

***Determinants of Export Strategy and Performance:
Evidence from British Exporters***

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To my parents

Spasika and Klimentie Beleski

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Abstract

How some firms achieve superior international performance relative to other firms in the same market, as one of the critical questions in international strategic management, is inextricably bound up in questions such as why firms differ, what initiates and drives their internationalization strategies, and what is the main source of their competitive advantage that generates superior performance in the international context. Firm export performance is regarded as one of the key indicators of the success of a firm's export operations, and as such has been extensively studied phenomenon. Numerous studies have been conducted pertaining to provide better understanding of the factors (firm- or environment-specific) and behaviours (e.g., export strategy) that make exporting a successful venture. However, the research results to date are far from uniform and conclusive.

This thesis advances the resource-based view of the firm (RBV) as a valuable theoretical framework in identifying advantage-generating resources and capabilities as critical determinants of the export strategy and export performance. Conceptually, this research is an attempt to integrate the extant views of the firm's internationalization process, by employing a resource-based framework. The findings in this thesis were derived by analysing a set of primary data from 356 British exporters generated in 2007 via an electronic and Internet based survey.

The findings in this thesis endorsed its main propositions. Particular internal, firm-specific factors were found to be the most significant determinants of the export initiation process, the firm's degree of geographic diversification, and the firm's export strategy and performance. In particular, managerial, knowledge, planning, and technology resources and capabilities were found to have a significant positive effect on export success. These resource factors are either skill-based or

knowledge/process-based resources and capabilities and as such have high levels of tacitness, complexity and dynamism, and consequently are firm-specific and difficult to duplicate. These resources and capabilities generate resource-based competitive advantage and become the driving factor of the firm-level performance differences. Furthermore, the study findings provide empirical validation of the proposition that resources and capabilities are two distinct concepts. This study therefore provides fresh empirical support for the RBV propositions. This thesis also contributes to the ongoing debate of the potential gap between academic research and practitioners' views of critical success factors.

This dissertation contributes to the better understanding of the value and importance of particular internal, firm-specific resources and capabilities as determinants of the firm's export strategy and performance. The theoretical and methodological grounding of this study contributes to the advancement of export related research in several respects. First, by providing better specification of the nature of the effects – direct or indirect – of particular resource factors on export initiation, strategy and performance. Second, by examining both, the individual and concurrent effects of the resource variables on export strategy and performance. Third, by conducting exploratory as well as confirmatory factor analysis to validate construct measurements, and utilization of structural equation modelling to improve validity, reliability and error levels. Fourth, by employing a composite measure of export performance, including financial and non-financial options. Fifth, by contrasting the empirical findings with the management's subjective (perceptual) observations of the investigated relationships within a same data sample.

This study opens future research opportunities for applying the proposed resource-based integrative framework in investigations of resource-strategy and resource-performance relationships in different organizational contexts.

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Chapter 1 Introduction

1.1 Introduction

How some firms achieve superior international performance relative to other firms in the same market, as one of the critical questions in international strategic management, is inextricably bound up in questions such as why firms differ, how they choose their internationalization strategies, and what is the main source of their competitive advantage that generates superior performance in the international context. Firm export performance is regarded as one of the key indicators of the success of a firm's export operations, and as such has been extensively studied phenomenon. Numerous studies have been conducted pertaining to provide better understanding of the factors (firm- or environment-specific) and behaviours (e.g., export strategy) that make exporting a successful venture. However, the research results to date are far from uniform and conclusive.

The central research question in this thesis is to investigate the main determinants of successful and sustainable internationalization strategies of endogenous (locally owned) firms. In particular, the aim of the thesis is to employ the resource-based view of the firm (RBV) perspective to develop and empirically test a framework depicting the relationships among the firm's resources and the firm's export strategy and export performance.

1.2 RBV as an integrative perspective

This thesis advances the RBV perspective as a valuable theoretical framework in identifying advantage-generating resources and capabilities as critical drivers of the export initiation process, export strategy and export performance. Conceptually, this research is an attempt to integrate the extant views of the firm's internationalization

process, by employing a resource-based framework. The failure of the stage models and the network approach to provide sufficient and consistent explanation of the internationalization process has elicited the re-emerging interest in the RBV framework by international business scholars. One could argue that the RBV framework in fact incorporates the main postulates of the other two approaches and therefore these three frameworks are more complementary than previously thought. The RBV focus on the internal development of the firm's resources is consistent with the stages model of internationalization, where initial international efforts are impeded by a lack of resources. This is where the RBV and network approaches meet. Networks could be viewed as a means of overcoming resource constraints. In fact the role of the relational resources in the RBV framework is to provide access to information and resources through leveraging the firm's external partner relationships.

In this thesis the traditional definition of what constitutes a firm resource – managerial resources, physical resources and organizational resources – is broadened to include knowledge-based resources and relational resources. The thesis advances an argument that knowledge accumulated both directly from the firm's incremental experience in international operations, and indirectly through acquisition of knowledge (mergers, alliances, partnerships, network membership) can be regarded as a resource of the firm. The study argues that the firm's relationships, both formal and informal, are an internal resource that considerably influences the firm's export performance. Viewed in this way, the RBV approach has the potential to be seen as a more integrative framework for investigating the drivers of the internationalization process and its outcomes.

Prior RBV anchored research has put forward a number of theoretical export performance models but very few attempts have been made to test these models empirically. Building on the propositions and findings of the earlier studies, a resource-based model of export performance is developed and empirically validated in this thesis.

1.3 Domain of the study

The focus of this study is exporting as the first step of the outward international operations of the firm. International trade, as the oldest aspect of the internationalisation of economic activities, increased from 9% of world GDP in 1960 to 25% in 2007, making exporting one of the fastest growing economic activities worldwide (World Trade Organization, 2007). The imperative role of export development is at the top of the strategic agendas of both public and business decision makers. At a national-economy level, exporting stimulates economic growth, employment, technological advancement, enriches foreign reserves, and overall stability and higher standard of living. At a firm-level, exporting enables capacity utilization, growth, financial soundness, development, and sustaining of the firm's competitive advantage.

The vital role of international trade early on captured the scholarly attention of the economists first at a macro and later on at a micro level. A number of theories have been developed pertaining to explain the phenomenon of trade between nations including Adam Smith's (1776) absolute advantage theory, David Ricardo's (1817) comparative advantage theory, factor endowment theory (Heckscher and Ohlin, 1933), demand similarity (Linder, 1961), and product life cycle theory (Vernon, 1966; Wells, 1968). These classical and neo-classical theories focused solely on the investment and trade flows between nations. The key empirical problem with these

explanations was that they were not verified in the case of private flows of investment and trade by individual corporations (Buckley, 2002).

As a result researchers re-focused their attention to the conceptualization of international trade and investment processes at the micro level. A number of new theories were developed: market imperfection theory (Hymer, 1960/1976; Caves, 1971), transaction cost theory (Anderson and Gatignon, 1986), eclectic theory (Dunning, 1977, 1979), and internalization theory (Buckley and Casson, 1976, 1985; Buckley, 1982, 1988). Much of the early literature focused on foreign market entry and concerned the choice between exporting and foreign direct investment (FDI). While there is well-developed theoretical and empirical research underpinning the FDI research, the exporting phenomenon still lacks a sound theoretical base and empirical validity.

Export development research evolves around conceptualization of the process by which firms initiate, engage, develop and sustain their international activities. Exporting is commonly regarded as the initial phase of the internationalization process and therefore often studied as part of this broader phenomenon. Internationalization research in general has produced a number of export development models that focus not only on the economic rationale of the firm's international operations but more on the firm-specific attributes and processes contributing to the export success.

The domain of this study is the investigation of the determinants of export strategy and export performance from the RBV perspective. The comprehensive review of the RBV-grounded theoretical and empirical research on internationalization, export development and export performance revealed that there is insufficient empirical support of the advanced export performance models and frameworks in several

respects. One, there is an evident deficiency of empirical validation of RBV-grounded models in general and integrative frameworks in particular. Two, the majority of prior studies have focused on the individual effects of relatively few resources leaving a gap in the research where the significance of all firm-specific resources is assessed concurrently. Furthermore, very few studies were found that employ both objective (empirical) and subjective (perceptual) evaluations of the resource/performance relationship.

In view of the identified research gaps four primary research questions guided this study:

1. What is the relative importance of firm-specific resources and capabilities in facilitating a successful export strategy and good export performance?
2. What is the nature of the specific resource/performance relationships?
3. Does the firm's export strategy mediate the relationship between the firm-specific resources/capabilities and its export performance?
4. Is there a significant difference between the objective (empirical) observations and subjective (management's) perception of the resource/performance relationship?

In order to answer these questions a number of hypotheses were developed that through empirical validation depicted the nature of the relationships between the firm-specific resources and capabilities and firm's export strategy and export performance.

1.4 Summary

This introductory chapter of this thesis provided an insight into the theoretical grounding of the study and its main research questions. In the following three

chapters, *Chapter 2*, 3 and 4, a comprehensive literature review of the research pertaining to explain the determinants of internationalization strategy and performance is provided. They present detailed overviews of the theoretical propositions and the empirical validations of the internationalization theories. the Resource-Based View of the Firm, and the export performance literature.

Building on prior theoretical and empirical studies discussed in the previous three chapters *Chapter 5* advances a resource-based model of export performance as an integrative framework in identifying advantage-generating resources and capabilities as critical drivers of the export strategy and export performance. Drawing on the insights from the literature the thesis research questions are conceptualized into a number of hypotheses.

Chapter 6 provides a detailed discussion of the research strategy employed in conducting this study. It outlines the advantages and disadvantages of the main research methods and presents arguments in support of the chosen methodological approach. The survey design principles and procedures are explained as well as the survey execution process via electronic and Internet tools. It also explains the content validity and instrument reliability assessment and the statistical methods used in data analysis.

Chapter 7 offers insight into the main characteristics of the sample of British exporters surveyed in this study, the factors that play a critical role in initiating the internationalization process of these firms, as well as their export strategies. It discusses the role of the firm-specific resources and capabilities in stimulating the exporting decision of British exporters and identifies potentially significant differences in perception of export motives based on the firm's organizational, internationalization and capability characteristics. In line with the growing debate of

the regional versus global orientation of international firms, this chapter also looks at the firm's degree of geographic diversification. The degree of geographical spread is measured by the share of export sales in the firm's total sales across the main Triad regions: Europe, North America, Asia-Pacific and the rest of the world. Binominal and multinominal regression analysis is employed to assess the significance of the relationships between the firm-specific resources and capabilities and its degree of geographic diversification, and in return the relationship between the firm's degree of geographic diversification and its export strategy and performance.

In *Chapter 8* an analysis of the resource/performance relationship is presented from two perspectives: empirical and perceptual. A resource-based model of export performance is developed and empirically validated and exploratory and confirmatory factor analyses are conducted to assess construct validity and reliability. An assessment employing Structural Equation Modelling is performed of the individual as well as the concurrent effects of the firm-specific resources on the firm's export strategy and performance. The mediating role of the export strategy in resource-performance relationship is also tested. The final research objective of this thesis is to obtain from managers explicit views of the importance of specific factors for the firm's export success and contrast them with the empirical findings of the resource/performance relationship derived in the first part of this chapter. *Chapter 8* contrasts the objective and subjective views of the export performance determinants and measures advanced in prior studies. This section provides a comparative analysis of the empirical versus perceptual observations of the specific resource/performance relationships. The chapter highlights the apparent disparity between empirical findings and management's perceptions of the key determinants of export success.

The thesis concludes with *Chapter 9* presenting a summary of the findings and a discussion of the theoretical and practical contributions of this research project, acknowledges limitations to the study and points to directions for further research.

Chapter 2 Background Literature – Internationalization Theory

This chapter provides a comprehensive review of the literature on the internationalization process. It provides a detailed overview of the theoretical propositions and the empirical validations of the two main internationalization perspectives: the Stage Models of Internationalization and the Network Theory.

2.1 Introduction

A review of the literature on the internationalization process reveals one, and maybe the only consistency in this field: there is no single, generally accepted definition of the term “internationalization”. A number of interpretations can be found in the literature. For example Johanson and Wiedersheim-Paul (1975: 306) refer to internationalization as both an attitude of the firm towards, and the carrying out of, foreign activities. Johanson and Vahlne (1977: 26) define internationalization “as the consequence of a process of incremental adjustments to changing conditions of the firm and its environment”. Welch and Luostarinen (1988: 44) see internationalization as a process of increasing involvement in both inward and outward international operations. One of the most often cited definitions is the one by Beamish (1990: 78) who defines internationalization as “... the process by which firms both increase their awareness of the direct and indirect influences of international transactions on their future, and establish and conduct transactions with other countries.” This definition is further broadened by Calof and Beamish (1995: 116) to include de-internationalization¹ and defines internationalization as “the process of adopting firms’ operations (strategy, structure, resources, etc.) to international environments”.

¹ De-internationalization happens when a firm has to reduce or cease its international operations.

(For alternative definitions see: Williamson, 1975; Wiedersheim-Paul et al., 1978; Dunning, 1988; Melin, 1992; Luostarinen, 1994).

Research on internationalization has generally been written from three perspectives: theory models, empirical research and policy implications. Much of the early literature on foreign market entry (Williamson, 1985; Anderson and Gatignon, 1986) concerned the choice between exporting and FDI. This cost-based view of the internationalization process evolved around the tradition of firm-specific advantages, core competences approach and 'product cycle hypothesis'. In the 1970s a group of Scandinavian researchers took a different approach and looked at internationalization as a behavioural and learning process. Since then several other theoretical approaches have been introduced in an attempt to explain the phenomenon.

In the past three decades the theoretical works generally orbit around three approaches: Stage Models of Internationalization, Network Theory, and emerging integrative perspectives in the form of Resource-based, Business-strategy-based and Contingency theories.

2.2 Stage models of internationalization

The establishment chain/stage models view internationalization as a sequential, staged process contingent on the incremental international market knowledge and experience of the firm. Firms adopt an incremental, evolutionary approach to foreign markets in two aspects: one, entry mode and expansion decisions in a single foreign market are based on the cumulative experience in that market, and two, the market selection decision is made initially by targeting neighbouring, "psychically close" markets. Over time, as they build their knowledge and experience, firms gradually expand and deepen their resource commitment in the existing foreign market and

then expand to (psychically) more distant markets (Johanson and Wiedersheim-Paul, 1975; Johanson and Vahlne, 1977; 1978; 1990). This approach has undergone several versions that can be broadly grouped into three models: Uppsala establishment chain models, Innovation-adoption stage models, and Manager's perspective models. An overview of these models is provided in Table 2.1.

2.2.1 The 'establishment chain' models

The origins of the process view of internationalization are usually associated with the models developed by Scandinavian researchers in the mid-1970s in what is known as the Uppsala School. The Uppsala scholars took a behavioural approach in their research on internationalization, departing from the traditional approaches rooted in the neoclassical and industrial trade theories.

Johanson and Wiedersheim-Paul's (1975) study is considered to have laid the ground for this new approach. They argued that many firms are still relatively small when they engage in foreign operations and therefore the existing international business theories explaining the big multinational firms' international operations are not applicable. They hypothesised that "gradual internationalization, rather than large, spectacular foreign investments, is characteristic of the internationalization process" of most firms particularly in smaller economies like that of Sweden (1975: 305).

Johanson and Wiedersheim-Paul refer to internationalization as both an attitude of the firm towards, and the carrying out of, foreign activities, concentrating on the actual activities. Their main assumption is that firms first develop in the domestic market and then start gradual and incremental involvement in foreign markets.

Table 2.1 Stage Models

	Johanson and Wiedersheim-Paul (1975) Johanson and Vahlne (1977)	Bilkey and Tesar (1977)	Wiedersheim-Paul et al. (1978)	Reid (1981)	Wortzel & Wortzel (1981)	Cavusgil (1982)
P r e x p o r t s t a g e s		Stage I No interest in exporting/Not even filling an unsolicited order	Stage I Domestic oriented firm/No willingness to start exporting/Limited information collection and transmission			
		Stage II Passive exploration of exporting/ Possible filling of an unsolicited order	Stage II Passive nonexporter/ Moderate willingness to start exporting/ Moderated information collection and transmission	Stage I Export awareness/ Problem or opportunity recognition, arousal of need		Stage I Pre-involvement/ Selling only in the home market/ No interest in export related information
		Stage III Management actively explores the feasibility to export	Stage III Active nonexporter/ High willingness to start exporting/ Relatively high information collection and transmission	Stage II Export intention / Managerial goals and existing firm resources		Stage II Reactive involvement/ Evaluation of feasibility to export/ Deliberate search for export related information
E x p o r t i n g s t a g e s	Stage I No regular export activity/ No resource commitment abroad.	Stage IV Experimental exporting to some psychologically close country		Stage III Export trial/ Sought foreign orders through search of foreign markets	Stage I Importer pull/ Foreign customer orders	Stage III Limited experimental involvement/ limited exporting to psychologically close countries
	Stage II Exporting to psychologically close countries via independent representative (agent)	Stage V Experienced exporter/Optimal export adjustment to environmental factors		Stage IV Export evaluation/ results from exporting – profitability, sales stability	Stage II Basic production capacity and marketing	Stage IV Active involvement/ Systematic exporting to new countries using direct distribution methods
	Stage III Exporting to more psychologically distant countries/Establishment of foreign sales subsidiary	Stage VI Exporting to additional countries psychologically more distant		Stage V Export acceptance/ adoption of exporting or rejection of exporting	Stage III Advanced production capacity and marketing	Stage V Committed involvement/ Allocating resources between domestic and foreign markets
	Stage IV Establishing manufacturing units abroad				Stage IV Product marketing and channel push	
					Stage V Product marketing and channel pull	

Table 2.1 Stage Models - continued

	Czinkota (1982)	Barrett & Wilkinson (1986)	Moon & Lee (1990)	Lim et al. (1991)	Rao & Naidu (1992)	Crick (1995)
P r e e x p o r t s t a g e s	Stage I Completely uninterested firm/ No exploration of feasibility to export	Stage I Nonexporters who never considered exporting		Stage I Awareness/ Recognition of exporting as an opportunity	Stage I Nonexporters indicating no current level of export nor any future interest in exporting	
	Stage II Partially interested firm/ Exploring is desirable but uncertain activity	Stage II - III Nonexporters who investigated exporting and previous exporters		Stage II Interest in selecting exporting as a viable strategy		Stage I Completely uninterested firm
	Stage III Exploring firm/ Planning for export and actively exploring export possibilities			Stage III Intention to initiate exports	Stage II Nonexporters who would like to explore export opportunities	Stage II Partially interested firm
	E x p o r t i n g s t a g e s	Stage IV Experimenting exporter/ Favourable export attitude but little exploration of export possibilities	Stage IV Current exporters with no direct investment abroad		Stage IV Trial and adoption of exporting	
	Stage V Semi-experienced small exporter/ Favourable attitude and active involvement in exporting	Stage V Experienced exporter/Optimal export adjustment to environmental factors			Stage III Sporadic involvement in exporting activities	Stage IV Experimental exporter
	Stage VI Experienced large exporter/ Very favourable export attitudes and future export plans	Stage VI Exporting to additional countries psychologically more distant	Stage I Lower stage of export involvement		Stage IV Regular involvement in exporting activities	Stage V Experienced small exporter
			Stage II Middle stage of export involvement			Stage VI Experienced larger exporter
			Stage III Higher stage of export involvement			

Note: Adopted and expanded from Leonidou and Katsikeas, 1996.

Based on their previous observations and studies of Swedish companies they developed a four-stage *establishment chain* model:

Stage 1: no regular export activity

Stage 2: export via independent representative (agent)

Stage 3: foreign sales subsidiary, and

Stage 4: foreign production/manufacturing

Market knowledge and resources are singled out as the main determinants of the firm's progress from one stage to another. To explain the initial and sequential choice of foreign markets the concept of *psychic distance* was used. This is defined as factors preventing or disturbing the flows of information between firm and market, such as differences in language, culture, political systems, level of education, level of industrial development, etc. In other words, a firm would engage initially in low risk exporting activities (via agents) to a similar, psychically close foreign market. As its market knowledge increases through experience, the firm increases its resource commitment and progresses to the next stage in the establishment chain – opening a sales subsidiary and eventually a foreign production unit. Furthermore, the accumulated knowledge in one market reduces the psychic distance to other markets with similar characteristics and the firm initiates a new establishment chain in new foreign market/s.

Johanson and Wiedersheim-Paul used four Swedish companies as case studies for their model. The results from the analysis of the firms' 'establishment profiles' seem to support the proposed incremental internationalization view. All four firms had similar establishing behaviour with varying degrees of positive correlation between each stage and the psychic distance factor. However differences are evident in the speed of progress through the individual stages of internationalization among the

companies studied. Some of the variations were explained to be due to the difference in companies' products and some due to historically different timing of the operations.

The establishment chain model was further developed by Johanson and Vahlne (1977; 1978; 1990). In their study published in 1977 they outline a model of the basic mechanism of internationalization with two *state* and two *change aspects* of the process. They attempted to make the model more dynamic by introducing a concept of cyclical accumulation of market knowledge². The outcome of one cycle of events is an input of the next – market knowledge (state aspect) gained primarily through experience leads to a decision about the degree of resource commitment (change aspect) to an activity in a foreign market. Based on the performance of that activity (change aspect), the firm makes an incremental market commitment (state aspect) decision that yields new market knowledge and new commitment decisions. The process is seen as causal cycles. Hence, internationalization is defined as a product of incremental decisions: establishment of exporting activities via agent, opening sales subsidiary and eventually establishment of production unit in a foreign market. As in the Johanson and Wiedersheim-Paul (1975) model, the time order of such establishments is related to the psychic distance factor.

Johanson and Vahlne (1977) based their model on the empirical observations of international business practices of Swedish firms. The proposed basic mechanism of internationalization is limited to explanation of a firm's increasing involvement in the individual foreign country. The model does not explain the process of making internationalization decisions for other markets based on the knowledge gained in a

² Market knowledge is defined as 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 records (Johanson and Vahlne, 1977: 26).

particular market. The model also does not address the issue of motivation and initiation of internationalization in the first place – how was the first foreign market experience gained (if experience is the primary source of knowledge).

