	104	104	104	104
Q12_13	Correlation Coefficient	0.144	.297**	.299**	.575**	0.173	.303**	.237*	.203*	.310**	.231*	.608**	.606**	.512**	1
	Sig. (2-tailed)	0.146	0.002	0.002	0	0.079	0.002	0.015	0.038	0.001	0.018	0	0	0	.
	N	104	104	104	104	104	104	104	104	104	104	104	104	104	104

*. Correlation is significant at the 0.05 level (2-tailed).

**. Correlation is significant at the 0.01 level (2-tailed).

Principal Component Analysis

Extraction of Number of Component Factors (based on Eigenvalues ≥ 1

Results for the Extraction of Component Factors

Total Variance Explained

	Initial Eigenvalues			Extraction Sums of Squared			Rotation Sums of Squared		
Component	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	5.001	38.467	38.467	5.001	38.467	38.467	2.598	19.983	19.983
2	1.548	11.907	50.374	1.548	11.907	50.374	2.568	19.755	39.739
3	1.355	10.424	60.798	1.355	10.424	60.798	2.224	17.109	56.847
4	1.013	7.794	68.592	1.013	7.794	68.592	1.527	11.745	68.592
5	.842	6.474	75.067						
6	.740	5.692	80.759						
7	.629	4.839	85.598						
8	.515	3.965	89.563						
9	.350	2.693	92.256						
10	.300	2.309	94.565						
11	.298	2.293	96.858						
12	.231	1.773	98.631						
13	.178	1.369	100.000						

Extraction Method: Principal Component Analysis

Groupings of Extracted Variables

Rotated Component Matrix[a]

	Component			
	1	2	3	4
Q12_02	**.827**	.018	.186	.182
Q12_01	**.808**	.080	.109	.115
Q12_10	**.594**	.570	.036	.189
Q12_03	**.588**	.437	.030	.090
Q12_04	**.410**	.230	.387	-.034
Q12_13	.270	**.826**	.081	.059
Q12_12	-.021	**.773**	.113	.147
Q12_11	.174	**.716**	.223	.265
Q12_06	.081	**.114**	**.876**	.160
Q12_07	.090	.053	**.853**	.321
Q12_05	.453	.279	**.584**	-.328
Q12_09	.126	.270	.073	**.828**
Q12_08	.232	.185	.341	**.647**

Extraction Method: Principal Component Analysis.
Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 6 iterations.

Pearson's Correlation Factors vs. Q13_01 (Difficulty)

Pearson Correlations Q13_1 vs. Regression Factors		Q13_01
Q13_01	Pearson Correlation	1
	Sig. (2-tailed)	
REGR factor score 1 for analysis 1	Pearson Correlation	**.272****
	Sig. (2-tailed)	0.005
REGR factor score 2 for analysis 1	Pearson Correlation	0.077
	Sig. (2-tailed)	0.44
REGR factor score 3 for analysis 1	Pearson Correlation	**.341****
	Sig. (2-tailed)	0
REGR factor score 4 for analysis 1	Pearson Correlation	**.280****
	Sig. (2-tailed)	0.004

***. Correlation is significant at the 0.01 level (2-tailed).*

Pearson's Correlation Factors vs. export_score (Export Performance)

Pearson's Correlations export score vs regression Factors		export score
export_score	Pearson Correlation	1
	Sig. (2-tailed)	
REGR factor score 1 for analysis 1	Pearson Correlation	**-0.163**
	Sig. (2-tailed)	0.097
REGR factor score 2 for analysis 1	Pearson Correlation	-0.057
	Sig. (2-tailed)	0.563
REGR factor score 3 for analysis 1	Pearson Correlation	-0.012
	Sig. (2-tailed)	0.904
REGR factor score 4 for analysis 1	Pearson Correlation	**-.302****
	Sig. (2-tailed)	0.002

***. Correlation is significant at the 0.01 level (2-tailed).*

APPENDIX H

H10 Barriers to Export – Results of Rank Order and Correlations

H10		**BARRIERS TO EXPORT**		
The influence that barriers to export have on the company's export performance varies and is related to how serious and difficult to deal with such barriers are perceived by management to be.				
Related to EP	Factor	Item/Factor	Label	Spearmans Rho
RANK	RANK	EXPORT BARRIERS - SEVERITY		RANK
		1. DISTANCE - PHYSICAL & GEOGRAPHICAL DISTANCE		
		UNFAMILIAR CULTURE	Q12-01	8*
EP 2	3**	NO ACCESS TO BUS INFO	Q12_02	5**
		POOR INFRASTRUCTUCTURE	Q12_03	11
		GOEGRAPHIC DISTANCE	Q12_04	6**
		UNFAM BUSINESS PRACTICE	Q12_10	7**
		2. INSTABILITY		
		PRICE REG/TARRIFS/QUOTAS	Q12_11	9*
(EP 3)	(4)	DETERIORATING ECONOMY	Q12_12	(12)
		POLITICAL INSTABILITY	Q12_13	10
		3. GOVERNMENT & LEGAL		
		LEGAL/REG. ENVIR. FORMKT	Q12_05	3**
(EP 4)	1**	LEGAL/REG. ENVIR. DOMMKT	Q12_06	4**
		LACK OF GOV ACTION/SUPP	Q12_07	1 **
		4. FINANCE & CURRENCY		
		LACK of PRE-SHIPPING FINANCE	Q12_08	2**
EP 1 **	2**	FOREIGN CURRENCY RISKS	Q12_09	4**
		EXPORT BARRIERS - DIFFICULTY		
		DIFFICULTY TO DEAL WITH	Q13_01	
		EXPORT PERFORMANCE - COMPOSITE		
		EXPORT PERFORMANCE	Export_Score	