The word “incremental” seems to be the key driving factor in this model assuming that once the process is initiated it will always result in positive market experience and thus increased commitment, regardless of any strategic decisions or other factors. The study has also been criticized for its empirical validity and falsifiability (Andersen, 1993). The methodology used to derive the conclusions is not explained very well and therefore it is very difficult to replicate the study to test its empirical validity.

The establishment chain stage model of internationalization can be criticized as being overly simplistic by considering only one factor, the market knowledge, as the main determinant of the firm’s selection of entry mode and market selection. The model does not consider the other internal factors or external factors that influence the decision-making process in a firm. The model has also been criticized for being linear and rigid, shortcomings acknowledged by the authors themselves.

In their 1990 paper Johanson and Vahlne address some of the criticism and provide further refinement of the establishment chain model. The paper reiterates the two basic postulates of the model: one, it can explain the establishment chain in a specific country market, and two, it can explain the empirical pattern of how firms enter new markets with successively greater psychic distance, referring to the empirical research with supporting findings.

The main criticism is addressed with an argument that the model was never promoted as a comprehensive explanation of the internationalization process, but

rather as “a very conscious effort by the model builders to catch one single, and so far rather unnoticed, mechanism with strong explanatory power regarding a wide spectrum of manifestations of the internationalization of the firm” (Johanson and Vahlne, 1990: 14). Another point of defence is based on the technological advancements and globalization that enables faster information/knowledge transfer and therefore decreases the role of psychic distance.

Johanson and Vahlne updated the model by linking it with the network perspective of internationalization. They see the firm’s participation in a network as an experience and therefore a source of market knowledge. By expanding its network relationships from domestic to international networks, the firm increases its market knowledge and resource commitment. The incremental decisions are therefore not made based just on the experience from direct foreign involvement but also based on the knowledge gained through the network relationships. This makes the establishment chain model of internationalization multilateral rather than unilateral, and the process of internationalization inter-organizational and not just intra-organizational. It is a valid attempt to update the model and clarify its limitations. In retrospect the main contribution of the early works of the stage models remains to be the substantially different way of looking at internationalization as a behavioural, knowledge-based process.

2.2.2 The ‘innovation-related’ models

On the other side of the Atlantic a group of researchers (Bilkey and Tesar, 1977; Cavusgil, 1984) took a new approach to the establishment chain theory of internationalization and developed the so-called ‘innovation-related’ perspective of internationalization. The innovation-related models regard the internationalization process as a learning sequence similar to that of adopting an innovation for the firm.

Much of the research adopting the innovation-related approach to the stage models concentrate on the pre- and early stages of internationalization and therefore focus on the export development models. The argument of the proponents of this approach is that the firm's pre-export (pre-internationalization) activities play a significant role in the firm's initiation of and subsequent engagement in international activities. As a result the 'innovation-related' models have more stages than the 'establishment chain' models.

Bilkey and Tesar (1977) for example have proposed a six-stage (open-ended) model of export development behaviour (outlined in Table 2.1) derived from Roger's (1962) stages of the adoption process³:

Stage 1: no interest in exporting

Stage 2: responding only to unsolicited orders

Stage 3: exploring the feasibility of exporting

Stage 4: exporting experimentally

Stage 5: experienced exporter

Stage 6: considering new markets

The model was empirically tested on data gathered through questionnaires from a sample of 423 manufacturing small- and medium-sized firms in Wisconsin. The results of the empirical testing could be interpreted as consistent with the stage view of the export development process. Furthermore, they confirm the authors' argument that it is possible to empirically ascertain the determinants of the firm's exporting behaviour, and that the determinants vary between stages.

For example, Stage 3 of the export development process seems to be determined the most by whether or not management planned for exporting and by management's

³ Roger, 1962: 81-86, as cited in Bilkey and Tesar, 1977.

perception of the firm's competitive advantage. Progression to Stage 4 appears to be a function of a receipt or non-receipt of an unsolicited order, and the quality and dynamism of the management team. In Stage 5 expectations and perceived barriers were the most significant independent variables.

The authors claim that the model supports the view of the export activity as a learning process and therefore firms at the early stages of exporting should focus on psychologically⁴ close countries and firms at later stages should focus on psychologically more distant countries.

Cavusgil (1980; 1982; 1983; 1984) has developed several variations of his five-stage gradual involvement model of internationalization:

Stage 1: preinvolvement

Stage 2: reactive involvement

Stage 3: limited experimental involvement

Stage 4: active involvement

Stage 5: committed involvement

In his 1982 study, Cavusgil tested the explanatory power of seventeen firm-specific and managerial factors. The progression from one stage to another was found to be primarily determined by the information the managers receive. One surprising result is that the perception of risk was higher in stage 3 than in stage 2, indicating that incremental learning does not always facilitate progression.

Cavusgil's (1984) test of his five-stage model on a systematically selected sample of 70 manufacturing companies from Wisconsin and Illinois, suggests that there are significant differences between the exporters in Stage 3, 4 and 5 in terms of their

⁴ Bilkey and Tesar use the terminology 'psychologically' close markets instead of Johanson and Wiedersheim-Paul's (1975) 'psychic distance'. Based on the definition provided, it is mainly assumed in the literature to have the same meaning.

domestic market environment, the nature of the international business involvement, policy aspects of international marketing, and foreign market research practices.

A group of Scandinavian researchers also broadened the research scope of the internationalization process by including the pre-exporting behaviour of the firm as a significant stage in the firm's progression in international operations. Wiedersheim-Paul, Olson and Welch (1978) argued that the firm's pre-export activities and behaviour are important for the export start. Prior research in the area had examined firms that were exporters already and no account was taken of the local environment of the firm or the expansion process within the domestic market. Their main assumptions were that all firms when they start are non-exporters and sell to a local market, and there is only one decision-maker in the firm who makes all important decisions, since most of these firms are relatively small at this stage.

In an empirical study based on a survey of 75 Australian manufacturing firms two factors were identified as especially important: (i) the firm's history, in particular the experience from extra-regional expansion ("domestic internationalization"); and (ii) enterprise environment factor: in particular contact patterns that allow an efficient exchange of information, as a source of export possibilities.

Attention-evoking factors were identified to be important as a real input to the model. "Attention-evokers" are those factors or influences, which cause a firm to consider exporting as a possible strategy. They represent the "triggering cues" in relation to decisions about pre-export behaviour" (Wiedersheim-Paul, Olson and Welch, 1978: 51). They were grouped in two ways: (i) internal attention-evokers: unique competence, excess capacity, and (ii) external attention-evokers: unsolicited orders from foreign customers, market opportunities, competition, government export stimulation efforts.

The main contribution of the 'innovation-related' models could be seen as a broadening of the scope of stage models as well as empirical support to the approach by testing it in different geographic locations such as Europe, North America and Australia.

2.2.3 The 'manager's perspective' models

Reid (1981) develops the stage models further by introducing the role of the individual (manager) characteristics in the internationalization behaviour of the firm. He hypothesises that foreign market entry and expansion behaviour are results of the interaction between structural and managerial factors, bringing a dynamic aspect to the framework.

Reid proposes a five-stage export expansion process model compatible with the stages of the innovation adoption process with acceptance being the adoption stage:

Stage 1: export awareness

Stage 2: export intention

Stage 3: trial

Stage 4: evaluation

Stage 5: acceptance

The conclusions are based on analysis of the findings of a number of empirical studies undertaken on the relationship between firm, individual characteristics and foreign entry expansion behaviour. The author concludes that the key factors of exporting as an adoption of innovation process are: the export attitudes of the manager, and the knowledge of the way those attitudes influence choice of method of foreign entry, choice of country, and recognition of potential opportunities. Based on the examined empirical evidence, the decision-maker's attitude, experience.

motivation and expectations were identified as the major determinants of the firm's consequent export behaviour. The role of psychic distance as an important factor in foreign market selection is also supported. This model is consistent with the stage theories regarding exporting behaviour as a process.

The major critique of Reid's model is the fact that he derived his conclusions based on the examination of findings from the studies of others, which it can be argued runs the risk of being subject to his own interpretations of those findings. However, subsequent empirical studies did find support for his model.

2.2.4 Empirical validation of the Stage models

The stage models of internationalization have been extensively empirically tested either as proposed models or in comparison with the competing internationalization theories. The findings imply that the incremental internationalization models seem to have stronger explanatory power when tested on smaller firms than larger corporations (Coviello and McAuley, 1999; Gankema et al., 2000). It is also evident that the models are more relevant in the case of manufacturing firms than firms in the service and technology sectors (Gankema et al., 2000; Arenius, 2005). The size of the domestic economy appears to be another factor supporting the stage models – empirical studies that examine smaller economies find a higher degree of support than research on firms in larger domestic markets (Lau, 1992; Bodur and Madsen, 1993; Dalli, 1994; Chetty and Hamilton, 1996; Fontes and Coombs, 1997).

The empirical evidence in support of the stage models has provided validation mostly for the innovation-related models (Lim et al., 1991; Gankema et al., 2000) and the managers' perspective models (Bilkey and Tesar, 1977; Cavusgil, 1982; Moon and Lee, 1990). These findings imply that while the psychic distance condition

is losing its ground in the light of the new information technology, the role of knowledge and learning in the internationalization process is becoming more and more evident. Consequently, the number of studies that provide either full or partial empirical support for the stage models (Hyvaerinen, 1994; Crick, 1995; Gankema et al., 1997; Zafarullah et al., 1998) has been gradually outrun by research finding other factors to be more significant and influential in the internationalization process (Czinkota and Ursic, 1991; Morgan and Katsikeas, 1997; Autio et al., 2000; Fillis, 2001).

The major criticism seems to be the lack of proper design to explain the development process, the unclear boundaries between stages, the static nature of the models pertaining to explain dynamic process, lack of empirical support of validity and reliability, and failure to explain the phenomenon of firms that skip all the stages and go international upon inception. This last argument is increasingly supported by recent empirical findings on internationalization of the so-called 'born-global' and 'global start-up' firms, i.e. firms that internationalize since inception without any experience or knowledge accumulated from prior international operations of the firm (Cavusgil, 1984; Turnbull, 1987; Oviatt and McDougall, 1994; Bell *et al.*, 2003).

The models also have been criticised for some "inherent" theoretical weaknesses: weak delineation of theoretical boundaries and implicit assumptions, lack of explanatory power implying vagueness in the purpose of the model, deficiency in clarifying the model's concept and variables and hence evident testability issues, and inadequate use of cross-sectional design to study behavioural process over time (Andersen, 1993; Bell, 1995).

The main weaknesses of the Uppsala internationalization models (and its related hybrids) and the Innovation-related internationalization models have been well summarized by Morgan and Katsikeas (1997) as follows:

1. The incremental stage-like development of the firm's internationalization is more exception rather than rule. It has explanatory power in the early stages of the process but not later.
2. It does not explain the evolution within a stage.
3. It largely considers the firm's progression in internationalization but not the reverse.
4. The concept does not reveal significant differences among firms at various stages with regard to internationalization incentives and barriers.

2.3 Network models of internationalization

While the stage theoretical approach has its roots in the traditional economics and behavioural schools, an alternative view has been developing around network theory and internationalization drawing on theories of social exchange and resource dependency (Sharma and Johanson, 1987; Johanson and Mattsson, 1988; Axelsson and Easton, 1992; Johanson and Vahlne, 1990, 1992; Benito and Welch, 1994; Vatne, 1995; Coviello and McAuley, 1999).

The network theory focuses on firm behaviour in the context of a network of inter-organizational and interpersonal relationships (Axelsson and Easton, 1992). These networks are explored in their broadest context, including both business (formal) and social (informal) relationships, including customers, suppliers, competitors, government, banks, family, friends, and so on. The firm's set of network relationships is the main determinant in the internationalization process. Vatne

(1995) sees internationalization as an entrepreneurial process that is embedded in an institutional and social web which supports the firm in terms of access to information, human capital, finance, and so on. Johanson and Mattson (1988) define business networks as long-term business relationships that a firm has with its customers, distributors, suppliers, competitors and government – the actors in a business network.

Styles and Ambler (1994) summarize the networking internationalization process as follows: “a firm begins the export process by forming relationships that will deliver experiential knowledge about a market, and then commits resources in accordance with the degree of experiential knowledge it progressively gains from these relationships”. In most cases the starting point is the domestic networks that through existing relationships provide contacts and help to develop new relationships abroad.

Networks are also explained as industrial systems where firms have direct exchange relationships (through production, distribution and use of goods and services), and indirect relationships (with the customers/suppliers/partners of the firms in the network) (Johanson and Mattsson, 1987). There are various types of bonds in the relationships: technical, planning, knowledge, socioeconomic and legal bonds, as well as various degrees of bonding (some relationships are stronger than others). This model of industrial network implies that a firm’s network activities are a dynamic and cumulative process – relationships are constantly established, maintained, developed or broken. A basic assumption in the network model is that a firm is dependent on resources controlled by other firms in the network.

It was further observed that a firm’s success in entering new international markets is more dependent on its relationships with current markets, both domestic and foreign, than it is on the market knowledge and its cultural characteristics. This network

approach has been derived from Swedish research concerning industrial internationalization processes, distribution systems and behavioural interactions between firms (Johanson and Mattsson, 1987). Firms accelerate their internationalization process and manage their problems of rapid success by forming business relationships to gain access to distribution networks, technology, market knowledge and information. For example one internationalization approach is to establish relationships with distributors first to acquire knowledge about the foreign market and then set up their own subsidiary.

The network approach was taken a step further by Wright and Dana's (2003) concept of multi-polar networks of firms involved in what they call symbiotic management: each entity benefits from working together and mutual control emanates from interdependence and mutuality of benefit within a multi-polar network. Collaborating interdependently firms achieve higher benefit than their respective independent operations can yield. The authors propose three types of networks: horizontal, vertical, and trans-industry. This new paradigm sees the new global market place as a competition between networks rather than individual firms.

Business networks are found to be an important facilitator of firms' internationalization and success in smaller economies (Chetty and Campbell-Hunt, 2003). However, breaking into some countries' business networks is not easy which implies that successful expansion in one market through network relationships does not mean success in other markets.

2.3.1 Network approach and stage models

Many of the network researchers still endorse the process perspective of internationalization as methodologically relevant, but call for broadening of the focus

to include not only the internal factors (“single actor” and his learning processes) but also to study multiple actors and their relationships. They draw a parallel between an innovation process and foreign-market entry process and the similar roles networks play in both.

The empirical research has found support for both the incremental approach to internationalization and networking processes. The argument is that there is an overlap between the two processes in that through network relationships firms gained knowledge and experience about each other’s environments, practices and capabilities (Bodur and Madsen, 1993). This learning leads to increased commitment.

Research on small and medium-sized enterprises (SMEs) suggests that the understanding of the internationalization process for small firms can be enhanced by integrating the models of incremental internationalization with the network perspective, where network relations are seen not only as drivers of the process but also as determinants of the pattern of market investment (Coviello and Munro, 1995, 1997).

Similar evidence has been found in the case of the internationalization process of new technology-based firms in terms of both technology and market internationalization (Fontes and Coombs, 1997). The analysis indicates that both a sequential process and growth through relationships are significant for internationalization through risk reduction and extension of learning about foreign markets. Firms establish relationships with other organizations to complement their activities or to compensate for deficiencies.

2.3.2 Network approach – empirical evidence

The network approach has found wide empirical validation in the case of the professional services sector (Sharma and Johanson, 1987) and particularly in the information technology sector (Hellman, 1996; Coviello and Munro, 1995, 1997; Fontes and Coombs, 1997; Crick and Spence, 2005). The firm's network of relationships with other firms was found to have a critical role in the internationalization of these firms and that the internationalization process is not a result of cumulative knowledge as implied in the stage internationalization concepts. This may be partially due to the different nature of the professional services firms compared to manufacturing firms. Their fixed asset commitment is very low (lowering their risk) making them more mobile within and between markets. Therefore the concepts of psychic distance and incremental commitment are not important or at least less important to them.

This departure from the psychic distance concept of the Uppsala model was further supported by observations that many firms enter foreign markets almost blindly, driven not by strategic decisions or market research or knowledge, but by social exchange processes, interactions and networks (Johanson and Vahlne, 1992). One such form is the "customer driven internationalization", where the foreign market entry is a result of customer/client followership. This type of internationalization (also known as 'pull internationalization') has been evident in the service sector and the computer software sector (Hellman, 1996). Key actors and their social networks and bonds with important international partners were significant as well in the case of inward internationalization for example in the tourism firms (Bjorkman and Kock, 1997).

Empirical evidence in support of the network theory was also found among smaller firms in the manufacturing sector (Holmlund and Kock, 1998). Domestic networks allow the manufacturing SMEs access to information and resources about foreign opportunities. The domestic business networks also facilitate entry to foreign business networks as new sources of information and resources. Managers tend to rely heavily on social contacts when searching for market information.

Coviello and McAuley (1999) in their comprehensive review of the contemporary empirical research of the small firm internationalization literature consider the networking approach to be linked to strategic direction and actions in that it provides a way of doing business, rather than being a simple (linear) description of the internationalization process. They suggest that business and social networks can increase the smaller firm's rate and intensity of international development. However, they conclude that it is difficult to capture the internationalization concept using only one theoretical framework. They recommend taking a more integrative approach in studying the phenomenon and look at the existing theoretical frameworks as more complementary rather than mutually exclusive models.

The network approach was extensively empirically tested by a group of New Zealand researchers particularly from a smaller firm perspective (Chetty and Campbell-Hunt, 2003; Wright and Dana, 2003). For example Chetty and Campbell-Hunt (2003) investigated the relationship between rapid international growth and business networks for a sample of manufacturing SMEs in a small and isolated economy (New Zealand). The findings reveal that the speed of international success can be a destabilizing factor for the firm. The study implies that business networks offer the only vehicle for internationalization when the internationalization is sudden ("the

gusher”), involves big increases in capability (going global), and involves specialization (focus and grow).

Evidently there is a growing body of evidence on the role of network relationships in the internationalization of the firm. The empirical research provides strong evidence for the facilitating role of networks especially in three aspects: in the internationalization of smaller firms, in internationalization of high technology firms, and for firms’ internationalization out of smaller domestic economies.

The network approach is often seen as a complement rather than alternative to the incremental internationalization model, as well as the other existing models. Therefore the network perspective is seen as one contributing immensely to the understanding of the internationalization process by stimulating a more holistic approach to the phenomenon (Benito and Welch, 1994; Bell, 1995; Coviello and McAuley, 1999; Bell et al., 2003; Crick and Spence, 2005).

Chapter 3 Background Literature – The Resource-Based View of the Firm

Chapter 3 discusses the main theoretical postulates of the resource-based view of the firm (RBV) as they relate to the internationalization process and exporting in particular. It also provides an overview of the empirical validation evidence of the RBV approach.

3.1 Introduction

In the internationalization literature there is an emerging integrative approach to firm internationalization in the form of Resource-based (Bell et al., 1998; 2003), Business-strategy-based (Young, 1987; Young et al., 1989) and Contingency perspectives (Reid, 1983). A common denominator of these three frameworks is the recognition that internationalization is affected by multiple influences, and that a range of the firm's internationalization decisions, incorporating products, markets, and entry modes, is made in a holistic way. Firms will have a different mix of resources/competencies and resource/competence gaps, and their strategic responses to these allow for the possibility of different paths to growth and internationalization (Bell et al., 1998) and consequently heterogeneity in firms' international performance.

3.1.1 Resource-Based View of the firm (RBV)

Most of the research in the field of strategic management focuses primarily on a single area as a source of the firm's competitive advantage – either the external factors in the form of opportunities and threats, or the internal firm's strengths and weaknesses – with few studies analyzing the contribution of both in selecting a strategy. The *environmental models of competitive advantage* focus primarily on

analyzing the firm's opportunities and threats as main sources of its competitive advantage (Porter, 1981, 1985, 1990;). For example, Porter (1985) suggests that firms should analyze first their competitive environment, choose their strategies, and then acquire the resources needed to implement their strategies, assuming a perfect factor market.

On the contrary, the resource-based view (RBV) proponents suggest that the idiosyncratic, immobile strategic resources owned or controlled by a firm are its source of competitive advantage (Penrose, 1959; Wernerfelt, 1984). This RBV stream of strategic research is based on two assumptions: (1) firms within an industry may not be homogeneous with respect to the resources they control, and (2) these resources may not be perfectly mobile across firms, making the heterogeneity sustainable and long lasting (Barney, 1991).

Edith Penrose's (1959) seminal work, *The Theory of the Growth of the Firm*, is considered to have laid the foundations of the resource-based theory. Penrose defined a firm as "a collection of physical and human resources" and pointed to the heterogeneity of these resources (1959: 9). The capacity of firms to generate sustainable competitive advantage depends on their ability to utilize the particular set of resources they own or control.

Even though innovative, the concept of the firm as a broader set of resources, judged by the volume of the published studies in the 1960s and 1970s, was not extensively accepted. It was Wernerfelt's (1984) study, *A Resource-based View of the Firm*, which brought the concept back to attention. Wernerfelt argued that analyzing firms from the resource side rather than the product side is more useful in formulation of strategic options. In analogy to entry barriers and growth-share matrices, he proposed the concepts of resource position barriers and resource-product matrices. Resources

are defined broadly encompassing both “(tangible and intangible) assets which are tied semi-permanently to the firm” (Wernerfelt, 1984: 172). Considering diversified firms as portfolios of resources, in the proposed framework, the optimal growth of the firm involves a balance between exploitation of existing resources and development of new ones.

However, not all resources have equal strategic importance or have the potential to be a source of sustainable competitive advantage for the firm. Advantage-generating resources, according to Barney (1991), must have the following four attributes: (1) they must be valuable and unique to the firm; (2) they must be in short supply or rare; (3) they must be imperfectly imitable; and (4) they must be difficult or impossible to substitute. Resource asymmetries, thus, become the driving factor of the firm level performance differences, including in the exporting/international business context (Wernerfelt, 1984; Barney 1991; Foss, 1997; Dyer and Singh, 1998; Peng, 2001; Fahy, 2002; Dhanaraj and Beamish, 2003; Ibeh, 2005).

Ray et al., (2004) further refine and broaden the resource-based view of the firm’s sources of competitive advantage by introducing the concept of the firm’s relationships as an advantage-generating source. According to this study, “superior economic performance stems from the firm’s ownership or control of difficult-to-imitate resource combinations, or its leveraging of strategically-relevant market-based assets, e.g. through idiosyncratic inter-firm collaboration or other external linkages.” (Ray et al., 2004: 63).

What is considered as a resource varies from the narrow economics view encompassing only labour, capital and land, to a broader view considering all (tangible and intangible) assets, attributes, capabilities and processes owned or controlled by a firm, which can enable it to conceive and implement strategies for

improving its competitive position (Penrose, 1959; Deft, 1983; Wernerfelt, 1984; Barney, 1991).

In the export strategy/performance literature (Srivastava et al., 1998; Barney 1991; Grant, 1991; Westhead et al., 2001; Chetty and Wilson, 2003; Dhanaraj and Beamish, 2003; Ibeh, 2005), the resource-related factors are usually classified in two broad categories:

- internal resources:
 - managerial resources – international business knowledge and experience, attitude toward and perception of foreign operations (opportunities and barriers), expectation (achievement of goals and objectives);
 - physical resources – firm’s ownership of physical assets – plant and equipment, land and natural resources, finance, favourable location;
 - organizational resources – product/service capabilities, planning, knowledge and customer relationship management capabilities;
- hybrid or relational resources – externally-located resources that the firm can access through its internally-developed relationship management capabilities.

The broader views of resources are commonly used interchangeably with terms and concepts, such as “competences”, “capabilities”, or “dynamic capabilities”, which are largely seen as more dynamic, knowledge/process-based aspects of resources (Foss, 1997), or services obtained from resources (Penrose, 1959).

However, some researchers consider resources (tangible and intangible) and capabilities as two distinct sources of competitive advantage, with firm’s capabilities being more important than resources in explaining firms heterogeneous export performances (Hall, 1992; Fahy, 2002; Kaleka, 2002).

Fahy (2002), for example, distinguishes between three generic groupings of firm's resources:

- tangible assets – plant and equipment, land, other capital goods and stocks, debtors and bank deposits;
- intangible assets – trademarks, patents, trade secrets, network and reputation;
and
- capabilities – skills, team work, organizational culture and relationships between management and workforce.

He argues that in a global environment capabilities are a more important source of competitive advantage than intangible assets, which are yet more important than tangible assets. Capabilities are the firm's most important resource in a global environment “because they are either skill-based or interaction-based”, have “varying levels of tacitness and complexity” and therefore are difficult to duplicate (Fahy, 2002: 127).

Hall (1992), who uses the same categorization of resources, describes capabilities as what the firm ‘does’ as opposed to what it ‘has’. Kaleka (2002) goes a step further and singles out the overseas customer relationship building capability of the firm as a main source of export competitive advantage.

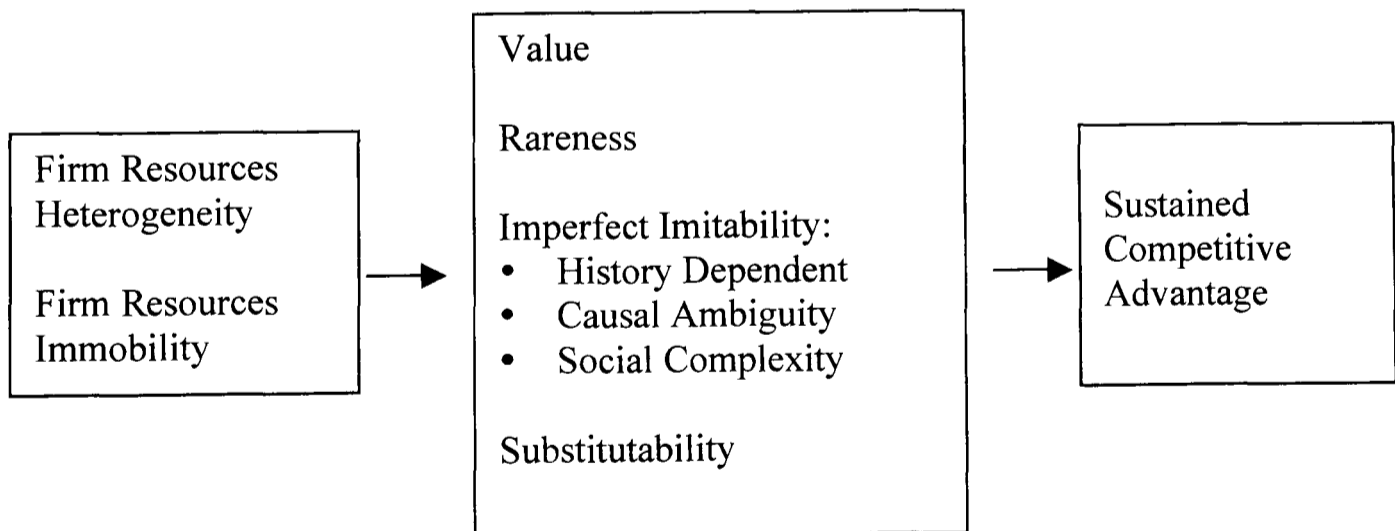
3.1.2 RBV models of competitive advantage

As the RBV perspective was developed over the years there has been an evident tendency for convergence with strategic management concepts. As a result several RBV models of competitive advantage have been proposed during the past decade.

One of the most cited works in the field from a RBV perspective is that of Grant (1991). Grant developed a five-step resource-based approach to strategy analysis.

The starting point for the strategy formulation in his model is identification and classification of the firm's resources and capabilities. Once identified, resources and capabilities should be appraised for their potential for sustainable competitive advantage and for profit generation. The analysis should yield a selection of a strategy which best exploits those firm's resources and capabilities relative to external opportunities. The identified resource gaps then prompt further resource development to bridge those gaps. The feedback loop allows for dynamism in the model. Grant (1991: 133) argues that "the key to a resource-based approach to strategy formulation is understanding the relationships between resources, capabilities, competitive advantage, and profitability – in particular, an understanding of the mechanisms through which competitive advantage can be sustained over time".

Another widely cited model is Barney's (1991) model of sustainable competitive advantage shown in Figure 3.1.

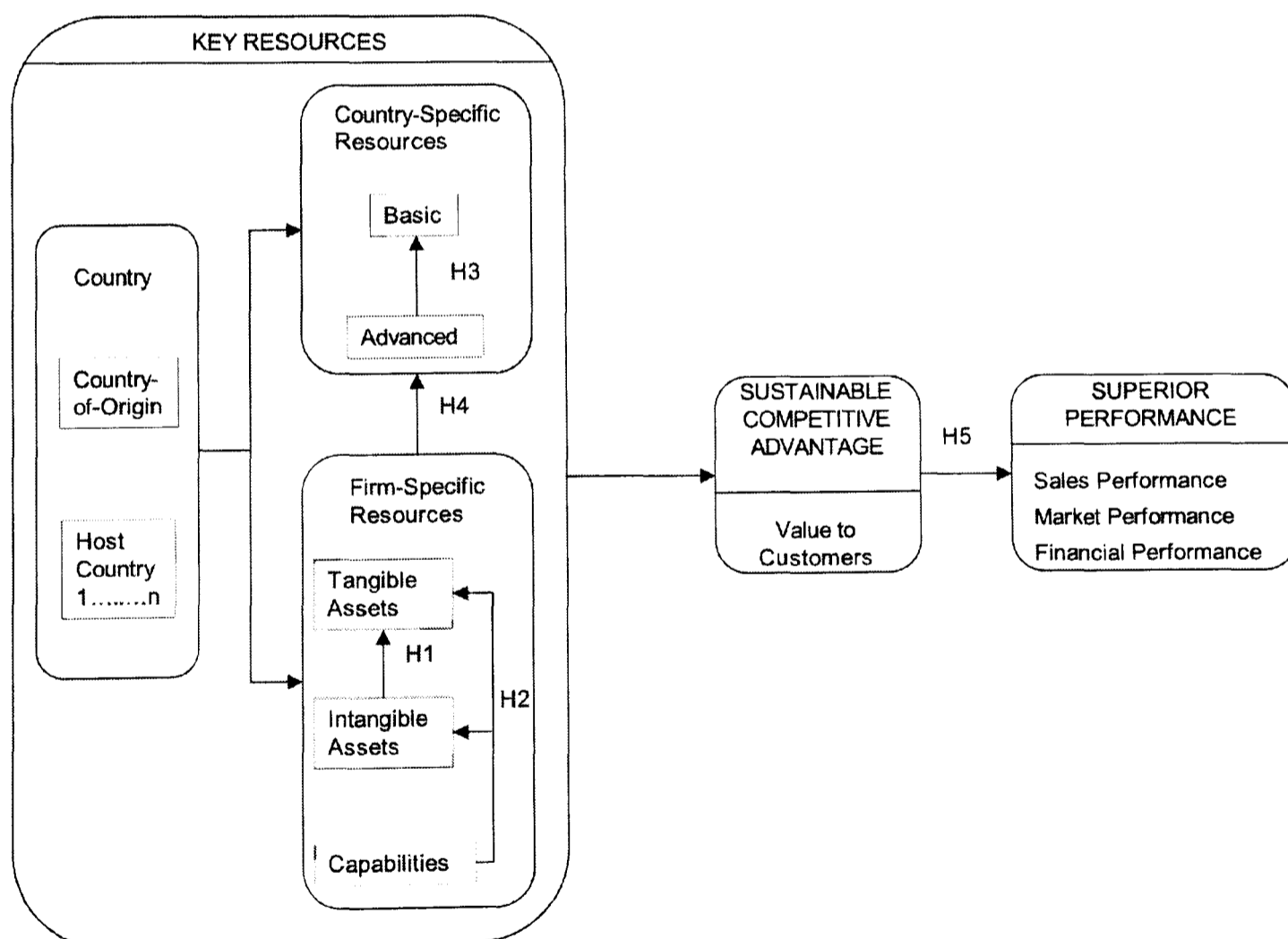


(Reproduced from Barney, 1991: 112)

Figure 3.1 Barney 1991 resource-based model of sustainable competitive advantage

The two assumptions – heterogeneity and immobility of firm resources – and the four attributes of strategic resources, are reflected in this framework that Barney uses for analyzing the potential of a broad range of firm resources to be sources of sustained competitive advantage. A competitive advantage is sustained according to Barney only when the competitors’ attempts to duplicate that advantage fail to yield the same benefits and therefore are ceased.

Fahy’s (2002) resource-based model of sustainable competitive advantage in a global environment, presented in Figure 3.2, links not only the firm-level resources, competences and performance but it is extended to include the country-specific resources of both country-of-origin and host country.



(Reproduced from Fahy, 2002: 63)

Figure 3.2 Fahy’s (2002) resource-based model of sustainable competitive advantage in a global environment

The empirical testing of the model shown in Figure 3.2 indicated that the firm-specific resources were significantly more important than the country-specific resources for firm performance. The firm's strategic resources, firm-specific capabilities in particular, thus, are critical in generating sustainable, superior performance and managers must not only identify, deploy and protect but also develop such resources.

3.2 RBV and export strategy and performance

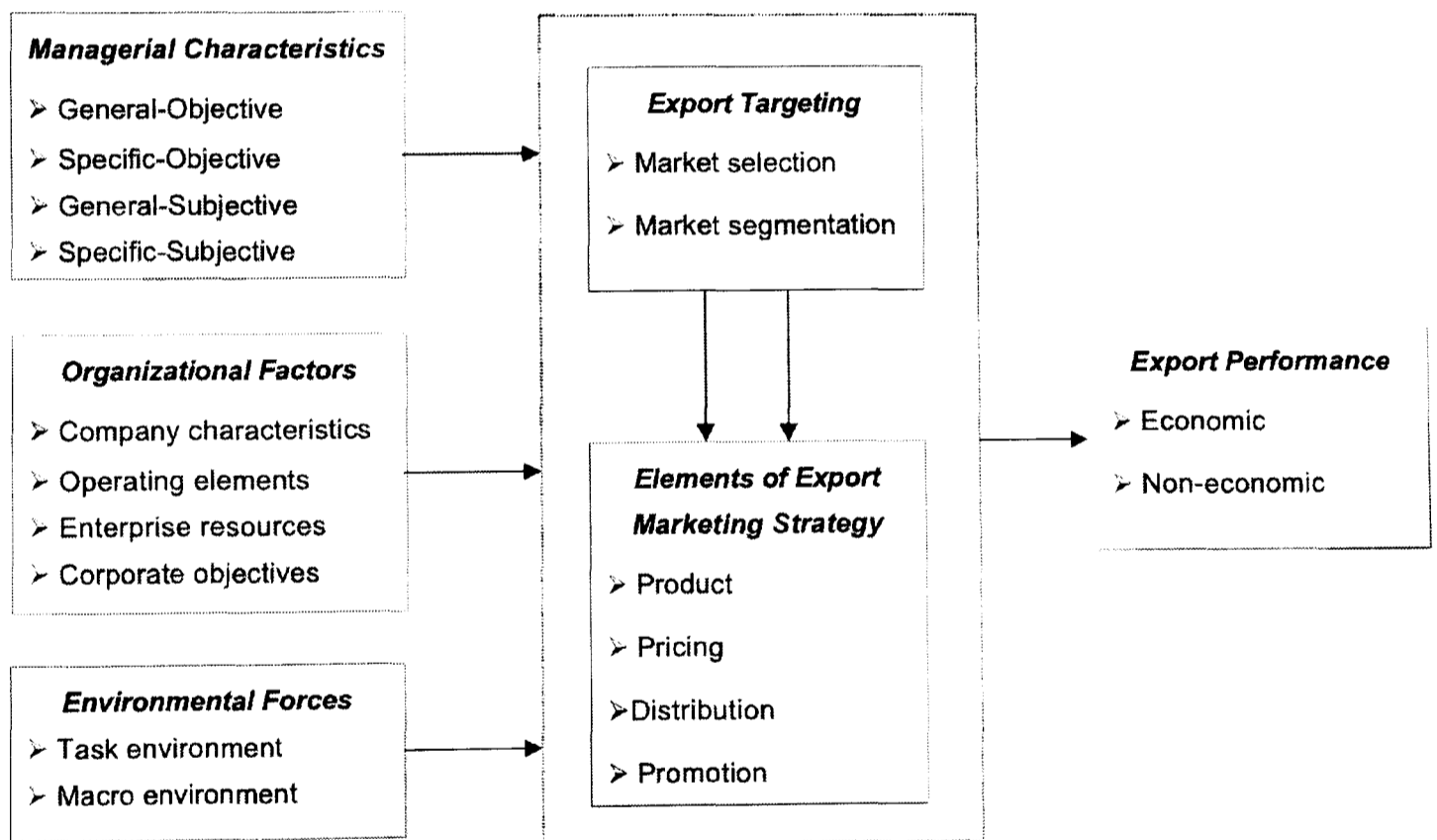
The failure of the stage models and network approach to provide sufficient and consistent explanation of the internationalization process has elicited the re-emerging interest in the RBV perspective. A number of theoretical resource-based models have been advanced in the literature as viable frameworks explaining the main drivers of the internationalization process of the firm in general, and the firm's export strategy and performance in particular.

For a firm to outperform its competitors it must display a consistency between its resources and the environment as well as between its resources and the strategic choices it makes (Fahy, 1998). Each strategic approach will place unique demands on the firm's resources. For example, Dhanaraj and Beamish (2003) identified the firm's enterprise resources¹, technological intensity and size to be good predictors of the firm's export strategy in the case of US and Canadian exporters. Bell, McNaughton, Young and Crick (2003) found that differences in motivation, objectives, and knowledge intensity influence the strategic approaches adopted by firms in the case of SMEs. Aaby and Slater (1989) developed a "strategic export

¹ Dhanaraj and Beamish (2003) use Penrose terminology for entrepreneurial resources or enterprise resources to describe the willingness, drive and commitment of the managers, who are primarily responsible for the growth of the firm.

model”² where firm’s competences and strategy have direct and significant influence on the firm’s performance while firm characteristics are found to be less important.

One of the earliest empirical studies employing the RBV approach was undertaken by Collis (1991), who used the RBV to assess sources of advantage and performance in the global bearings industry. He found that the performance of certain firms was related to their possession of key resources, that structural changes were made to facilitate resource development and that the organization’s heritage constrained its strategic choices.



(Reproduced from Leonidou, Katsikeas and Samiee, 2002: 52)

Figure 3.3 Leonidou, Katsikeas and Samiee’s (2002) model of export performance

² An integrative model of export performance based on the analysis of the findings of 55 export research papers published between 1978 and 1988 (Aaby and Slater, 1989).

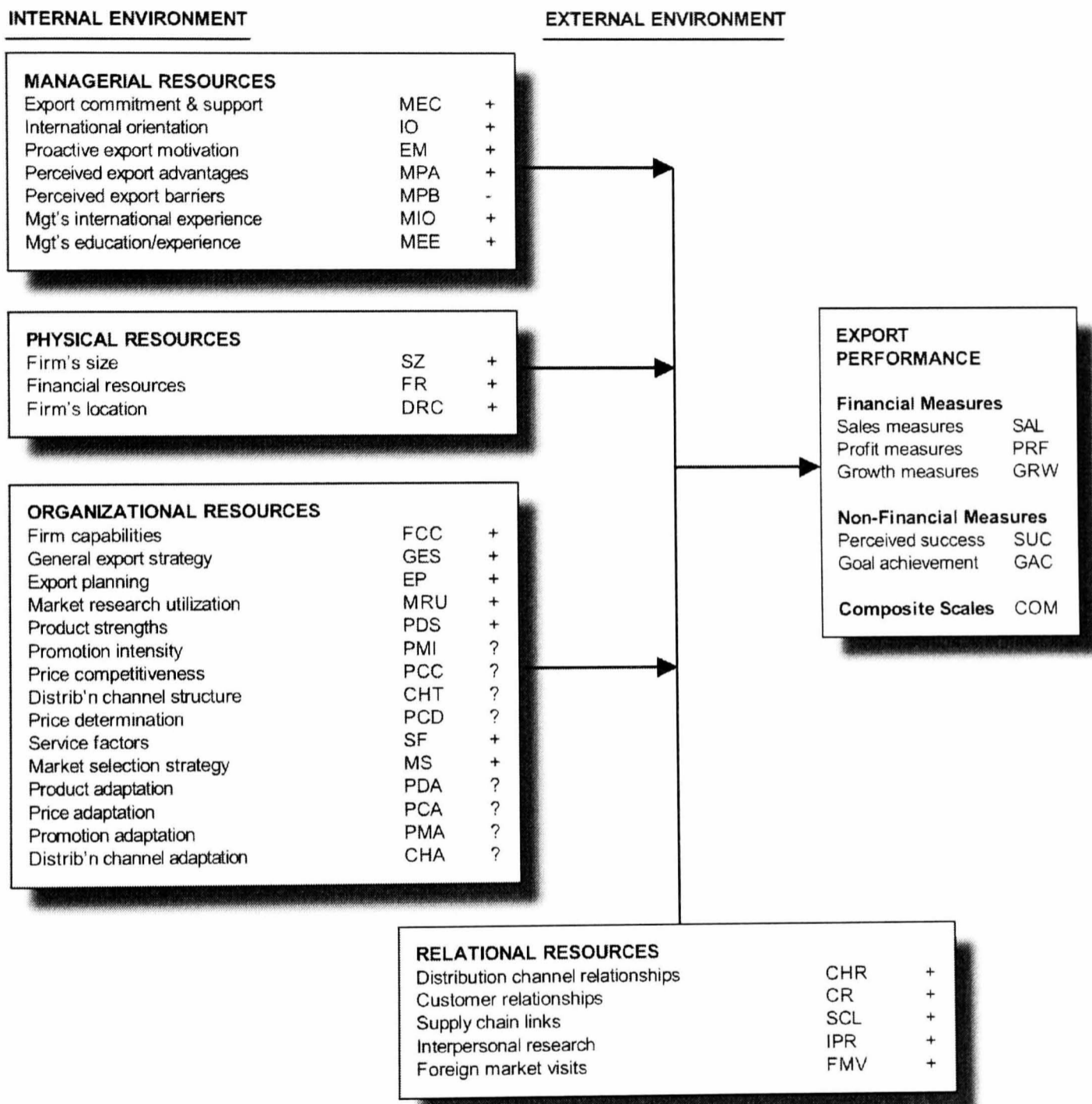
Leonidou, et al. (2002) propose a simplified export performance model based on three distinct sets of variables identified in their analysis of the export marketing strategy literature. The model shown in Figure 3.3 is used to assess the association between export marketing strategy and performance. The analysis indicated significant association between the marketing strategy variables and the overall export performance. The central conclusion of the study is that an implementation of a well-designed export marketing strategy determines the export success.

Drawing on the resource-based theory of the firm, Dhanaraj and Beamish (2003) develop a causal model of export strategy and export performance. The empirical test of the model was conducted with US and Canadian SME exporters' data. The tests of the causal relationships show that enterprise resources, technological intensity, and firm size are good predictors of export strategy, and export strategy has been shown to influence positively firm performance.

Recently, Ibeh and Wheeler (2005) employed a resource-based framework represented in Figure 3.4, consistent with Mahoney and Pandian's (1992) vision of RBV, in integrating and interpreting influences on export performance identified in 30 export performance studies undertaken in the UK during 1990-2003 period. The firm-level export performance was measured according to Zou et al.'s, (1998) EXPERF scale.

The aggregate evidence suggests that the following factors/resources have critical influence on the firm's export performance: management's experiential, orientational and attitudinal resources, organizational capabilities in export knowledge and planning, product innovation and service delivery, and leveraging strategically-important relational resources. The inclusion of the second category – relational

resources – enhances the explanatory power of the RBV concept by bridging the internal-external divide of the RBV approach.