*=significant at 0.05 (95%)
**=significant at 0.01 (99%)
(Result in bracket = very weak and non significant coefficient)

APPENDIX I

Stage / Level of Export Involvement

LEVEL OF EXPORT INVOLVEMENT	
1	**Passive Export Involvement:** Our company has little interest in exporting and foreign market development. Any export activity is typically prompted by unsolicited enquiried in a reactive manner. That involves no effort from our side to explore the feasiblity of exporting
2	**Exploratory Export Involvement:** Our company actively explores the feasibility of exporting but still exports less than or equal to 5% of our total sales. While our international activities are still marginal to our business, we are not really sure if we are interested in allocating allocating specific resources, management or production capacity to any export market.
3	**Experiemental Export Involvement:** We have started exporting and are experimenting with the idea of growing our exports further and expand into new markets, probably into the neighbouring countries and maybe also overseas. Our export sales volume is over 5%
4	**Active Export Involvement:** We are experienced exporters with export sales volumes exceeding 5% of total sales. We exporton a regular basis and adjust our offerings to optimally suit possible changes in the foreign enviroments. We design our strategies to meet the specific needs of our foreign customers, in order to better capitalise on foreign market oppotunities.
5	**Committed Export Involvement:** We are committed exporters with sales volumes over 5% export sales. We continously search for business opportunities worldwide, also in countries that have very different cultures from ours and that are geographically very distant
Source: Gençtürk and Kotabe (2001), pp.53-54	

APPENDIX J

Export Councils, Chambers of Commerce and Industry Associations that participated and/or assisted with advice

South African Chamber of Commerce & Industry (SACCI)

SACCI Member Chambers (who stated that they participated)

Benoni Chamber of Commerce & Industry
Border-Kel Chamber of Business – East London & Queenstown
Durban Chamber of Commerce & Industry
Ekurhuleni North Chamber of Commerce & Industry
Goldfields Chamber of Commerce Welcome
Greater Boksburg Chamber of Commerce & Industry
Heidelberg Chamber of Business
Lowveld Chamber of Business & Tourism
Northern Cape Chamber of Commerce & Industry
Oudshoorn Business Chamber
Roodeport Chamber of Commerce & Industry
Southern Ekurhuleni Chamber of Commerce & Industry

Cape Chamber of Commerce & Industry
Exporters' Club – Western Cape
Exporters' Club – Eastern Cape
Johannesburg Chamber of Commerce & Industry
Mpumalanga Economic Growth Agency (MEGA)
Trade & Investment KZN

Cosmetic Export Council of South Africa
The Jewellers Council of South Africa
National Association of Automobile Manufacturers of South Africa (NAAMSA)
Plastics SA
South African Boatbuilders Export Council (SABBEX)
South African Capital Equipment Export Council (SACEEC)
South African Textile Industry Export Council (SATIEC)