(Reproduced from Ibeh and Wheeler, 2005: 551)

Figure 3.4 Ibeh and Wheeler (2005) summary of aggregate findings on resource-based influences on export performance

Lately a knowledge-based view (KBV) has emerged as an extension to the RBV (Kogut and Zander, 1992; Conner and Prahalad, 1996; Grant, 1996). The KBV asserts that knowledge is the most important strategic resource for firms. Building on the foundations of RBV, KBV focuses more on the processes by which specific capabilities evolve and develop over time, adding a more dynamic element to the rigid nature of the RBV (Bell and Loane, 2006). Learning and related changes thereby form a key part of the dynamic factors driving internationalization (Benito and Welch, 1994). This concept of the development of resources, capabilities and knowledge over time is rooted in evolutionary economics where learning is seen as a cumulative process generating productive knowledge (Knudsen and Madsen, 2002). Productive knowledge is perceived as key for long-term competitive advantage and superior performance (Teece et al., 1997).

Another recent development within the RBV field is the emergence of a stream of research that focuses on the dynamic aspects of capabilities (Kogut and Zander, 1992; Teece et al., 1997; Eisenhardt and Martin, 2000). Dynamic capabilities are conceptualized as a firm's ability to build and/or extend basic capabilities to deal with changing environments (Teece et al., 1997). From the dynamic capabilities perspective the emphasis of the strategist shifts from trying to protect sources of current competitive advantages (classical RBV) to continuously creating resources and/or capabilities to yield future competitive advantages (Winter, 2003). The KBV and dynamic capabilities perspective are often viewed as 'extensions' of the 'core' RBV theory that have facilitated the focus of the RBV to advance to the continuous creation and augmentation of resources and capabilities (Levitas and Ndofor, 2006).

This thesis pursues this approach of broadening the concept of what constitutes a firm-specific advantage-generating resource by advancing the RBV as an integrative perspective.

Chapter 4 Export Performance Literature – Determinants and Measures

Export performance of a firm reflects a firm-specific behaviour in leveraging its resources and capabilities in an international context at a given point of time. Firm export performance is regarded as one of the key indicators of the success of a firm's export operations, and as such has been extensively studied phenomenon. Numerous studies have been conducted pertaining to provide better understanding of the factors (firm- or environment-specific) and behaviours (e.g., export strategy) that make exporting a successful venture.

The current state of the export performance literature could be summarized as (i) methodologically fragmented in that there are variety of analytical and methodological approaches, (ii) conceptually diverse, a large number of determinants have been identified as having direct or indirect influence on the firm's export performance, and a large number of indicators have been used to conceptualize and operationalize the export performance measures, and (iii) inconclusive, the studies have produced inconsistent results of the impact of different determinants on export performance.

Two main constructs have been of particular interest for academic researchers: export performance determinants and export performance measures.

4.1 Determinants of export performance

Numerous internal (firm-specific) and external (environment-specific) factors have been studied in the exporting literature as potential determinants of the export outcomes with inconsistent and sometimes contradictory findings of their positive, negative or neutral relationship with export performance.

Table 4.1 Literature Review of Determinants of Export Performance: A review of the research in the literature post 1988¹

List of variables	References
<p>Internal (INT)</p> <p><i>INT - Management characteristics and perceptions:</i></p> <ul style="list-style-type: none"> • Export commitment and support • International experience • International orientation • Export motivation, proactive) • Perception of export advantages • Age • Education <p><i>INT – Organizational capabilities: Advanced technology and Quality of product/service</i></p> <p><i>INT – Organizational capabilities: Export strategy</i></p> <ul style="list-style-type: none"> • General export strategy • Export planning • Export organization • Proactiveness/reactiveness • Market expansion • Service strategy • Risk taking • Control • Process <p><i>INT – Organizational capabilities: Marketing mix</i></p> <ul style="list-style-type: none"> • Product strategy • Price strategy • Promotion strategy • Distribution strategy <p><i>INT – Knowledge-based factors: Export expertise</i></p> <ul style="list-style-type: none"> • International experience 	<p>Aaby and Slater, 1989; Alvarez, 2004; Beamish et al., 1999; Brouthers and Nakos, 2005; Cadogan et al., 2005; Cavusgil and Zou, 1994; Cavusgil, 1984; Cicic et al., 2002; Contractor et al., 2005; Czinkota and Ursic 1991; Da Rocha, Christensen, and Da Cunha 1990; Dean et al., 2000; Dichtl, Köglmayr, and Müller 1990; Gençtürk and Kotabe, 2001; Holzmüller and Kasper 1990; Ibeh and Wheeler, 2005; Ibeh and Young, 2001; Ibeh, 2003; Jones, 1999; Katsikeas et al., 2000; Lages and Montgomery, 2005; O’Cass and Julian, 2003; Oviatt and McDougall, 1994; Reid, 1983; Roth, 1995; Stöttinger and Holzmüller, 2001; Styles and Ambler, 2000; White et al., 1998; Zou and Stan, 1998.</p> <p>Alvarez, 2004; Balabanis and Katsikea, 2003; Cavusgil, Zou, and Naidu, 1993; Chetty and Hamilton, 1993; Contractor et al., 2005; Haahti et al., 2005; Madsen 1989; O’Cass and Julian, 2003; Piercy et al., 1998; Prasad et al., 2001; Robertson and Chetty, 2000; Rodriguez and Rodriguez, 2005; Shoham et al., 2002; Styles and Ambler, 1994; Thirkell and Dau, 1998; Yeoh, 2004.</p> <p>Aaby and Slater, 1989; Balabanis and Katsikea, 2003; Baldauf et al., 2000; Brouthers and Nakos, 2005; Chung, 2003; Contractor et al., 2005; Dean et al., 2000; Deng et al., 2003; Dhanaraj and Beamish, 2003; Francis and Collins-Dodd, 2000; Haahti et al., 2005; Hoang, 1998; Ibeh and Wheeler, 2005; Julien and Ramangalahy, 2003; Lado et al., 2004; Ling-ye, 2004; Ling-ye and Ogunmokun, 2001a; Morgan et al., 2004; Piercy et al., 1998; Robertson and Chetty, 2000; Shoham, 1999; Shoham et al., 2002; Solberg, 2002; White et al., 1998; Zou and Stan, 1998.</p> <p>Albaum and Tse, 2001; Amine and Cavusgil 1986; Beamish et al. 1993; Brouthers and Nakos, 2005; Brouthers and Xu, 2002; Cavusgil and Zou 1994; Chung, 2003; Dominguez and Sequeira, 1993; Fraser and Hite 1990; Gençtürk and Kotabe, 2001; Hoang, 1998; Lado et al., 2004; Lages and Montgomery, 2005; Lee and Griffith, 2004; Ling-ye and Ogunmokun, 2001b; Ling-ye and Ogunmokun, 2001a; Louter, Ouwerkerk, and Bakker, 1991; Madsen, 1989; Morgan et al., 2004; Myers, 1999; Namiki, 1994; O’Cass and Julian, 2003; Piercy et al., 1998; Robertson and Chetty, 2000; Samiee and Anckar 1998; Shoham et al., 2002; Shoham, 1999; Styles and Ambler, 1994; Thirkell and Dau, 1998; Zou et al., 2003.</p> <p>Baldauf et al., 2000; Brouthers and Nakos, 2005; Brouthers and Xu, 2002; Contractor et al., 2005; Dean et al., 2000; Deng et al., 2003; Francis and Collins-Dodd, 2000; Hoang, 1998; Lado et al., 2004; Ling-ye, 2004; Ling-ye and Ogunmokun, 2001b; O’Cass and Julian, 2003; Prasad et al., 2001; Solberg, 2002.</p>

¹ For a comprehensive review of literature on determinants of export performance prior to 1988 see Madsen (1987) and Aaby and Slater (1989).

List of variables	References
<p><i>INT – Knowledge-based factors: Export knowledge</i></p> <ul style="list-style-type: none"> • Market research • Customer information • Market information • Competitor information • Supply chain channels information <p><i>INT – Relational factors: Business and Institutional relationships</i></p> <ul style="list-style-type: none"> • Distribution channel relationship • Customer relationship • Supplier relationship • Partners relationship • Membership in formal and informal business networks • Government and other institutional relationships <p><i>INT – Firm characteristic</i></p> <ul style="list-style-type: none"> • Firm size • Degree of internationalization • Firm age • Industrial sector/product type • Organizational culture • Financial resources • Ownership structure 	<p>Grant, 1996; Hart and Tzokas, 1999; Kogut and Zander, 1992; Ling-ye, 2004; Morgan et al., 2003; Richey and Myers, 2001; Solberg, 2002; Teece et al., 1997; Yeoh, 2000.</p> <p>Cadogan et al., 2005; Coviello and Munro, 1997; Crick and Jones, 2000; Ibeh and Wheeler, 2005; Ling-ye and Ogunmokun, 2001b; Ray et al., 2004; Styles and Ambler, 2000; Styles et al., 2008; Zou and Stan, 1998.</p> <p>Akyol and Akehurst, 2003; Albaum and Tse, 2001; Alvarez, 2004; Balabanis and Katsikea, 2003; Baldauf et al., 2000; Beamish et al., 1999; Beamish et al. 1993; Brouthers and Nakos, 2005; Brouthers and Xu, 2002; Cadogan et al., 2002a; Cadogan et al., 2002b; Cadogan et al., 2003; Cadogan et al., 2005; Chung, 2003; Cicic et al., 2002; Contractor et al., 2005; Culpan 1989; Dean et al., 2000; Deng et al., 2003; Dhanaraj and Beamish, 2003; Francis and Collins-Dodd, 2000; Francis and Collins-Dodd, 2004; Gençtürk and Kotabe, 2001; Haahti et al., 2005; Hart and Tzokas, 1999; Hoang, 1998; Julien and Ramangalahy, 2003; Lado et al., 2004; Lee, 1998; Lee and Griffith, 2004; Ling-ye, 2004; Ling-ye and Ogunmokun, 2001a; Ling-ye and Ogunmokun, 2001b; Moen, 1999; Morgan et al., 2004; Myers, 1999; O’Cass and Julian, 2003; Piercy et al., 1998; Prasad et al., 2001; Richey and Myers, 2001; Robertson and Chetty, 2000; Rose and Shoham, 2002; Shoham, 1999; Shoham et al., 2002; Solberg, 2002; Stöttinger and Holzmüller, 2001; Styles and Ambler, 2000; Thirkell and Dau, 1998; White et al., 1998; Wolff and Pett, 2000; Yeoh, 2000; Yeoh, 2004; Zou et al., 2003.</p>
<p>External (EXT)</p> <p><i>EXT – Export market characteristics</i></p> <ul style="list-style-type: none"> • Legal and political • Cultural similarity • Market competitiveness • Environmental hostility/turbulence • Economic similarity • Channel accessibility • Customer exposure <p><i>EXT – Domestic market characteristics</i></p> <ul style="list-style-type: none"> • Domestic market conditions • Export assistance • Environmental hostility <p><i>EXT – Industry characteristics</i></p> <ul style="list-style-type: none"> • Industry’s technological intensity • Industry’s level of instability 	<p>Balabanis and Katsikea, 2003; Baldauf et al., 2000; Brouthers and Xu, 2002; Cadogan et al., 2002a; Cadogan et al., 2002b; Cadogan et al., 2003; Cadogan et al., 2005; Cicic et al., 2002; Dean et al., 2000; Lado et al., 2004; Lages and Montgomery, 2005; Lee, 1998; Lee and Griffith, 2004; Morgan et al., 2004; O’Cass and Julian, 2003; Robertson and Chetty, 2000; Rose and Shoham, 2002; White et al., 1998.</p> <p>Alvarez, 2004; Francis and Collins-Dodd, 2004; Gençtürk and Kotabe, 2001; Lages and Montgomery, 2005; Robertson and Chetty, 2000; Stöttinger and Holzmüller, 2001.</p> <p>Cavusgil and Zou, 1994; Cavusgil and Kirpalani, 1993; Das, 1994; Holzmüller and Kasper, 1991; Holzmüller and Stöttinger, 1996; Ito and Pucik, 1993; Lim, Sharkey and Kim, 1996; Naidu and Prasad, 1994.</p>

Table 4.1 provides a detailed overview of export performance determinants along with the relevant studies.

Since the pioneering work of Tookey (1964) who first attempted to identify export success factors, the interrelationship among export performance determinants and export outcomes has been the subject of analysis in over a hundred empirical studies (Katsikeas, Leonidou and Morgan, 2000). In an extensive literature review, Gemunden (1991) counted over 700 variables that were advanced and analysed as determinants of export performance.

In general, the export performance determinants are viewed as internal, firm-specific influences and external, environmental influences (Madsen, 1987; Aaby and Slater, 1989; Chetty and Hamilton, 1993; Zou and Stan, 1998; Katsikeas et al, 2000; Sousa et al., 2008). The internal/external divide corresponds to the two theoretical approaches underpinning most of the empirical research of export performance – the resource based view of the firm (RBV) and contingency theory. Studies examining the internal factors are grounded in the RBV approach, and assume that the firm's export performance is under the control of the firm and its management. The resource-based view (RBV) proponents suggest that exploitation of idiosyncratic, immobile strategic resources owned or controlled by a firm are its source of superior performance (Penrose, 1959; Wernerfelt, 1984). Empirical research over the past 40 years has identified and tested a number of internal influences, often labelled as managerially controllable factors. They can be grouped in four broad groups: firm characteristics, management characteristics, management attitudes and perceptions, and export strategy. The most frequently cited factors as firm-specific determinants in the export performance literature are marketing mix variables, management characteristics, firm specific variables, and export strategy factors.

The importance of the external determinants is supported by contingency theory, rooted in the structure-conduct-performance framework of industrial organization (Cavusgil and Zou, 1994). This theory argues that a firm must adapt to the external environment pressures in order to survive and prosper. A superior export performance is a result of a firm's successful strategic response to the external factors (Robertson and Chetty, 2000). The external influences are defined as environment-specific and hence managerially uncontrollable. The external determinants are generally categorized as industry specific and market specific. The industry specific factors refer to the industry's technological intensity and its level of instability. Factors affecting export performance in domestic markets differ from those in the foreign markets. The liability of foreignness increases the cost of doing business abroad due to legal, economic, and cultural differences. Legal and political factors and cultural similarity are factors that are most cited as external determinants of export performance. The effects of the domestic market factors on the export performance is somewhat neglected in the export performance research. The very few studies that have investigated the domestic market characteristics as potential determinants of export performance identified two determinants: export assistance and domestic environmental hostility. A comprehensive list of variables advanced as external determinants of the export performance is provided in Table 4.1.

4.2 Measures of export performance

Attainment of successful export performance is at the heart of the strategic decision making process for both corporate and public policy decision makers. For companies, the success of the export performance indicates the extent to which firm's objectives, both economic and noneconomic, are achieved in an international context at a given point of time and reflects the suitability of the chosen export

strategy in responding successfully to the firm and environmental circumstances. Given that exporting is a strategic choice for a firm, the objectives can vary widely between firms, industries, national contexts and time horizons. Consequently, there is a plethora of export performance indicators used in the exporting literature. For example, Katsikeas, Leonidou and Morgan (2000), in their analysis of 100 export-related articles, identified 42 different performance indicators. More recently Sousa (2004), in his analysis of export performance related articles published between 1998 and 2004, identified 50 different performance indicators. The extensive array of indicators employed in the export performance literature is a reflection of the difficulties in accessing export performance data as well as the on-going search for consistent and comprehensive measures. This makes the comparison and validation of the findings from different studies very difficult.

An overview of the relevant literature implies that conceptually sound and reliable export performance measure should fulfil the following criteria: i) it has to be composite and multidimensional, i.e. to include both objective and subjective measures; ii) it has to have a frame of reference, i.e. to be benchmarked against domestic market performance, competitors performance or prior performance; iii) it has to be assessable over time, i.e. expressed in absolute as well as relative terms; and iv) it has to reflect the firm's strategic goals at the appropriate level (company, SBU, export venture or line of product) and for an appropriate time horizon (short term or long term) (Diamantopoulos and Kakkos, 2007). Table 4.2 represents a classification of the export performance measures following the above criteria.

Table 4.2 Classifications of export performance measures

Criteria	Classification	Criteria met in this study
Type of assessment	<ul style="list-style-type: none"> • Objective • Subjective • Composite 	✓
Type of indicator	<ul style="list-style-type: none"> • Economic/Financial • Noneconomic/Nonfinancial • Composite 	✓
Measure complexity	<ul style="list-style-type: none"> • One-dimensional • Multidimensional 	✓
Frame of reference	<ul style="list-style-type: none"> • Domestic market • Competition • Prior performance 	✓ ✓
Time perspective	<ul style="list-style-type: none"> • Static • Dynamic 	✓ ✓
Unit/level of assessment	<ul style="list-style-type: none"> • Company • Strategic business unit • Export venture • Specific product 	✓
Assessment time span	<ul style="list-style-type: none"> • Short term • Long term 	✓

The objective/subjective divide refers to the type of values used in the export performance assessment, i.e., objective indicators are mainly based on absolute values (e.g. export sales volume, export profit margin, export market share, etc.) while subjective indicators are based on perceptual values (e.g. the manager's perception of success and satisfaction with export sales).

Measures of export performance are usually categorized in two broad groups: financial/economic and non-financial/non-economic measures. A comprehensive list of economic and noneconomic indicators as measures of export performance are outlined in Table 4.3 alongside the relevant studies.

Table 4.3 Literature Review of Export Performance Measures

Measure	References
<p>ECONOMIC MEASURES</p> <p><i>Sales-related</i></p> <ul style="list-style-type: none"> • Export intensity • Export intensity growth • Export sales efficiency • Export intensity growth compared to competitors • Export sales growth • Export sales growth compared to competitors • Export sales return on investment • Export sales return on investment compared to competitors • Export sales volume • Export sales volume compared to competitors 	<p>Akyol and Akehurst (2003). Axinn, 1988; Axinn, Noordewier, Sinkula (1996); Axinn, Savitt, Sinkula, Thach (1995); Axinn, Thach (1990); Balabanis and Katsikea (2003); Baldauf, Cravens, and Wagner (2000); Beamish, Craig, McLellan (1993); Beamish, Karavis, Goerzen, and Lane (1999); Bodur (1994); Brouthers and Xu (2002); Cadogan, Cui, and Li (2003); Cadogan, Diamantopoulos, and Siguaw (2002); Cadogan, Sundqvist, Salminen, and Puumalainen (2002); Cavusgil, 1984; Chan (1992); Cacic, Patterson, and Shoham (2002); Cooper and Kleinschmidt, 1985; Crick et al., 1994; Culpan (1989); Czinkota and Johanston, 1983; Czinkota, Ursic (1991); Das (1994); Dean, Menguç, and Myers (2000); Dhanaraj and Beamish (2003); Diamantopoulos, Schlegelmilch (1994); Francis and Collins-Dodd (2000); Gençtürk and Kotabe (2001); Gray (1997); Hart and Tzokas (1999); Hoang (1998); Ito, Pucik (1993); Katsikeas et al., 1997; Kaynak, Kuan (1993); Lages and Lages (2004); Lages and Montgomery (2004). Lee (1998); Lee, Yang (1990); Lim, Sharkey, Kim (1996); Ling-yea and Ogunmokun (2001); Louter, Ouwerkerk, Bakker (1991); Madsen, 1989; McGuinness and Little, 1981; Moen (1999); Morgan, Kaleka, and Katsikeas (2004); Morgan and Katsikeas (1998); Munra, Beamish (1987); Myers (1999); Namiki (1989); Namiki (1994); Piercy, Kaleka, and Katsikeas (1998); Prasad, Ramamurthy, and Naidu (2001); Reid (1987); Richey and Myers (2001); Robertson and Chetty (2000); Roper and Love (2002); Rose and Shoham (2002); Samiee, Walters (1990); Schlegelmilch, Ross (1987); Shoham (1998); Shoham (1999); Shoham, Evangelista, and Albaum (2002); Solberg (2002); Spence (2003); Stewart and McAuley (2000); Stöttinger and Holzmüller (2001); Styles (1998); Styles and Ambler (2000); Thirkell and Dau (1998); Tzokas et al. (2000); Wakelin (1998); Walters (1993); Walters, Samiee (1990); Westhead (1995); White, Griffith, and Ryans (1998); Wolff and Pett (2000); Yeoh (2000); Zou, Andrus, Norvell (1997). Zou, Taylor, and Osland (1998);</p>
<p><i>Market-related</i></p> <ul style="list-style-type: none"> • Export market share • Export market share compared to competitors • Export market share growth • Export market share growth compared to competitors • Gaining foothold in the market • Market diversification • Rate of new market entry • Rate of new market entry compared to competitors 	<p>Akyol and Akehurst (2003); Albaum and Tse (2001); Baldauf, Cravens, and Wagner (2000); Brouthers and Xu (2002); Cadogan, Diamantopoulos, and Siguaw (2002); Cadogan, Sundqvist, Salminen, and Puumalainen (2002); Cavusgil and Kirpalani, 1993; Cavusgil and Zou, 1994; Dhanaraj and Beamish (2003); Lages and Lages (2004); Lages and Montgomery (2004). Lee (1998); Moen (1999); Morgan, Kaleka, and Katsikeas (2004); Myers (1999); Piercy, Kaleka, and Katsikeas (1998); Prasad, Ramamurthy, and Naidu (2001); Richey and Myers (2001); Robertson and Chetty (2000); Rose and Shoham (2002); Shoham (1998); Solberg (2002); Thirkell and Dau (1998); White, Griffith, and Ryans (1998); Zou, Taylor, and Osland (1998);</p>
<p>NONECONOMIC MEASURES</p>	

Measure	References
<p><i>General</i></p> <ul style="list-style-type: none"> • Export success • How competitors rate firm's export performance • Meeting expectations • Overall export performance • Overall export performance compared to competitors • Strategic export performance 	<p>Akyol and Akehurst (2003); Balabanis and Katsikea (2003); Brouthers and Xu (2002); Cadogan, Diamantopoulos, and Siguaw (2002); Cicic, Patterson, and Shoham (2002); Crick and Jones (2000);Crick et al. (2000);Gençtürk and Kotabe (2001); Katsikeas, Piercy, Ioannidis (1996); Lages and Lages (2004); Lages and Montgomery (2004). Lee (1998); Ling-yee and Ogunmokun (2001); McAuley (1999);McGuinness et al. (1991);Moen (1999); Myers (1999); Naidu, Prasad (1994); O'Cass and Julian (2003); Patterson, Cicic, Shoham (1997); Prasad, Ramamurthy, and Naidu (2001); Raven, McCulloch, Tansuhaj (1994); Robertson and Chetty (2000); Seifert, Ford (1989); Shoham, Evangelista, and Al-baum (2002); Singer, Czinkota (1994); Solberg (2002); Sriram, Manu (1995).Stewart and McAuley (2000); Styles (1998); Styles and Ambler (2000); Thirkell and Dau (1998); White, Griffith, and Ryans (1998); Zou, Taylor, and Osland (1998);</p>
<p><i>Miscellaneous</i></p> <ul style="list-style-type: none"> • Achievement of objectives regarding response to competitive pressures • Building awareness and image overseas • Contribution of exporting to the growth of the firm and to the quality of firm's management • Customer satisfaction • Gaining new technology/expertise • Product/service quality compared to competitors • Quality of customer relationships compared to competitors • Quality of distributor relationships • Quality of distributor relationships compared to competitors • Reputation of the firm compared to competitors 	<p>Gençtürk and Kotabe (2001); Morgan, Kaleka, and Katsikeas (2004). Myers (1999); Prasad, Ramamurthy, and Naidu (2001); Thirkell and Dau (1998);</p>

The aggregate evidence suggests that the most used financial indicators as measures of export performance are:

- sales-related indicators such as: export sales ratio (e.g., Czinkota and Johanston, 1983; Cavusgil, 1984; Madsen, 1989), export sales growth (e.g., Cooper and Kleinschmidt, 1985; Madsen, 1989), export sales volume and export sales ratio (eg., Axinn, 1988; McGuinness and Little, 1981); and
- profit-related indicators, such as: export profitability, export profitability growth, export profit ratio ,and export profit margin (eg., Bilkey, 1982, Madsen, 1989).

Other, less used financial measures are the market share-related indicators, such as: export market share, and export market share growth (Cavusgil and Kirpalani, 1993; Cavusgil and Zou, 1994). These measures are used as means for capturing the strategic outcome of exporting.

Despite the large number of variables employed as measures of export success several measures appear to be used considerably more than others, such as export intensity (export-to-total sales ratio), export sales growth, export profitability, export market share, satisfaction with overall performance, and perceived export success (Sousa, 2004).

Faced with the difficulties of obtaining financial data from the firms especially the SMEs, some researchers resort to the use of non-financial/non-economic measures of export performance. This approach advocates the use of perceptual/attitudinal or generic measures of performance, such as: perceived export success, achievement of export objectives, satisfaction with export performance, or strategic export performance (eg., Zou and Stan. 1998; Ibeh and Wheeler, 2005). Other non-financial

measures include product-related and market-related indicators and other miscellaneous measures.

Much of the early export performance research has been dominated by single-item measures, either economic or non-economic. Recognizing that export success is “multifaceted and cannot be captured by any single performance indicator” (Diamantopoulos, 1998: 3) recent empirical studies have attempted to develop and validate multi-item measures in form of more complex and multidimensional performance metrics (Zou, Taylor and Osland, 1998; Shoham, 1998; Styles, 1998; Lages and Lages, 2004; Lages, Lages and Lages, 2005).

The following factors have been found to affect the choice of export performance measure:

- Data availability and accessibility
- Firm characteristics (size, export experience)
- Unit/level of assessment
- Time frame of assessment (short-term vs. long-term)
- Strategic objectives
- Position of the assessor in the firm (SBU manager, export manager, financial manager, general manager, etc.)

4.3 Subjective (perceptual) versus objective (empirical) measures

The large number of export performance determinants and measures advanced in the academic research accompanied by inconsistent and sometimes contradictory results have raised concerns about a potential divergence between academic findings and practitioners’ reality (e.g., Madsen, 1998; Lages and Montgomery, 2004; Lages and Lages, 2004; Lages, Lages and Lages, 2005).

A possible reason could be the small number of studies that explicitly consider the managers’ views of export performance and its determinants. The majority of

exporting studies investigate resources owned or controlled by a firm as internal determinants of the firm's export performance, or examine the environment-specific factors (markets, industry) as external drivers of export success. These studies assess the relationship between the internal and/or external factors with either an objective or subjective export performance measure. Various export performance models have been built to reflect the underlying propositions and then tested by employing some form of statistical analysis. Statistical analysis is used to determine the nature (positive or negative) and the direction (direct or indirect) of the determinant(s)/performance relationship. These are generally considered to be valid and reliable constructs, since they are derived by an objective analytical method.

However, this approach has been criticized for producing results that are not always aligned with the manager's views and perceptions of the firm's export performance and its determinants. This study attempts to investigate whether there is a significant discrepancy between the findings using objective measures and the structural equation modelling technique to test the resource/performance relationship and findings based on the manager's own perception of the importance of specific firm resources for the firm's export performance. Subjective metrics have been shown to be valid in assessing export performance and in determining the manner in which performance is associated with managerial decisions (see Katsikeas, Leonidou, and Morgan, 2000).

4.4 Summary

The variety of determinants and measures employed in the export performance studies is a reflection of the complexity of the export performance concept itself. Export targets differ across firms as well as within the firms, i.e. while all stakeholders in the firm aim for export success they may have distinct perceptions of

what constitutes such success. Hence, different factors will have a critical role in securing successful outcomes. More recently attempts have been made to capture this complexity by introducing composite, multi-dimensional scales to measure export performance.

The past three chapters have provided a comprehensive overview of the theoretical and empirical literature underpinning the internationalization research. The main theoretical propositions, empirical evidence and critiques of the research related to the stage theories, network models and resource-based view were presented as they relate to exporting. An argument was advanced endorsing the RBV approach as a valid framework that provides a more integrative approach in explaining the internationalization process and its outcomes.

Chapter 5 Model and Hypotheses Conceptualization

Building on prior theoretical and empirical studies discussed in the previous three chapters this chapter advances a resource-based model of export performance as an integrative framework in identifying advantage-generating resources and capabilities as critical drivers of the export strategy and export performance. Drawing on the insights from the literature on RBV and on export performance, the thesis research questions are conceptualized into hypotheses.

5.1 RBV as an integrative perspective

It could be argued that the re-emerging interest in the RBV framework by international business scholars has been elicited by the failure of the stage models and network approach to provide sufficient and consistent explanation of the internationalization process. One could argue that the RBV framework in fact incorporates the main postulates of the other two approaches and therefore these three frameworks are more complementary than previously thought. For example, the RBV focus on the internal development of the firm's resources is consistent with the stages model of internationalization, where initial international efforts are impeded by a lack of resources (Chetty and Wilson, 2003). The empirical testing of the RBV identified the management experience and knowledge in international operations as one of the key contributors to the firm's export performance, which is similar in concept with the stage models' argument that firms' internationalization is contingent on their incremental market knowledge and experience. Where the two concepts differ is how firms acquire that knowledge. While the stage approach assumes 'in-house' knowledge accumulation through experience, the RBV allows for both, development and acquisition of the knowledge as a resource.

This is where the RBV and network approaches meet. Networks could be defined as means of overcoming resource constraints. In fact the role of the relational resources in the RBV framework is to provide access to information and resources through leveraging firm's external partner relationships. Viewed in this way, the RBV approach has the potential to be seen as a more integrative framework for the internationalization process. Hence, in this thesis the traditional definition of what constitutes a firm-specific resource – managerial resources, physical resources and organizational resources – is broadened to include knowledge-based resources and relational resources.

The thesis argues that knowledge accumulated both directly from the firm's incremental experience in international operations, and indirectly through acquisition of knowledge (mergers, alliance, partnerships, network membership) can be regarded as a resource of the firm. Knowledge as mentioned above was viewed by the Uppsala and stage models as a central determinant of the firm's degree and mode of internationalization.

The thesis also argues that the firm's relationships, both formal and informal, are an internal resource that considerably influences the firm's export performance. Network membership has been identified as a significant source of competitive advantage by the proponents of the network perspective. They maintain that an important part of a firm's knowledge is often created and maintained through actors in its relevant networks (Welch and Welch, 1996). The firm's relationships, especially with its clients, have long been recognized as an important source of access to knowledge and resources for the firm (Yli-Renko et al., 2001; Zander and Zander, 2005; Bell and Loane, 2006).

Since previous empirical research has already found a significant relationship between each of these factors and the firm's internationalization venture, this thesis explores their significance in an integrated RBV framework.

5.2 Resource-based model of export performance

Prior research indicated that the RBV has proven to be a sound theoretical base for developing and testing export models. This dissertation proposes a RBV framework building on prior research, in particular the Ibeh and Wheeler's (2005) resource-centred interpretation of export performance as presented in Figure 3.4 (Chapter 3: 56) and Zou, Taylor and Osland's (1998) measures of export performance (the EXPERF scale).

Ibeh and Wheeler (2005) employed a resource-based framework consistent with Mahoney and Pandian's (1992) vision of RBV. The authors used the traditional RBV classification and grouped the internal firm-specific resources into three categories: managerial, physical and organizational resources. They introduced a fourth category – relational resources, as a bridge between the internal and the external environment of the firm. The firm-level export performance was measured according to Zou et al.'s, (1998) EXPERF scale.

The Ibeh and Wheeler's (2005) study provides a valuable theoretical contribution to the RBV grounded export research by advancing a resource-based framework of export performance that incorporates a relatively extensive list of firm-specific resources and employs a composite measure of export performance. The proposed framework is built by integrating and interpreting influences on export performance identified in 30 export performance studies undertaken in the UK during 1990-2003 period. While the study presents a comprehensive overview of the aggregate empirical evidence of the resource/performance relationship in the UK context it also

has several shortcomings. First, the traditional categorisation of the firm-specific resources employed in this framework does not make a distinction between firm-specific resources and capabilities. This is particularly evident in the *organizational resources* category. This resource group includes a resource labelled as *firm capabilities*. Firm capabilities has been argued in prior research to be distinct firm-specific factors that are largely seen as more dynamic, knowledge/process-based aspects of resources (Foss, 1997), or services obtained from resources (Penrose, 1959). Furthermore, empirical evidence suggests that in international context firm's capabilities are more important than resources in explaining firms heterogeneous export performances (Hall, 1992; Fahy, 2002; Kaleka, 2002). If we were to apply the Hall's (1992) definition of capabilities as what the firm 'does' as opposed to what it 'has' to the rest of the factors listed under organizational resources in the Ibeh and Wheeler's framework, few more factors could be argued to be mislabelled (for example export planning and market research utilization).

Second, a significant firm-specific resource/capability's category is missing altogether from the framework – the knowledge resources and capabilities. The knowledge-based view (KBV) literature asserts that knowledge is one of the critically important strategic resources for firms (Kogut and Zander, 1992; Conner and Prahalad, 1996; Grant, 1996) where productive knowledge is perceived as key for long-term competitive advantage and superior performance (Teece et al., 1997).

Third, the nature of the individual resource/performance relationships (positive or negative) is absolute and does not account for the influence of a specific resource factor concurrently with the other firm-specific factors. The framework is based on empirical evidence from 30 different studies where the effects of one of few resources on export performance have been tested. The proposed framework has not

been empirically tested itself and hence does not provide an empirical validation of the individual or concurrent nature (positive or negative) of the suggested resource/performance relationships.

Building on the propositions and findings of the Ibeh and Wheeler's (2005) study and other earlier studies, a resource-based model of export performance is presented in Figure 5.1.

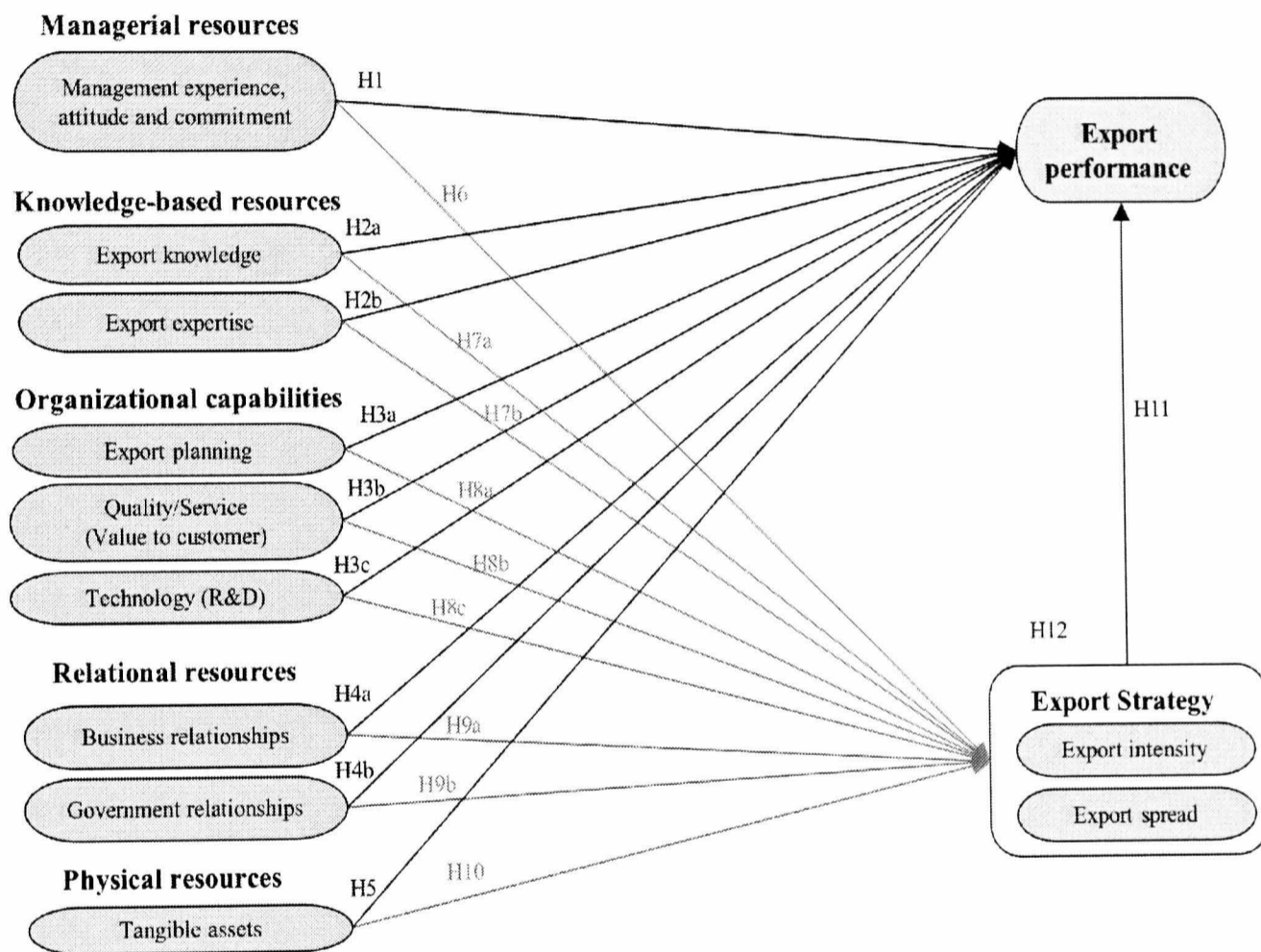


Figure 5.1 Resource-based model of export performance

This model extends the earlier work in three ways. Firstly, it integrates and tests concurrently a wider pool of firm-specific resources than the prior studies. The majority of prior studies examine the relationship between either a particular resource or a small number of resources and firm performance. Secondly, it makes a clear distinction between resources and capabilities and examines their relative

importance for the firm performance. Third, it examines the relative importance of different resources/capabilities and resource/capability bundles and their relationship with the export performance of the firm. Finally, it investigates the extent to which export strategy mediates the effects of these resources/capabilities upon export performance.

5.3 Hypotheses

5.3.1 Resources and export performance

Since the pioneering work of Tookey (1964) in identifying export success factors, the relationship between export performance determinants and export outcomes has been the subject of analysis in over one hundred empirical studies (Katsikeas et al., 2000). In an extensive literature review, Gemunden (1991) counted over 700 variables that were advanced and analysed as determinants of export performance. In general, the export performance determinants are viewed as either external, environmental influences (managerially uncontrollable, such as industry characteristics, domestic and foreign market characteristics) or as internal influences, often labelled as managerially controllable factors (Aaby and Slater, 1989; Zou and Stan, 1998; Katsikeas et al., 2000).

The internal/external divide corresponds to the two theoretical bases underpinning most of the empirical research of export performance – RBV and industrial organization theory. Studies examining the internal factors are grounded in the RBV approach, and assume that the firm's export performance is under the control of the firm and its management. The importance of the external determinants is supported by industrial organization theory, which takes a more fatalistic approach and argues that a firm must adapt to the external environment pressures in order to survive and

prosper. The external influences are defined as managerially uncontrollable and refer to the industry characteristics, and domestic and foreign market characteristics.

Studies examining the internal factors are grounded in the RBV approach, and over the past 40 years have identified and tested a number of internal influences. Following the logic and findings of earlier models in this study the firm-specific resources are grouped into five resource groups: managerial resources, knowledge-based resources, organizational resources, relational resources, and physical resources.

Managerial resources refer to all the demographic, experiential, attitudinal and behavioural characteristics of the decision makers within the firm who are directly or indirectly involved in the exporting decision (Leonidou et al., 1998). Through the critical role that managers play in the decision-making process (for example, through their perception of export opportunities and barriers, information gathering, export planning, export strategy execution, relationship management in foreign markets, etc.) they will inevitably influence the firm's export performance.

Previous research from various theoretical streams has found strong evidence of the critical impact of the top management's knowledge and experience of, and attitudes and commitment to, international activities and promoting international performance (Reid, 1983; Aaby and Slater, 1989; Oviatt and McDougall, 1994; Zou and Stan. 1998; Jones, 1999; Ibeh and Young, 2001; Ibeh, 2003). For example a number of empirical studies of stage models found that managerial experience in, and attitudes towards foreign operations were critical for the firm's incremental involvement in foreign markets and progression to a higher stage of internationalization (Bilkey and Tesar, 1977; Reid, 1981; Moon and Lee, 1990; Crick, 1995). Leonidou et al., (1998)

provide a comprehensive review of the effects of managerial factors on export performance.

In a review of the empirical literature on export performance for the 1987-1997 period, Zou and Stan (1998) conclude that: management's export commitment is one of the key determinants of export performance; management's international orientation is a very consistent positive predictor of good export performance; management's perception of export advantages is a good predictor of export sales, profits, and growth; and management's international experience has a positive effect on export sales, export profits, export growth and the overall export performance. These findings are consistent with the previous work of Aaby and Slater (1989) and Chetty and Hamilton (1993).

Evidently, amongst management's characteristics, the top management's commitment, attitude and experience in international business operations were consistently found to have a strong direct positive influence on the firm's export performance (Cavusgil, 1984; Madsen, 1987; Cavusgil and Zou, 1994; Roth, 1995; Katsikeas et al., 2000; Ibeh and Wheeler, 2005). Thus, this study hypothesizes:

Hypothesis 1: Management resources will have a significant positive effect on the firm's export performance.

Knowledge-based resources of the firm may also play a vital role in determining its success in the export market. Over the past decade a knowledge-based view (KBV) has emerged as an extension to the RBV (Kogut and Zander, 1992; Conner and Prahalad, 1996; Grant, 1996). According to the KBV, firms exist as social communities of knowledge (Demsetz, 1991; Kogut and Zander, 1996) and asserts that knowledge is the most important strategic resource for firms. Heterogeneity in knowledge-based resources is a significant source of variation in firm performance

(Grant, 1996; Kogut and Zander, 1992; Morgan et al., 2003). Learning, seen as a cumulative process generating productive knowledge, thereby forms a key element of the dynamic factors driving internationalization (Benito and Welch, 1994). Productive knowledge is perceived as critical for long-term competitive advantage and superior performance (Teece et al., 1997).

Despite the significant scholarly and managerial interest generated by KBV across a large number of disciplines including international business, there is relatively little empirical evidence to validate the main propositions underlying the KBV explanation of firm performance. The majority of the KBV literature examines the relationship between performance outcomes and individual types of knowledge within a firm (Morgan et al., 2003), whilst very few, if any, studies examine knowledge-based resources simultaneously with the other firm-specific resources.

Among the many different approaches to conceptualizing and operationalizing knowledge from the KBV perspective, the export literature asserts that two types of knowledge are particularly important for the success of an export venture: export market knowledge (i.e. information about the export markets, customers, competitors, channels and other players in the target market), and export expertise (knowledge gained from experience in overseas market operations). Therefore, this study hypothesizes:

Hypothesis 2a: Export knowledge-based resources will have a significant positive effect on the firm's export performance.

Hypothesis 2b: Export expertise resources will have a significant positive effect on the firm's export performance.

Organizational resources/capabilities, specifically product/service capabilities. planning, knowledge, and customer service capabilities have also been identified as having a positive association with international operations' performance (Cavusgil and Nevin, 1981; Aaby and Slater, 1989; Bell, 1995; Zou and Stan, 1998; Etemad and Lee, 2003).

Having a defined export strategy or any form of strategic orientation in planning and organizing for exporting indicates a strong firm commitment to exporting usually resulting in solid positive export performance (Aaby and Slater, 1989; Zou and Stan, 1998; Dhanaraj and Beamish, 2003; Ibeh and Wheeler, 2005). However, the choice of a specific exporting strategy (concentration or diversification, first mover or follower) was found to be unimportant in terms of predicting performance (Madsen, 1987; Zou and Stan, 1998). Prior empirical studies have found that capabilities are the firm's most important resource in a global environment because they are knowledge-based, complex processes and as such are hard to imitate. Hence, the following hypothesis:

Hypothesis 3a: Export planning capabilities will have a significant positive effect on the firm's export performance.

The firm's *marketing mix competences* – product, price, promotion and distribution channel adaptation – are frequently studied by researchers with mixed results as outcomes (Aaby and Slater, 1989, Zou and Stan, 1998). For example, Katsikeas, Leonidou and Morgan's (2000) review of the export performance literature found evidence of a positive association between performance and each of product quality, pricing strategy, dealer support and advertising. However, in the case of product and price adaptation it seems that findings vary by whether the target market is in a developed or a developing country. Zou, Fang and Zhao (2003) found that export

marketing capabilities affect the export performance indirectly through low-cost and branding advantages in the case of Chinese exporters. Conversely, Ibeh and Wheeler (2005) in their analysis of the empirical evidence of 30 UK-focused studies concluded that marketing mix variables exhibit predominantly neutral effects on export performance. For the effect of marketing mix competences on export performance in the case of British exporters, this study re-examines these findings and hypothesizes:

Hypothesis 3b: Marketing mix (quality/service) competencies will have a significant positive effect on the firm's export performance.