APPENDIX K

Presentation of Results													
Hypothesis	**Label**	**Cr.Alpha**	X^2_M	df_M	**P Value**	**Error**	**CFI**	**RMSEA**	**Unstand. Estimate**	***p***	**S.E.**	**Standard. Estimate**	**Accept / Reject**
H1	ExpStrat	0.854	44.904	19	0.001		0.923	0.115	.310	0.006	0.113	**.367**	Accept / Caution
H1 a	MrktMix	0.686	38.481	19	0.005		0.916	0.100	.219	< 0.001	0.061	**.492**	Accept
H2	InterEx	0.770	22.526	14	0.068		0.957	0.077	.090	0.079	0.051	**.204**	Reject
H3	Knowhow	0.932	19.366	20	0.498		1.000	0.000	.142	0.006	0.052	**.309**	Accept / Caution
H3 alt	*Knowhow*	*0.932*	*32.279*	*20*	*0.04*		*0.971*	*0.077*	*2.811*	*< 0.001*	*0.332*	*.439*	-
H4	Commitm	0.910	85.341	27	0.000		0.878	0.145	.254	< 0.001	0.074	**.502**	No good model
H5	IntnlRel	0.873	79.421	27	0.000		0.872	0.137	.148	< 0.001	0.023	**.388**	No good model
H6	Size	ρ*0.715***	13.8	10	N/A	**e10= .005**	0.976	0.060	.099	< 0.001	0.022	**.149**	No good model
H6 alt	*Size*	*ρ0.715***	*34.028*	*9*	*< 0.001*		*0.828*	*0.164*	*2..546*	*< 0.001*	*0.341*	*.272*	-
H7	Entrepre	0.849	60.914	21	0.000		0.885	0.136	.144	< 0.001	0.023	**.312**	No good model
H8	DegrTech	N/A	8.031	6	0.236		0.978	0.057	.074	< 0.001	0.017	**.246**	Accept
H9	IndInst	0.641	74.891	17	0.000		0.618	0.182	.129	< 0.001	0.027	**.156**	No good model
H10	Export Barriers' Influence on Export Performance - are dealt with separately												
H11	MktAttr	0.662	30.543	15	0.010		0.916	0.100	0.118	< 0.001	0.023	**.238**	Accept
H12	MktComp	N/A	9.7	6	N/A	**e10= -.034**	0.964	0.077	0.119	< 0.001	0.023	**.042**	No good model
H12 alt	*MktComp*	*N/A*	*6.064*	*3*	*0.109*		*0.820*	*0.100*	*0.119*	*<0.001*	*0.023*	***.052***	-
H13	LevInter	ρ*0.583***	14.6	10	N/A	**e10= -.019**	0.970	0.067	0.181	< 0.001	0.026	**.418**	Accept / Caution
H13 alt	*LevInter*	*ρ0.583***	*21.203*	*9*	*0.012*		*0.913*	*0.115*	*4..043*	*< 0.001*	*0.429*	*.612*	-

APPENDIX L

Presentation of Results - Construct Variables						
ONLY Constructs marked BLUE could be solved. Their results are reported in Ch5 and Ch6						
Hypothesis	**Endogenous Construct**	**Reflective Variable**	**Unstand. Estimate**	***p***	**S.E.**	**Standard. Estimate**
H1	ExpStrat	Q08_08	1.000			0.544
		Q08_03	1.993	<0.001	0.339	0.909
		Q08_02	1.853	<0,001	0.337	0.775
		Q08_01	1.893	<0,001	0.328	0.862
H1a	MrktMix	Q08_05	1.000			0.916
		Q08_04	0.967	<0.001	0.138	0.778
		Q08_06	0.305	0.009	0.116	0.273
		Q08_07	0.576	<0.001	0.128	0.468
H2	InterEx	Q03_03	0.563	<0.001	0.098	0.659
		Q03_02	0.97	<0.001	0.164	0.704
		Q03_01	1.000			0.875
H3	KnowHow	Q04_03	1.099	<0.001	0.092	0.925
		Q04_02	1.058	<0.001	0.098	0.866
		Q04_01	1.000			0.824
		Q04_04	1.142	<0.001	0.098	0.905
H4	Commitm	Q05_01	1.000			0.740
	No Good Model	Q05_02	1.013	<0.001	0.136	0.733
		Q05_03	1.213	<0.001	0.131	0.896
		Q05_04	1.214	<0.001	0.138	0.858
		Q05_05	1.199	<0.001	0.136	0.858
H5	IntnlRel	Q06-06	1.000			0.791
	No Good Model	Q06-05	0.786	<0.001	0.103	0.788
		Q06-04	0.878	<0.001	0.117	0.769
		Q06-03	0.894	<0.001	0.121	0.760
		Q06-01	0.762	<0.001	0.095	0.830
H6	Size	Q19-01	1.000			0.703
	No Good Model	Q18-01	0.711	<0.001	0.076	0.960
H7	Entrepre	Q07_04T	1.000			0.538
	No Good Model	Q07_03	1.610	<0.001	0.254	0.967
		Q07_02	1.371	<0.001	0.228	0.823
		Q07_01	1.484	<0.001	0.247	0.823
H8	Degr / Tech*	Q14_01	*Variable - no construct! See Section 4.5.1			
H9	IndInst	Q09_03	1.000			0.455
	No Good Model	Q09_02	1.201	0.003	0.401	0.589
		Q09_01	1.318	0.003	0.45	0.562
H10	Export Barriers' Variables - are dealt with separately in Appendix G					
H11	MktAttr	Q10_03	1.000			0.951
		Q10_02	0.870	<0.001	0.139	0.716
		Q10_01	0.164	0.126	0.107	0.159
H12	MktComp	Q11_01	N/A			
	No Good Model	Q11_02	1.000			0.160
H13	LevInter	Q17_01	1.000			0.985
		Q16_01R	1.152	<0.001	0.201	0.500
Constructs marked BLUE could be solved and their results reported in Ch5 and Ch6						