Technological resources are considered by many to be the most important among the firm's intangible assets due to their capability to generate a dual competitive advantage for the firm: firstly, through reducing costs by developing new and more efficient processes, and secondly, through enabling diversification via the creation of innovative products and services. Numerous empirical studies in the export domain have found technology and innovation to be one of the main factors contributing to export success (McGuinness and Little, 1981; Burton and Schlegelmilch, 1987; Madsen 1989; Cavusgil, Zou, and Naidu, 1993; Styles and Ambler, 1994). For example, in a recent study of 1,234 Spanish manufacturing firms, Rodriguez and Rodriguez (2005) found that the technological capacity of the firm positively and significantly affects both the decision to export and the export intensity. Chetty and Hamilton (1993) also found a positive effect of firm technology on export performance. However, the cumulative evidence from previous studies is not clear cut. For instance Reid (1986) found very little relationship between technology and export performance. Most reviews of the literature agree that the effects of the technology intensity of the firm on export performance are mixed and unclear

(Madsen, 1987; Aaby and Slater, 1989; Zou and Stan, 1998). Yet, considering that technology is one of the driving forces of product mobility across national borders (Buckley and Casson, 1991) and that internationalization facilitates amortization of the high investment costs associated with research and development (R&D), hence improving the cost/benefit ratio of the firm's international expansion, this study hypothesizes:

Hypothesis 3c: Technology resources will have a significant positive effect on the firm's export performance.

Relational resources – Several studies have reported that a firm's capabilities to manage relationships and leverage external resources from its networks (customers, suppliers, distributors, partners, etc.) show strong positive associations with export performance measures (Madsen, 1987; Coviello and Munro, 1997; Zou and Stan, 1998, Crick and Jones, 2000; Ibeh and Wheeler, 2005, Styles et al., 2008). Ray et al., (2004) refine and broaden the resource-based view of the firm's sources of competitive advantage by introducing the concept of a firm's relationships as an advantage-generating source. According to Ray et al., (2004: 63) "superior economic performance stems from the firm's ownership or control of difficult-to-imitate resource combinations, or its leveraging of strategically-relevant market-based assets, e.g. through idiosyncratic inter-firm collaboration or other external linkages." The ability to leverage strategically-relevant relational "capital" to access and exploit external advantage-generating resources also seems to have important performance-enhancing effects (Srivastava et al., 1998; Etemad and Lee, 2003).

Prior research suggests that relational resources (networking capabilities) are particularly important for smaller international players that improve their competitiveness by organizing themselves in value adding chains, which enable them

to access and leverage external resources owned or managed by their network partners. Hence, the hypotheses:

Hypothesis 4a: Business relational resources will have a significant positive effect on the firm's export performance.

Hypothesis 4b: Government relational resources will have a significant positive effect on the firm's export performance.

Physical resources – The size of a firm's physical assets – plant and equipment, land and natural resources, finance, location – are often considered to be an indicator of the firm's ability to look for expansion opportunities, i.e. excess resource availability facilitates expansion into new markets. Advantage-generating physical resources have also been suggested as influences on the firm's economic performance (Penrose, 1959; Reid, 1983; Zou and Stan, 1998). For example, Ibeh and Wheeler (2005) conclude that physical resources have a strong positive effect on firm level export performance, results consistent with previous non-UK focused research (Bilkey, 1978; Chetty and Hamilton, 1993; Ford and Leonidou, 1991; Miesenbock, 1988). Hence, the following hypothesis is tested:

Hypothesis 5: Physical resources will have a significant positive effect on the firm's export performance.

5.3.2 Resources and export strategy

For a firm to outperform its competitors it must display a consistency between its resources and the environment as well as between its resources and the strategic choices it makes (Fahy, 1998). Each strategic approach will place unique demands on the firm's resources. For example, drawing on the RBV of the firm, Dhanaraj and Beamish (2003) developed a causal model of resources, export strategy and

performance. The tests of the causal relationships showed that enterprise resources, technological intensity, and firm size are good predictors of export strategy. and export strategy has been shown in turn to influence positively firm performance in the case of US and Canadian exporters. Bell, McNaughton, Young and Crick (2003) found that differences in motivation, objectives, and knowledge intensity influence the strategic approaches adopted by firms in the case of SMEs. Collis (1991) study of the global bearings industry indicates that the performance of certain firms was related to their possession of key resources, that structural changes were made to facilitate resource development and that the organization's heritage constrained its strategic choices.

The proposed model (Figure 5.1) treats export strategy as a mediating construct shaped by the firm's resources, which in turn has a direct impact on export performance. Building on Penrose (1959) and consequent RBV theoretical works and empirical evidence, I argue that the five major groups of resources detailed above, namely managerial, knowledge-based, organisational, network and physical resources, all have a direct influence on the firm's export intensity and export spread with varying degrees of impact.

Hence this study tests the following hypotheses:

There is a significant positive relationship between:

Hypothesis 6: Managerial resources and the firm's export strategy.

Hypothesis 7a: Export knowledge-based resources and the firm's export strategy.

Hypothesis 7b: Export expertise-based resources and the firm's export strategy.

Hypothesis 8a: Export planning capabilities and the firm's export strategy.

Hypothesis 8b: Marketing mix capabilities and the firm's export strategy.

Hypothesis 8c: Technological capabilities and the firm's export strategy.

Hypothesis 9a: Business relational resources and the firm's export strategy.

Hypothesis 9b: Government relational resources and the firm's export strategy.

Hypothesis 10: Physical resources and the firm's export strategy.

5.3.3 Export strategy and performance

Having a defined export strategy or any form of strategic orientation in planning and organizing for exporting seems to have solid positive export performance implications (Aaby and Slater, 1989; Zou and Stan, 1998; Dhanaraj and Beamish, 2003; Ibeh and Wheeler, 2005). For example, Aaby and Slater's (1989) "strategic export model" implies that firm's competences and strategy have direct and significant influence on the firm's performance while firm characteristics are found to be less important. However, the choice of a specific exporting strategy (concentration or diversification, first mover or follower) was found to be mostly insignificant (Madsen, 1987; Zou and Stan, 1998). The export strategy in my model is defined by two strategic concepts, most often used in the exporting literature: export intensity and export spread.

In the international business literature, a firm's export intensity, measured as a percentage share of the export sales in the total sales, is commonly used as an indicator of a firm's degree of internationalization – the higher the export sales relative to the total sales of the firm, the more internationalized I would expect the firm to be. Export spread (export market scope), measured by the number of export

markets served, is considered a good indicator of a firm's choice of market expansion strategy. The concentration of resources and marketing efforts on a relatively small number of foreign markets is an indication of execution of market concentration strategy, and, spread of resources and activities across as many markets as possible implies execution of market spreading strategy.

The relationship between the export intensity (degree of internationalization) and firm's export performance is a well-researched topic resulting in inconsistent and contradictory findings, ranging from a statistically significant positive relationship, negative relationship, insignificant or marginal relationship, U-shaped, inverted U-shaped, and horizontal S (Li, 2005; Contractor, 2007; Ruigrok et al., 2007). There is also considerable empirical evidence of the impact of a specific export strategy (market concentration or market spreading) on the export performance of the firm also with contradictory evidence as to which strategy results in better performance (Hirsch and Lev, 1973; Tookey, 1975; Hamermesh et al., 1978; Attiyeh and Wenner, 1981; Piercy, 1981; Cooper and Kleinschmidt, 1985; Lee and Yang, 1990). The general assertion is that conceptually, increasing internationalization should enhance a company's performance since it enables optimization of the cost/benefit ratio of internationalization and maximizes its performance (Contractor, 2007; Hennart, 2007). In order to validate these findings this study tests the following proposition:

Hypothesis 11: The firm's export strategy (export intensity and spread) will have a significant positive effect on the firm's export performance.

And further

Hypothesis 12: The firm's export strategy will mediate the relationship between firm's resources and the firm's export performance.

5.4 Manager's perceptions of resource/performance relationship

Over forty years of research on export performance has identified an array of firm-specific and environment-specific factors and behaviours and explored their association with export performance (Aaby and Slater, 1989; Chetty and Hamilton, 1993; Leonidou, Katsikeas and Piercy, 1998; Zou and Stan, 1998; Leonidou, Katsikeas and Samiee, 2002). Various models have been advanced to assess empirically the sign and direction of the relationship between these factors and export outcomes and have yielded different results. This plethora of research outcomes is a result of the considerable number of factors advanced as performance determinants as well as the inconsistencies in conceptualization and operationalization of performance measures. In addition, concerns have been raised about a potential divergence between the academic findings of the export determinants/performance relationship and the perceptions of managers (e.g., Madsen, 1998; Lages and Montgomery, 2004; Lages and Lages, 2004; Lages, Lages and Lages, 2005). In fact, there is very limited evidence of the perceptions of managers as to which factors are important for export success. Furthermore, very few studies consider explicitly managers' assessment of the export performance of their firms and the associated degree of satisfaction with the realization of export strategy goals.

In the pursuit of theoretically sound and empirically reliable and valid export performance models, researchers have relied mostly on objective measures of export determinants and export outcomes and have used statistical analysis to empirically assess the determinant/performance relationship. Although this approach has been perceived as reliable by academic researchers, a number of professional associations have raised concerns about a potential disparity between the findings derived from

the academic research and the managers' perceived reality (e.g., Marketing Science Institute and *Journal of Marketing Research*, 2003). To reconcile this apparent gap between the academic findings and practitioners' perceptions implies a need for research that relies more on subjective, perceptual measures of determinants and export performance.

Objective indicators (profit, sales or market related indicators) of actual performance have been the preferred metrics in export research, as they are claimed to be reliable and unbiased. However, this type of approach has also been associated with a number of problems (see Venkatraman and Ramanujam, 1986). First, data on corporate financial indicators are available only for publicly traded companies. Researchers have acknowledged the difficulty in obtaining primary data, particularly as export managers in privately held and smaller companies are often unwilling to provide absolute values. Second, financial data from secondary sources is usually aggregated and detailed firm level analysis is difficult. Furthermore, there are accounting and reporting differences across countries, industries, and firms making comparison of findings more challenging. Third, firms often engage in exporting ventures for strategic rather than financial reasons and hence managers (and stakeholders) use different (often non-financial) measures to formulate their decisions and to track progress and achievement of the firm's objectives.

One of the objectives of this thesis is to bridge the academic/practitioner divide by asking the export managers directly their view on the importance of firm specific factors for their firm's export performance. The observations based on the explicit perceptions of management are then contrasted with the empirical findings of the resource/performance relationship.

In this study subjective measures are used in assessing the resource/performance relationship and the performance outcomes. The study survey asked for managers' perceptions of the importance of a set of firm-specific factors for their firms' export performance, and relies on the managers' subjective perceptions of export performance measured by a composite performance scale.

Since this research objective of the thesis is exploratory by nature there were no hypotheses developed.

The next chapter presents a detailed discussion of the research methods employed in this thesis: the data collection procedures, measures' definitions, and analytical techniques.

Chapter 6 Research Methods

This chapter provides a detailed discussion of the research strategy employed in conducting this study. It outlines the advantages and disadvantages of the main research methods and presents arguments in support of the chosen methodological approach. The survey design principles and procedures are explained as well as the survey execution process via electronic and Internet tools. It also explains the content validity and instrument reliability assessment and the statistical methods used in data analysis.

6.1 Introduction

The choice of the most appropriate research method in studying international business (IB) phenomena is an ongoing debate among IB scholars (Cavusgil and Das, 1997; Boddewyn and Iyer, 1999). The literature offers a wealth of well-argued pros and cons for conducting interviews versus observations versus surveys. These arguments are summarized and presented in Table 6.1, in form of key advantages and disadvantages of the main methods used in the social sciences research. The consensus in the research community is that the research method should be determined primarily by the philosophical and theoretical standing of the researcher, the research objectives, the hypotheses tested, the nature of the population as well as the time and budget limitations of the study.

The research strategy of this thesis was primarily determined by its research objective: an attempt to develop and empirically test a framework depicting the relationships among the firm's resources and the firm's export strategy and performance.

Table 6.1 Advantages and disadvantages of the research methods

I. Questionnaire-based surveys

Advantages	Disadvantages
<ul style="list-style-type: none"> • Relatively simple and straightforward approach to the study of attitudes, values, beliefs and motives. • Adaptable to collect generalizable information from almost any human population. • High degree of data standardization. • High transparency (or accountability) – the methods and procedures used and data collected can be made visible and accessible to other researchers. 	<ul style="list-style-type: none"> • Respondent bias – data are affected by the ‘subjective factors’ and ‘situational determinants’ of the respondents. • Social desirability response bias – respondents won’t necessarily report their views accurately. • Reported attitudes, perceptions or motives could be different from the respondents actual actions. • Hard to establish causal relationships.

I.1 Postal and other self-administered surveys

Advantages	Disadvantages
<ul style="list-style-type: none"> • Easy (and often the only) way of retrieving information about the past history of a large set of people. • Can be extremely efficient at providing large amounts of data, at relatively low cost, in a short period of time. • Allow anonymity, which can increase frankness when sensitive areas are involved. 	<ul style="list-style-type: none"> • Typically have a low response rate. • Ambiguities in, and misunderstanding of, the survey questions may not be detected. • Respondents may not treat the exercise seriously.

I.2 Interview surveys

Advantages	Disadvantages
<ul style="list-style-type: none"> • The interviewer can clarify questions. • The presence of the interviewer encourages participation and involvement. 	<ul style="list-style-type: none"> • Data may be affected by characteristics of the interviewers. • Data may be affected by interactions of interviewer/respondent characteristics. • Respondents may feel their answers are not anonymous and be less forthcoming or open.

II. Interviews

Advantages	Disadvantages
<ul style="list-style-type: none"> • Flexible and adaptable way of collecting rich and highly illuminating material. • Increased accuracy – interviewer can clarify questions. • Possibility of modifying the enquiry, following up interesting responses and investigating underlying motives. • Observation of non-verbal cues that may help in understanding the verbal responses. 	<ul style="list-style-type: none"> • Call for considerable skill and experience in the interviewer. • Lack of standardization that may imply concerns about reliability. • Interviewer and/or respondent bias. • It is time-consuming – time to prepare, execute and transcribe the interview. • Costly if respondents are geographically dispersed.

III. Observational methods

Advantages	Disadvantages
<ul style="list-style-type: none">• Directness - direct view of people's behaviour instead of people's explanation about their behaviour.• Possibility to observe a phenomenon in its context over time.• Facilitates in-depth understanding of the observed phenomenon.	<ul style="list-style-type: none">• Observed situation can be affected by the presence of the observer.• Accuracy of the data collection and interpretation – observers bias.• External validity (generalizability) could be challenged due to small-scale observation settings.• Requires considerable skills and experience in the observer.• Expensive and time consuming – some observations may require several years.

Adopted and extended from Robson (2002).

The framework terminology is used on purpose. While models focus on relatively few variables whose interactions are examined in depth, frameworks encompass many variables and seek to capture much of the complexity of the variables' interactions and their influence on the outcomes.

6.2 Primary data collection

To analyse the complexity of the interactions among all the firm's resources, as defined by RBV, as well as their influence on the export strategy and performance it was necessary to compile a wide range of information. The nature and the scale of information needed implied the use of a self-administered survey questionnaire as the most suitable technique to collect such data (Easterby-Smith et al., 2002; May, 2003; Robson, 2004). Although the survey method is often criticized as lacking realism of context, it has the advantage of asking highly structured questions with easily quantifiable answers. In this study, the survey technique was deemed proper for collecting the type and volume of data necessary to compare quantitatively the perceived endowment with and importance of each resource within the firm, to provide empirical evidence of the statistical significance of the firm's key resources

for the firm's export strategy and performance, and to determine the extent to which various performance indicators are suitable measures of firm performance.

Further argument for adopting such an approach in export performance research is related to one of the objectives of this thesis, i.e., to test Ibeh and Wheeler's (2005, 2008) findings. Ibeh and Wheeler's (2005, 2008) discussion is based on their analysis of the findings of previously conducted studies by other researchers. The majority of these studies used the survey technique to collect data. One of the objectives of this thesis is to replicate and extend the prior analysis on an original set of data collected directly from UK exporters.

Second, most of the information requested from the respondents is factual in nature. A self-administered questionnaire allows the respondents time for consultation of documents and facts, potentially increasing the response validity (Faria et al., 1990).

Third, the survey was targeted at the chief executives of the firms, people who are very difficult to get to commit to a specific time for an interview. It is recognized that the self-administered questionnaire increases the response rate of this population by allowing the respondents to complete the survey at their convenience (Cycyota and Harrison, 2006). Furthermore, the confidentiality of respondent information is better preserved with surveys (Leong & Austin, 1996) than any other technique, which is often a primary concern for executives (Falconer & Hodgett, 1999).

In addition, the study had to be completed within a very rigid time and financial budget. The financial cost and time required to schedule, conduct and transcribe personal or telephone interviews exceed in most cases by far the expenses of a self-administered questionnaire. Electronic and Internet surveys have the potential to reach a much broader population at virtually no cost to the researcher.

The approach selected is consistent with the research strategy employed by the majority of prior empirical research on export performance. Surveys are by far the most frequently used method in studying the export performance of the firm. For example, Zou and Stan (1998) in their review of export performance literature found that 84% of studies used survey techniques for their data gathering. In the case of UK studies (Ibeh and Wheeler, 2008) more than two thirds of the research employed the survey questionnaire technique. In fact, mail questionnaire survey-based studies across IB journals account for almost 50% of empirical articles (Yang et al., 2006). Only a limited number of studies conducted interviews or mixed methods to collect data.

6.2.1 Electronic and web-based survey

Self-administered mail survey questionnaires are best appreciated among researchers for their ability to gather data from large sample populations at a relatively low cost compared to the interview technique. However, the cost effective advantage is often offset by the need of repeated mailings necessary to increase the response rate. Two or three mailings in the case of a sample population of several thousands can easily result in costs of many thousands of pounds, a budget that is not available to most researchers. The researchers are thus left split between the need to target a large sample population in pursuit of a high response rate that will provide confidence in the findings and the need for smaller samples in order to limit the high mailing cost.

One solution to this dilemma is the use of information and communication technology (ICT) to distribute the surveys, i.e. electronic and web-based surveys. Electronic surveys have several advantages: (1) they are cost effective – the web link or an electronic version of the survey can be sent virtually to an unlimited number of respondents at no direct cost to the researcher; (2) confidential – web-based surveys

guarantee respondents anonymity; (3) secure – the advancements in ICT make the electronic communication highly secure; (4) easy to complete and saves the respondent the need to mail it back; and (5) reduces data entry error as all the information is automatically downloaded into a secure database. Given that the sampling frame for this study consisted of over 1,500 companies, the use of electronic and web-based surveys was deemed the most suitable tool in executing this survey questionnaire.

Web-based survey. A web version of the pilot-tested questionnaire was created by the IT staff at the University of Sheffield and hosted on the University web site. The web site was tested several times and minor adjustments were made.

6.3 Sampling frame

The geographical focus of this study is the UK. The comprehensive review of the relevant literature implied that the UK focused studies seem to be underrepresented in the export performance literature. The USA remains the most researched country in the export performance literature, followed by Canada and European Union countries (Aaby and Slater, 1989; Zou and Stan, 1998; Katsikeas, Leonidou and Morgan, 2000). There is a fast growing body of literature on the emerging markets, especially China.

There is no comprehensive publicly available database of active British exporters. The commercial databases are usually costly and often not specific enough, and the government databases are not publicly available due to data privacy laws. After a careful review of several sources of company databases (FAME, KOMPASS, Database of British Exporters, regional DTIs, chambers of commerce, export/trade associations), the sampling frame for this study was compiled from the British

Exporters Database (BED) 2007 (www.exportuk.co.uk). BED 2007 is a commercial database that contains over 18,500 verified UK exporters, in most cases with detailed company contact information, top management names, main products and export markets. BED 2007 was selected because of its wealth and depth of information as well as search and filtering capabilities.

In selecting the sampling frame the following search criteria were applied:

- firms should be active exporters (no minimum annual sales or export ratio were specified in order to obtain a sample of firms of different sizes exhibiting various degrees of export involvement);
- firms must have been active exporters in the last five years or longer (five year exporting experience was deemed sufficient to assess the impact of the resources on the export performance);
- firms should be independent and indigenous (i.e. UK-owned, not subsidiaries of larger domestic or international companies, to avoid potential influences on the export performance);
- both, manufacturing and service firms were considered across a wide range of industries.

The use of electronic survey implied the need to obtain top management personal e-mail addresses. Therefore, in addition to the above criteria, the search selected only firms where this information was available. In view of the above criteria the search procedure generated a list of 1,505¹ exporting companies with validated data on their top management and their personal e-mails.

¹ The sampling frame of 1,505 exporters may seem as disproportional to the total number of 18,500 exporters in BED 2007. This large discrepancy is a result of several factors: a significant number of the exporters in the BED are in fact traders and export agents, many of the exporters are not UK-

In order to validate the comprehensiveness of the database, two tests were conducted: i) a list of exporters for the Yorkshire and Humber region, generated from the BED 2007 database, was cross-referenced with the DTI's list of Yorkshire and Humber exporters, and ii) a list of winners of the Queen's award for excellence in exporting for the last 5 years was cross-referenced with the BED 2007. In the first case about 80% of the companies from the DTI database were also present in the BED, and in the second case 95% were represented in the database.

6.3.1 Respondent selection

Given the nature of the information requested, the study demanded the respondent to have both specific knowledge of the exporting activities of the company, and comprehensive understanding of the company's resources and capabilities. Consequently, the top executive of the company was deemed to be the best source of information and selected as a primary target. The second best source of information was the export manager/director. BED 2007 contains multiple contact details for many of the exporters and where a standalone export department exists, the export director/manager contact details were available.

6.4 Survey questionnaire

The survey questionnaire was designed adhering to the principles of the Tailored Design Method (TDM), proposed by Dillman (2000). This comprehensive framework for conducting surveys has proven to improve the response rates when used on commercial populations (Walker et al., 1987). The TDM is a set of survey procedures that builds effective social exchange by creating respondent trust and positive cost/reward perception, with an ultimate goal for producing high quality

owned companies, and only 1,505 e-mails were validated as accurate and active. In addition a number of companies were excluded as they were exporting for less than five years.

information, high response rates and overall reduction of survey error. The success of a self-administered survey is seen as a function of the knowledge of the survey population, survey situation, respondent burden and sponsorship. This study followed Dillman's (2000) detailed survey principles for writing the questions, constructing the questionnaire, cover letter content, and survey implementation. Particular attention was paid to TDM's principles in designing and conducting electronic and Internet surveys.

6.4.1 Development of the questionnaire

A structured survey questionnaire was developed using a multistage process. First, based on the extensive literature review and consultation with recognized scholars in the field the key issues concerning the RBV approach to export performance research were identified. Second, the research questions were operationalized into survey questions based on the identified dependent and independent variables of the framework. In this process particular emphasis was placed on the clarity, structure and flow of the questions. Third, the questionnaire was pre-tested with executives of ten exporting companies from different industries.

To answer the proposed research questions the questionnaire was organized in three parts: (1) general background information; (2) company resources; and (3) company export performance.

Part I: General firm characteristics – The aim of the first section was to gather general data about the company that would enable classification of the respondents according to their characteristics into sub-samples for comparative analysis purposes.

Part II: Firm resources – This part of the questionnaire has two sections. The first section was focused on the resources and capabilities owned and controlled by the

firm. Managers' were asked to evaluate firms' endowments with each specific resource on a Likert-type statement with answers measured on a five-point scale, ranging from 'Strongly disagree' (1) to 'Strongly agree' (5). The second section was focused on the manager's perception of the importance of each resource for the firm's export performance over the past five years. For each of the proposed resources (independent variables) a Likert-type statement was developed with answers measured on a five-point scale, ranging from 'Not important' (1) to 'Very important' (5).

Part III: Export performance measures – The final section of the questionnaire contained questions about the export performance of the firm. Consistent with Zou et al. (1998) eight items (dependent variables) were expanded into Likert-type statements with answers measured on a five-point scale ranging from 'Strongly disagree' (1) to 'Strongly agree' (5).

The questionnaire contained a total of 40 questions. Categorical/nominal type of questions were used to collect the factual background information (number of employees, revenues, exporting experience, export markets, etc.). The majority of the questions in part two and three, consistent with previous research, were non-categorical, designed to measure the respondent's perception of the role of individual resources and capabilities in their firms and their importance for the firm performance. Each concept was expanded into Likert-type statement to be answered on a five-point scale. A Likert-type scale was chosen for two reasons: one, it is recognized as a less complex scale and easier for the responded to understand, thus increasing the validity of the data; and two, the Likert-type scale has been used consistently in export performance research (Zou et al., 1998; Brouthers and Nakos.

2004; Fahy, 2002; Dhanaraj and Beamish, 2003; Ibeh, 2003) conferring its reliability.

As a standard and widely used practice in social science research, a pilot study was conducted to refine and fine-tune the questionnaire. Using retrospective technique, the respondents were asked to report their feedback about the clarity of the terminology used, ambiguity of the questions and concepts investigated, and ease of completing the questionnaire. The draft questionnaire was validated with ten managing directors of exporting companies across the UK, randomly selected from the sampling frame. Their feedback indicated that the research questions were relevant, terminology and concepts appropriate and clear, and except for few comments about the length, there were no suggestions about any changes needed. A copy of the survey questionnaire is provided in Appendix 1 and a copy of the Internet version of the survey questionnaire is provided in Appendix 2.

6.4.2 Questionnaire design

A low response rate is one of the serious pitfalls of the survey method. As the most popular data collection strategy in IB research (Yang et al., 2006), surveys are perhaps the best-researched method, especially in terms of techniques for enhancing response rates and minimizing nonresponse bias (Dillman, 1987, 2000; Churchill, 1987; de Chernatony, 1990; Jobber and O'Reilly, 1996; Diamantopoulos and Schlegelmilch, 1996). Dillman (2000) highlights five key elements needed for achieving high response rates and provides guidelines for each of them. The design and implementation of this study followed these guidelines as represented in Table 6.2, with some adjustments implied by the use of the electronic and Internet survey versus the more traditional mail survey.

Table 6.2 Guidelines for mail survey design and implementation

Elements for achieving high response rate	Principles and guidelines	Applied in this study
1. Respondent-friendly questionnaire	• Clear and easy to comprehend questions	Yes
	• Salient and logical question order	Yes
	• Questionnaire layout that is visually easy to follow and respond to	Yes
	• Controlled length	Yes
	• Relevant and interesting questions	Yes
2. Multiple contacts	• Brief <i>prenotice</i> letter sent a few days prior to the questionnaire	No
	• <i>Cover letter</i> accompanying the questionnaire mailing	Yes
	• Thank you <i>post card</i> and reminder sent few days after the questionnaire	No
	• <i>Replacement</i> questionnaire sent to non-respondents 2-4 weeks after the previous mailing	Yes
	• <i>Final contact</i> a week or so after the fourth contact	Yes
3. Return envelopes with first-class stamps	• Return envelopes with real stamps instead of business reply envelopes	NA
4. Personalization of correspondence	• Real name instead of general “Dear Sir/Madam”	Yes
	• Real signature of the sender	No
	• Clearly stated personal importance of the respondent not just his company	Yes
	• Surveyors personal contact details for questions or information about the survey	Yes
5. Incentives	• Trustworthiness – statement providing assurances of confidentiality and anonymity	Yes
	• Token financial incentive	No
	• Non-financial incentive	Yes

Note: Adapted from Dillman (2000)

Personalization of correspondence. An e-mail version of a cover letter was created with a subject line stating “Study of UK exporters”. The e-mail was sent to a personal e-mail address of the top executive of the firm with a personal salutation. The e-mail described the purpose of the inquiry and the aim of the study, the academic and managerial implications of the study and why she/he was selected as a respondent. A copy of the cover letter is provided in Appendix 3 (first round) and 4 (second and third round).

Anonymity/confidentiality. The cover letter contained a statement that all responses would be treated as strictly confidential and that the analysis and results of the study would not identify the respondent or company in any way. The statement of confidentiality and anonymity was reinforced by emphasising that neither the company nor the respondent names should be stated anywhere on the questionnaire. The security procedure to be followed to protect the participants was also outlined.

Postage. The electronic distribution of the survey incurs virtually no postage cost.

Non-monetary incentives. A non-monetary incentive was offered in the form of a summary of the study's findings. In addition, the front page of the word version of the questionnaire contained some interesting and up-to-date statistics about the UK trade flows, main trade partners, trends, markets, key export products.

Multiple contacts. There were three rounds of e-mails sent. In the first round 1,505 e-mails were sent. A link to the survey web site was enclosed along with a brief instruction for completing it. After the first round of e-mails 208 completed surveys were received. In the second e-mail the respondents were given an option to either complete the survey on-line by following the enclosed link or to complete the attached word file and return it via e-mail or post at the address provided. The same procedure was followed for the third and last round of e-mails.

6.4.3 Response rate

After three rounds of contact efforts a total of 1,505 valid e-mails were delivered that yielded 378 completed surveys. Twenty-two responses were declared ineligible because they were incomplete or inadequately completed. The final response sample contained 356 completed usable surveys, of which 265 completed on-line and 91 completed word versions returned either via e-mail or mail.

The effective response rate of 23.7% is slightly below the average response rate of mail surveys (27.3%) reported in the IB literature (Yang et al., 2006). The average response rates of studies using survey questionnaire across IB journals are relatively higher, ranging from 27.4% for mail surveys to 51.2% for administered questionnaire surveys. The relatively lower response rate in this study is a reflection of the negative trend in response rates from business executives experienced by researchers lately (Cycyota and Harrison, 2006). Corporate executives complain that they are becoming increasingly inundated with requests for survey participation and some companies have even introduced survey-non-participation policies (for various reasons). The response rate in this study is thus relatively high considering that the average top management response rates have been in the range of 15% to 20% (Menon et al., 1999). It is also fairly common to have lower response rates when consent screening was not employed particularly in cases with large sampling frames. It could be argued that the response rate should not be considered the only parameter for the validity and representativeness of the findings. An increasing number of researchers choose to report only the total number of usable responses. Compared on this basis, the absolute number of 356 returned usable questionnaires in this study is well above the typical sample size of 180 reported in IB research (Yang et al., 2006).

6.5 Content validity and instrument reliability

It is generally accepted that for an empirical study to be legitimate its concepts should be well-defined and operationalized and its instrument and measures should be reliable and valid. The literature offers a variety of established methods for assessing validity and reliability of a survey instrument.

Validity of the survey instrument is a question of how far the chosen instrument measures what it claims to measure. Among the various ways of assessing validity (face validity, construct validity, convergent validity, discriminant validity) in this study the validity of the concept measures employed was determined by evaluating their content validity. Content validity of an instrument is established when the same measure is consistently used in studying a particular concept yielding to a consensus among the researchers that it accurately measures the attributes that it intends to measure (Zikmund, 2003).

Since there are two distinct groups of measures in this study – measures of resources and performance measure – an extensive literature review was undertaken to identify the most commonly used measures for each of the concepts. Only resource factors which had been consistently identified and analysed in the literature as potential internal, firm-specific determinants of the firm's export performance were used to ensure content validity. Table 4.1 (Chapter 4: 61) provides a comprehensive overview of internal and external factors advanced in the literature as determinants of export performance and export strategy along with references to the relevant studies. In the case of the performance measures the content validity was established by utilizing scales that are well established and extensively tested in the export performance literature. Table 4.2 (Chapter 4: 67) provides a detailed list and categorization of indicators employed as export performance measures along with references to the relevant studies. The preliminary selection of resource and performance measures was verified by academics in the relevant field as well as the practitioners through the pilot study. The final list consisted of 37 items measuring resources, 39 items measuring resource importance for export performance, and 8 items measuring export performance.

In order to validate the grouping of the selected constructs into scales and evaluate their measurement of the underlying constructs they were designed to measure, a preliminary measurement model was derived using Exploratory Factor Analysis (EFA) on one randomly-selected half of the data. This was then tested by Confirmatory Factor Analysis on the other half of the data (using Path Analysis software MPlus). This split-half cross-validation was used to guard against overfitting of the scales caused by testing them on the same data used to construct them. The internal consistency reliabilities of each of the scales derived from the item groupings resulting from the factor analyses were then checked on the full data set, and the measurement model finalised. The results of the EFA and CFA are provided in the relevant chapters.

The internal reliability (i.e. whether the measure is precise and consistent) of the factors derived by the EFA/CFA procedure was assessed by employing the widely used Cronbach's alpha coefficient. The validation of the internal reliability of a measurement is particularly important when multiple-item scales are used in a survey instrument. Among the number of existing procedures, Cronbach's alpha is currently the most widely used test. The alpha coefficient measures the internal consistency of a scale by calculating the average of all possible split-half reliability coefficients between the items in the scale (Bryman and Cramer, 2005). An alpha value of 0.80 or above confirms the internal reliability of a scale, even though some scholars argue that alpha value of 0.60 to 0.70 is also acceptable, especially for large sample sizes (Nunnally, 1978).

For the purpose of this study an alpha value of 0.70 or higher was considered acceptable considering that the sample size of 356 is much larger than the minimum required sample size of 30. Alpha values derived from larger samples in general

imply more confidence in the accuracy of the measurements. The Cronbach's alpha results for each scale are reported in each of the relevant analysis.

Assessment of non-response bias. Non-response bias was assessed by the use of wave analysis, in which first-wave responses are compared with second-wave answers (Armstrong and Overton, 1977). Those who respond to the second/third contact are, in effect, a sample of non-respondents (to the first mailing) and it could be assumed that they are representative of that group. In this survey, 191 firms responded to the first e-mail contact, with 165 responding after receiving a second or third e-mail request.

To examine the relationships between response time and key study variables, such as number of employees, annual sales, export intensity (export to total sales ratio), export experience, type of customer market served, and major export region, chi-square tests or independent-sample t-tests were employed, respective of the form of the study variables. For continuous study variables, no significant differences (at the $p < 0.05$ level) were found between first wave and subsequent respondents. Likewise, for categorical study variables, chi-square tests showed no significant association between them and response time.

6.6 Measures

Resource measures – objective assessment. Based on a comprehensive literature review, a list of the potential resources conceptualized and empirically tested in RBV studies over the past 40 years was compiled. Considering the empirical evidence of the relationship between each resource and both export strategy and export performance, this extensive list was narrowed down to 37 resources. Following the most common classification used by the RBV scholars and the hypothesised

structure, these 37 resources were grouped into five sets, namely: physical, managerial, organizational, relational, and knowledge-based resources. Full details of these 37 resources and their categorization are given in Appendix 1.

The extent of the firm's ownership and control of each of these 37 firm-specific resources was assessed by asking the manager to appraise the firm's ownership/control of each resource, via a Likert-type five-point response coding ranging from 'strongly disagree' (1) to 'strongly agree' (5).

Resource measures – subjective assessment. A set of subjective measures was also utilized to assess the relationship between the firm-specific resources and capabilities and its performance outcomes. The list of 37 resource factors employed in the first set of (objective) measures was broadened by 2 additional factors. Full details of these 39 resources and their categorization are given in Appendix 1. The managers were asked to assess the importance of each of the 39 firm-specific resource factors for the firm's export performance over the previous five years on a five-point scale ranging from 1 ('Not important') to 5 ('Very important').

Export performance measures. A list of 11 financial and 7 non-financial indicators most frequently used to measure export performance was compiled from prior studies. Managers were asked to identify from this list which financial and non-financial indicators their firm use to measure export success. Managers were also asked the level at which export performance is measured in their firm (company, total exports, export venture, or product level). Managers were further asked to provide a, subjective view on how profitable the exporting had been over the previous five years, the trend of the firm's export profitability, and an assessment of

the export profitability versus domestic profitability. (Details of the survey questionnaire are provided in Appendix 1.)

Recognizing the reluctance of the privately owned companies to disclose financial data (Brouthers and Xu, 2002), data on export performance was derived from perceptual measures reflecting the manager's perception of the level and relative importance of the firm's export performance over the past five years. Export performance was measured by employing the EXPERF scale developed by Zou et al. (1998). Based on their mean score for the export performance factor, the survey respondents were classified into two categories. Exporters with a mean performance factor of less than 3.00 were categorized as 'Low performance firms', and exporters with a mean performance factor higher than 3.00 were categorised as 'High performance firms'.

It may be argued that this composite, three-dimensional scale comprising financial and strategic export performance measures, and measures of satisfaction with the export venture, bridges the divide between other objective and subjective performance measures. This scale has been empirically validated in a cross-national study of US and Japanese exporters (Zou et al., 1998) as well as in a study of UK and Australian exporters (Styles, 1998), strengthening its value as a valid generalized export performance measure. It consists of eight items, each assessed using a five-point response coding ranging from 'strongly disagree' (1) to 'strongly agree' (5) (for further details see the copy of the survey questionnaire in Appendix 1).

Export motives measures. Based on the review of the relevant literature 12 motives were operationalized as export stimuli classified using Albaum, Strandkov and Duerr's (1989, 2002) and Leonidou's (1995, 1998) typology. The impact of each

motive on export behaviour was measured in terms of its importance as perceived by the surveyed manager. Each concept was expanded into a statement to be answered on a five-point scale ranging from 'Not important' (1) to 'Very important' (5). Length limitations precluded the use of measures of perceived intensity and frequency of the motives.

Geographic diversification measures. Two types of measures were used in the analysis of the geographic orientation of British exporters: (i) ex-post estimated measures, and (ii) perceptual measures. Ex-post measures were derived from the data collected and employed in defining the *geographic diversification* variables. In order to assess the geographic diversification of the firms in the response sample I employed Rugman and Verbeke's (2004: 7) classification of firms based on the spread of their international sales:

- *Home region oriented:* firms that have at least 50% of their sales in their home region of the Triad;
- *Bi-regional:* firms that have at least 20% of their sales in each of two regions, but less than 50% in any one region;
- *Host region oriented:* firms that have more than 50% of their sales in a Triad region other than their home region;
- *Global:* firms that have sales of 20% or more in each of the three parts of the Triad, but less than 50% in any region of the Triad.

Concurrent with the proposition in the majority of internationalization/performance studies that the foreign sales to total sales (FS/TS) ratio represents a relatively accurate metric of the degree of the firm's internationalization I employ one of the variations of the FS/TS ratio. Namely, I exclude the domestic sales from the home

region sales. The approach in most of the prior studies is that home region sales include the domestic market sales. This approach classifies every firm with more than 50% intra-regional sales as home region oriented but does not distinguish between the domestic and foreign sales within the home region. Bundling domestic sales with home region export sales may give misleading results especially if the percentage share of domestic sales is significant (indicating a domestic company with very little foreign activities). A high domestic sales share will also influence the performance analysis, as it will be perceived as home region performance. To avoid this ambiguity this study employs a measure for home region sales that includes export sales only, excluding sales to the domestic market.

Two additional measures were conceptualized to reflect the firm's degree of regional and global orientation: (i) based on Rugman and Verbeke's (2004) classification the home and host region oriented firms were perceived as less geographically diversified and following a *single region strategy*, while bi-regional and global firms were recognized as having a larger geographic spread and seen as following a *multi regional strategy*, and (ii) firms exporting to fewer countries (≤ 10) were perceived to be following *market concentration strategy* and hence having a regional orientation, while firms exporting to a larger market base (> 10 countries) were perceived to be more globally oriented and following a *market spreading strategy*.

Control variables. A number of variables were used as control variables throughout this study:

- Firm size: measured in terms of the number of employees, categorized following the EU definition of small and medium size enterprises (SMEs), where firms

employing less than 250 employees were considered *SMEs*, and firm with more than 250 employees were labelled as *Large firms*.

- Export experience: measured by an ordinal variable, which was dichotomized into *Less experienced exporters* with less than 10 years exporting experience, and *More experienced exporters* with 10 or more years of exporting experience.
- Industry type: measured by a categorical variable comprised of 13 sectors that were aggregated into two categories, *Manufacturing* and *Services*.
- Export intensity is widely accepted indicator of the firm's degree of internationalization. It is measured by the percentage of export sales in the total sales of the firm. For statistical purposes the firms in the sample that generate less than 50% of their total sales from exports were classified as *Low export intensity* exporters and those whose export sales share is more than 50% were classified as *High export intensity* exporters. *Firm size* was measured by the number of employees, following the EU definition of SMEs, where a firm employing less than 250 employees was considered a *small and medium size firm (SME)*, and a firm with more than 250 employees was labelled as a *large firm*.

6.7 Statistical analysis

The statistical methods and tools employed to analyse the data set of 356 responses were determined by the variable characteristics and the nature of the hypothesised relationship between various variables. In general bivariate and multivariate statistical test were performed as appropriate as well as Structural Equation Modelling using SPSS, Mplus and Amos statistical packages. The results and the discussion of the relevant findings are presented in Chapters 7 and 8.

The validity and reliability of empirical research depends greatly on the quality of the data used to conduct that research. At the outset of the data analysis in this study, the data were tested for normality, linearity, homogeneity of variance, and outliers and missing values. A criterion was applied that if more than 15 per cent of the data is missing for a respondent, then that respondents data is defined as incomplete. As a result a number of responses were excluded from the data set.

6.8 Summary

This chapter has discussed the choice of research strategy, the design and implementation of the data gathering method, and the measures and statistical tools used to analyse the data.

The research objectives of this study are to establish the perceived importance of the firm's resources in the initiation of the exporting process, to investigate the relationship between the firm's resources, geographic diversification and its performance, and to assess the relative importance, nature (positive or negative) and direction (direct or indirect) of the relationship between the firm's key resources and the firm's export strategy and export performance. A sampling frame of independent and indigenous British UK exporters was selected as this country remains under-represented in the export performance literature.

The nature of the sampling population, the type and scale of information needed to achieve the research objectives, and the time and budget constraints, implied the choice of a self-administered questionnaire survey as a suitable technique to collect data. An electronic and Internet mode of delivery was applied to minimize the cost and enhance the response rate by administering the survey to a large sampling frame of over 3,500 firms.

Through a process of extant literature review and consultation with subject-experts the key concepts and their measures were identified and operationalized into survey questions. In order to enhance the response rate and reduce survey error, the design and execution of the survey questionnaire followed Dillman's Tailored Design Method principles. A good size sample of 356 usable responses was obtained from a sample frame of 1,505 British exporters, representing a response rate of 23.7%.

The results and relevant findings are discussed in the following two chapters.

Chapter 7 Findings – Firm Characteristics, Export Motives, and Export Strategy

Chapter 7 offers insight into the main characteristics of the sample of British exporters surveyed in this study, the factors that play a critical role in initiating the internationalization process of these firms, as well as their export strategies. It discusses *the role of the firm-specific resources and capabilities in stimulating the exporting decision of British exporters and identifies potentially significant differences in perception of export motives based on the firm's organizational, internationalization and capability characteristics*. In line with the growing debate of the regional versus global orientation of international firms, this chapter also looks at *the firm's degree of geographic diversification*.

7.1 Main characteristics of British exporters – Profile of the respondent firms

The main characteristics of the sample of British exporters surveyed in this study are set out in Table 7.1.

Number of respondents. The total number of usable responses was 356 completed questionnaires.

Industry. Three quarters of the respondents in the sample are manufacturing exporters (75%) and one quarter are exporters from the service sector. The industry mix of the respondents presented in Table 7.1 is analogous with the industry distribution in the sampling frame, indicating a good level of representation¹.

¹ This classification is based on the number of firms in each sector not on the value of exports. Therefore the ratio of manufacturing versus service sector is higher than at the national level (UK trade statistics) where on average 65% of the total value of exports comes from manufacturing and 35% from exports of services.

Table 7.1 Characteristics of the response sample

	N	%
<i>Firm characteristics</i>		
<i>Industry</i>		
Manufacturing	267	75%
Services	89	25%
<i>Size of firm (number of employees)</i>		
SMEs (≤ 250 employees)	311	90%
Large firms (> 250 employees)	33	10%
<i>Internationalization characteristics</i>		
<i>Export experience</i>		
Up to 6 years	56	16%
More than 6 years	292	84%
<i>Export intensity (export sales as % of total sales)</i>		
Low ($\leq 50\%$)	196	55%
High ($> 50\%$)	157	45%
<i>Number of export markets</i>		
Concentrators (≤ 5 countries)	71	20%
Spreaders (> 5 countries)	246	80%
<i>Main export market distance</i>		
Regional	203	57%
Global	153	43%
<i>Main export region</i>		
Europe	203	57%
North America	51	14%
Asia-Pacific	54	15%
Other	48	14%
<i>Export market entry mode</i>		
Single mode	170	51%
Multiple modes	163	49%
<i>Form of international involvement in main export markets</i>		
Direct exporting to foreign countries	297	52%
Indirect exporting	102	18%
Wholly owned subsidiary	73	13%
Contracting	52	9%
Joint venture	51	9%
<i>Firm capabilities</i>		
<i>Advanced technology/Unique product</i>		
Low	115	34%
High	228	66%

Size of firm. The size of the responding firms was measured by the number of employees. The respondents were categorized following the EU definition of SMEs, where a firm employing less than 250 employees is considered a small and medium size firm (SME), and a firm with more than 250 employees as a large firm. A majority of the exporters in this sample (90%) met the criteria for SMEs while only 10% were categorized as large firms. The overwhelming representation of SMEs in the sample is not unexpected as one of the sampling criteria was that only independent and indigenous (British owned) firms should be included in the survey.

Export experience. The majority of the responses (84%) were provided by more experienced exporters with more than 6 years of exporting experience. The fact that almost three quarters of the respondents have more than 6 years of exporting experience is a consequence of the sampling criteria to target firms that had been active exporters for the previous 5 years or more.

Export intensity. Of the 356 respondents, 196 firms (55%) generated less than half of their total annual sales from exports, with 157 exporters (45%) having more than 50% of their sales from exports. This indicates a balanced representation of less intensive (low intensity) and more intensive (high intensity) exporters in the response sample.

Number of export markets. The sample comprises mostly (80%) exporters that have customers in more than 5 countries worldwide, while about a fifth of the firms in the sample export to less than five different countries. Firms exporting to more than 5 countries are perceived to be following a market spreading strategy, while firms exporting to less than 5 countries are perceived to be following a market concentration strategy. This indicates that the sample exporters have a relatively higher degree of geographic spread of their exporting activities.

Main export market distance. Psychic distance is defined as factors preventing or disturbing the flows of information between firm and market, such as differences in language, culture, political systems, level of education, level of industrial development, etc. (Johanson and Wiedersheim-Paul, 1975; Johanson and Vahlne, 1977, 1990). For the purposes of this study European Union countries are defined as psychically close foreign markets for British exporters and the respondents who export mainly to the European markets were named *regional*. Those sample firms exporting predominantly to the rest of the world were labelled as *global*. As shown in Table 7.1, 57% of the respondents indicated that Europe is their main export region, while the rest of the sample has spread their exports across the three main triad regions of the world.

Main export regions. Europe is a main export region for more than a half of the firms (203) in the sample, while the other half of the respondents export relatively proportionally across North America, Asia-Pacific and the rest of the world. The main export region for the exporters in this sample is consistent with official statistics for UK international trade flows, presented in Table 7.2.

Table 7.2 UK Trade flow statistics for 2007

World region	£ million at current prices	%
Europe	140,400	64%
North America	36,292	17%
Asia-Pacific	25,056	11%
Other	18,231	8%
Total UK exports	219,919	

Source: UK Trade Statistics 2007

According to the UK trade statistics shown in Table 7.2, Europe is the biggest export market for UK products and services (64%), followed by North America (17%) and Asia-Pacific (11%).

Export entry modes and forms of international involvement. As shown in Table 7.1 single entry modes and multiple entry export modes are equally utilized among British exporters in this sample. Direct exporting is the main form of international involvement for 52% of respondents followed by indirect exporting (18%). Almost a third of the respondents have some form of presence in the foreign market (either a subsidiary, joint venture or a contracting agreement).

The main characteristics of British exporters presented in Table 7.1 indicate that the sample of surveyed firms is well balanced and provides an additional validation of the representativeness of the response sample of the industry population studied in this research.

7.2 Export motives

Research into the factors stimulating the decision to export has been a popular research topic among international business scholars since the pioneering works in the 1970s (Simpson and Kujawa, 1974), with the 1980s being the most prolific research years. Taking the RBV of the firm approach this section of the thesis aims to assess the role of the firm-specific resources as factors that stimulate firms to internationalise via exporting.

The extant internationalization literature offers a wealth of terminology when referring to factors initiating exporting, such as “initiating and auxiliary forces” (Aharoni, 1966), “triggering cues” (Wiedersheim-Paul et al., 1978), “facilitating factors” (Treadgold and Gibson, 1989), “motives” (Alexander, 1995), “stimuli”

(Leonidou, 1998), “antecedents” (Vida and Fairhurst, 1998), and “drivers” (Winch and Bianchi, 2006). Motive (from Latin *motus*) means something that induces a person to act, a stimulus to take action (Merriam-Webster Dictionary, 2005). Hence, export motives can be defined as factors or influences, which cause a firm to consider exporting as a possible strategy. For the purpose of this thesis the terms “motive” and “stimuli” are used interchangeably to refer to the factors influencing the firm’s decision to initiate and develop international operations.

There are two fields of research that are deemed relevant to this subject: first, the export motives literature that takes an integrative and comprehensive approach to the operationalization of the export motives constructs, and second, the internationalization literature where motives are studied within a specific theoretical context (stage models, network theory, resource based view).

7.2.1 Export motives literature

Investigation of factors stimulating the decision to export has been a popular research topic among international business scholars (Leonidou, 1998). The first studies of export stimuli were published in the 1970s in North America. The 1980s were the most prolific research years followed by a slowdown in the 1990s and into the 21st century. Since the pioneering work of Simpson and Kujawa (1974), over 40 studies have been carried out on the subject. Throughout the extant literature export stimulation factors were operationalized in a variety of constructs that are generally organized around three dimensions: (1) internal or external motives, (2) proactive or reactive motives, and (3) initial or long-term export stimuli.

The distinction between internal and external stimuli is determined by the origin of the export initiating factors: the internal stimuli are either firm- or management-

related, while the external stimuli stem from the domestic or foreign market environment of the firm (Wiedersheim-Paul et al., 1978; Cavusgil and Nevin, 1980; Welch and Wiedersheim-Paul, 1980; Kaynak and Stevenson, 1982; Brooks and Rosson, 1982; Crick and Chaudhry, 1997; Leonidou, 1998). Proactive (pull) motives indicate the firm's ability to recognize unique competencies or market opportunities and take offensive measures to exploit these prospects. Reactive (push) motives on the other hand are factors inducing defensive actions by the firm as a response to organizational or environmental pressures (Piercy, 1981; Johnston and Czinkota, 1982; Leonidou, 1988; Albaum et al., 2002). Considering the motives from a time perspective, a stream of research indicates that there is a significant difference between export motives influencing the initial decision to export and the long-term export stimuli associated with ongoing export decisions (Johnston and Czinkota, 1982; Barker and Kaynak, 1992; Katsikeas and Piercy, 1993; Morgan and Katsikeas, 1997). Namely, reactive and external factors (e.g. receipt of an unsolicited order from abroad) are more likely to have a bigger influence on the initial decision to export while proactive and internal factors (e.g. desire to achieve extra organisational growth and profit) will drive the export stimulation in the later stages of export involvement.

Table 7.3 presents a comprehensive summary of the export motivation literature over the past four decades. Based on the prior research findings the most common export motives were identified and are classified in Table 7.3 using Albaum, Strandkov and Duerr's (1989, 2002) typology and Leonidou's (1995, 1998) more specific operationalization of the concept.

Table 7.3 Classification of exports motives

Proactive	Reactive
Internal motives – Organizational (Firm-Specific) Factors	
<ul style="list-style-type: none"> • Achievement of economies of scale (Sullivan and Bauerschmidt, 1990; Leonidou, 1995). • Unique product/ technology competence (Johnston and Czinkota, 1982; Tesar and Tarleton, 1982; Kaynak and Kothari, 1984; Koh, 1989; Kothari, 1989; Leonidou, 1995; Crick and Jones, 2000). • Possession of competitive advantage (Johnston and Czinkota, 1982; Tesar and Tarleton, 1982; Jaffe et al., 1988; Koh, 1989). • Differential firm advantages (Wiedersheim-Paul et al., 1978; Cavusgil et al., 1979; Cavusgil and Nevin, 1981; Cavusgil, 1984). 	<ul style="list-style-type: none"> • Utilization of idle operating capacity (Wiedersheim-Paul et al., 1978; Brooks and Rosson, 1982; Johnston and Czinkota, 1982; Joynt, 1982; Kaynak and Kothari, 1984; Kaynak et al., 1987; Ghauri and Kumar, 1989; Kothari, 1989; Diamantopoulos et al., 1990; Kaynak, 1990; Sullivan and Bauerschmidt, 1990). • Offsetting sales of a seasonal product (Kaynak, 1990; Weaver and Pak, 1990). • Stagnation/decline in domestic sales/profits (Weaver and Pak, 1990; Ifju and Bush, 1993; Ramaseshan and Soutar, 1996). • Reducing dependence on/risk of domestic business (Pavord and Bogart, 1975; Rabino, 1980; Albaum et al., 1989; Barker and Kaynak, 1992; Katsikeas and Piercy, 1993). • Accumulated unsold inventory (Johnston and Czinkota, 1982; Leonidou, 1988; Sullivan and Bauerschmidt, 1990).
Internal motives – Managerial Factors	
<ul style="list-style-type: none"> • Managerial interest/urge/aspiration (Pavord and Bogart, 1975; Diamantopoulos et al., 1990; Katsikeas and Piercy, 1993; Katsikeas, 1996; Leonidou, 1998). • Management international orientation (Wiedersheim-Paul et al., 1978; Cavusgil, 1980; Reid, 1981; Sullivan and Bauerschmidt, 1990). • Management perceptions of profits, costs and risks in export markets (Roy and Simpson, 1981; Joynt, 1982; Orgam, 1982). • Management quality and dynamism (Bilkey and Tesar, 1977; Reid, 1981; Orgam, 1982). 	
Internal motives – Strategic Factors	
<ul style="list-style-type: none"> • Potential for extra sales/profits (Simpson and Kujawa, 1974; Rabino, 1980; Johnston and Czinkota, 1982; Jaffe et al., 1988; Leonidou, 1988; Albaum et al., 1989; Ifju and Bush, 1993; Ramaseshan and Soutar, 1996; Leonidou, 1998; Crick and Spence, 2005). • Need to achieve corporate growth (Leonidou, 1988; Albaum et al., 1989; Diamantopoulos et al., 1990; Sullivan and Bauerschmidt, 1990; Katsikeas and Piercy, 1993; Leonidou, 1995; Ramaseshan and Soutar, 1996; Leonidou, 1998; Crick and Spence, 2005). 	

Proactive

Reactive

External motives – Environmental Factors (Domestic and Foreign)

- Encouragement by external agents/organizations (Simpson and Kujawa, 1974; Tesar and Tarleton, 1982; Ifju and Bush, 1993).
- Identification of foreign market opportunities (Kaynak and Kothari, 1984; Barker and Kaynak, 1992).
- Change in legal/cultural/other barriers between countries (Bilkey and Tesar, 1977; Albaum, 1983; Kaynak and Kothari, 1984).
- Government export assistance/incentives (Bilkey, 1978; Karafakioglu, 1986; Kaynak and Erol, 1989).
- Exclusive information on foreign markets (Albaum, 1983; Kaynak and Kothari 1984; Sullivan and Bauerschmidt, 1990; Weaver and Pak, 1990).

- Receipt of unsolicited order from abroad (Simpson and Kujawa, 1974; Piercy, 1981; Brooks and Rosson, 1982; Joynt, 1982; Orgam, 1982; Tesar and Tarleton, 1982; Albaum, 1983; Cavusgil, 1984; Kaynak and Kothari, 1984; Karafioglu, 1986; Kaynak et al., 1987; Sullivan and Bauerschmidt, 1988; Ghauri and Kumar, 1989; Diamantopoulos et al., 1990; Kaynak, 1990; Katsikeas, 1996; Spence and Crick, 2006).
- Initiation of exports by domestic competition (Simpson and Kujawa, 1974).
- Saturation/shrinkage of domestic market (Simpson and Kujawa, 1975; Pavord and Bogart, 1975; Rabino, 1980; Karafakioglu, 1986; Kaynak et al., 1987; Leonidou, 1988; Kaynak and Erol, 1989; Ghauri and Kumar, 1989; Kothari, 1989; Diamantopoulos et al., 1990; Ramaseshan and Soutar, 1996).
- Competitive pressures in the domestic market (Brooks and Rosson, 1982; Joynt, 1982; Kaynak and Stevenson, 1982; Ursic and Czinkota, 1984; Kaynak and Erol, 1989; Diamantopoulos et al. 1990).

Adapted and extended from Albaum et al., (1989, 2002), and Leonidou (1995, 1998).

The systematic review of the literature revealed the following three main contributions of the export motivation research. First, the extant literature implies that the export initiation motives are a situational concept highly dependent on the national and international contexts over time. Hence, the growing number of motives analysed as export initiating factors evident in the relevant studies over the past four decades. The initial research in the 1970s focused on relatively few factors (Simpson and Kujawa, 1974; Rabino, 1980), but broadened to almost 30 factors studied in the 1980s and 1990s (Sullivan and Bauerschmidt, 1990; Weaver and Pak, 1990).

Second, there has been a distinct shift in the relative importance of specific motives over the last three decades. Researchers in the 1970s focused more on reactive

stimuli, both internal and external, and their findings indicate that the main export initiating factors were: reducing dependence on/risk of domestic business, saturation/shrinkage of domestic market, and receipt of unsolicited orders from abroad. From the proactive factors, special managerial interest, potential for extra sales/profit, and encouragement by an external agent were found to have significant influence on the export initiating decision.

Studies conducted in the 1980s found that the proactive stimuli were the driving force in export initiation, the internal factors in particular, a notable shift from the findings in the 1970s. The main export motivators originating from within the firm were found to be: achievements of economies of scale, products with unique qualities, potential for extra sales/profits, and the emerging need to achieve corporate growth. Identification of attractive foreign opportunities was the major external driver. An equally strong internal but reactive driver was the need to utilize idle operating capacity. These internal-proactive factors remain the most significant export motivators in the studies conducted in the 1990s and beyond, with one relatively significant shift. The importance of possessing a product with unique qualities appears to have declined in importance, while the need to achieve corporate growth became an increasingly strong export initiating factor.

Third, despite the changing emphasis, some stimuli consistently were found to have a relatively strong export initiating power. The potential for extra sales/profit, and managerial interest, urge and aspirations, are strong driving forces behind the export initiation of firms over time and across different national and international settings. The need for corporate growth appeared in the research in the 1980s and has since shown a growing relative influence on firms' export initiation decisions.

7.2.2 *Export motives of British exporters*

Based on the comprehensive literature review presented in Table 7.3 a set of twelve internal and external factors were included in this study. The respondents were asked to indicate how important was each of these factors for their company's initial decision to export on a scale of 1 (not important) to 5 (very important).

The Pearson correlation matrix of the twelve motives revealed that certain variables were strongly correlated as shown in Table 7.4. In order to explore further these correlations and determine a possible underlying structure an exploratory factor analysis was conducted. The principal components analysis with varimax rotation technique was utilized. Adhering to the Kaiser's criterion, eigenvalues greater than one were used as factor extraction criteria in combination with the scree test (Cattell, 1966). The analysis resulted in extraction of four factors shown in Table 7.5. The factors exhibited strong loadings (greater than 0.50) and explained 60.4 percent of the observed variance. The internal reliability of each of the factors was validated using the Cronbach alpha coefficient, which are mostly acceptable. However, Factor 2 has an alpha coefficient of 0.50, which perhaps is due to having only two items loaded on that factor.

The structure of the four factors presented in Table 7.5 closely resembles Albaum et al.'s (1989) quadruple typology. Factor 1 loads three stimuli: boosting sales during a slump in the domestic economy, smoothing production of a seasonal product, and excess production/service capacity. These stimuli affect the firm's capacity to generate sales in the domestic market thus forcing the firm to look at the potential of foreign markets. The export decision is initiated internally as a reaction to threats to the firm's survival and prosperity due to domestic market constraints. Therefore, this factor can be best categorised as *internal reactive stimuli*.

Table 7.4 Correlation matrix of export motives

<i>Variables</i>	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>	<i>7</i>	<i>8</i>	<i>9</i>	<i>10</i>	<i>11</i>	<i>12</i>
1. Growth opportunities in foreign markets	1											
2. Higher profit seeking	0.34 ***	1										
3. Diversifying risk by operating in more than one market	0.32 ***	0.31 ***	1									
4. Excess production/service capacity	-0.07	0.07 *	0.21 ***	1								
5. Smoothing production of a seasonal product	-0.01	0.07 *	0.22 ***	0.37 ***	1							
6. Boosting sales during a slump in the domestic economy	0.03	0.04	0.30 ***	0.41 ***	0.50 ***	1						
7. Customer followership	-0.03	0.05	0.01	0.10 **	0.14 ***	0.17 ***	1					
8. Unsolicited order from foreign customers	0.03	0.00	-0.13 ***	0.07	0.16 ***	0.21 ***	0.33 ***	1				
9. Competition began exporting	-0.01	0.09 *	-0.07 *	0.23 ***	0.21 ***	0.20 ***	0.19 ***	0.27 ***	1			
10. Saturated domestic demand	0.15 ***	0.04	0.15 ***	0.22 ***	0.26 ***	0.38 ***	0.07 *	0.13 ***	0.27 ***	1		
11. Intense domestic competition for our product/service	0.07	0.08 *	0.14 ***	0.28 ***	0.27 ***	0.36 ***	0.14 ***	0.10 **	0.36 ***	0.62 ***	1	
12. Reduction of legal/cultural/other barriers between countries	0.08 *	0.17 ***	0.17 ***	0.19 ***	0.32 ***	0.26 ***	0.18 ***	0.16 ***	0.31 ***	0.25 ***	0.39 ***	1

*p<0.10, **p<0.05, ***p<0.01.

Table 7.5 Factor analysis of export motives

Factors	Factor loads	Eigen-value	% variance explained	Cum. %	Cronbach α
<i>Factor 1 – Internal reactive:</i>		3.210	26.75	26.75	0.69
Boosting sales during a slump in the domestic economy.	0.778				
Smoothing production of a seasonal product.	0.760				
Excess production/service capacity.	0.724				
<i>Factor 2 – Internal proactive</i>		1.646	13.71	40.46	0.59
Growth opportunities in foreign markets.	0.772				
Higher profit seeking.	0.757				
Diversifying risk by operating in more than one market.	0.659				
<i>Factor 3 – External reactive:</i>		1.266	10.55	51.01	0.50
Unsolicited order from foreign customers.	0.789				
Customer followership.	0.736				
<i>Factor 4 – External proactive:</i>		1.123	9.36	60.37	0.70
Intense domestic competition for our product/service.	-0.861				
Saturated domestic demand.	-0.823				
Competition began exporting.	-0.599				
Reduction of legal/cultural/other barriers between countries.	-0.512				

Factor 2 loads growth opportunities in foreign markets, higher profit seeking, and diversifying risk by operating in more than one market. These three stimuli indicate a firm's aspirations to secure and enhance its financial position by exploiting potential opportunities in foreign markets. The export initiation decision originates from within the firm, driven by the management's proactive strategy for corporate success and therefore this factor can be categorised as *internal proactive stimuli*.

Only two stimuli loaded in Factor 3: unsolicited order from foreign customers, and customer followership. Both stimuli force the management to consider an export venture even though the firm had no intentions to become involved in international

operations. These two stimuli denote a passive and unplanned approach to foreign operations initiating exporting that may or may not become the firm's regular activity. As such this factor can be categorised as *external reactive stimuli*.

Factor 4 loads four stimuli: intense domestic competition for our product/service, saturated domestic demand, competition began exporting, and reduction of legal/cultural/other barriers between countries. These four stimuli denote a potential threat to the future position of the firm in the market by increased domestic and foreign competition. They stimulate the management to consider expansion strategies to foreign markets to offset the change in the competitive arena. This factor may be categorised as *external proactive stimuli*.

Ranking the stimuli by mean response, Table 7.6 shows that five stimuli are critical motives for engaging in exporting: growth opportunities in foreign markets, diversifying risk by operating in more than one market, higher profit seeking, customer followership, and unsolicited order from foreign customers. These findings clearly indicate that the internal proactive stimuli are the strongest export initiating motives with individual average means higher than 3.5 and a factor mean of 3.9.

The second strongest factor is the external reactive stimuli with a factor mean of 2.8. It is interesting to note that the two strongest factors are at the same time the two most disparate groups of stimuli. Internal proactive stimuli reflect a well-planned and well-resourced exporting strategy originating from within the firm aiming to enhance the firm's survival and prosperity. In contrast, external reactive stimuli denote an unplanned export venture that may result in irregular international operations or may eventually become a regular activity of the firm.

Table 7.6 British exporters' motives for engaging in international operations

Stimuli	Stimuli mean	Rank	Factor mean*
<i>Internal reactive:</i>			2.21
Boosting sales during a slump in the domestic economy.	2.49	6	
Excess production/service capacity.	2.17	10	
Smoothing production of a seasonal product.	1.96	11	
<i>Internal proactive:</i>			3.88
Growth opportunities in foreign markets.	4.39	1	
Diversifying risk by operating in more than one market.	3.79	2	
Higher profit seeking.	3.46	3	
<i>External reactive:</i>			2.82
Customer followership.	2.91	4	
Unsolicited order from foreign customers.	2.72	5	
<i>External proactive:</i>			2.17
Reduction of legal/cultural/other barriers between countries.	2.41	7	
Saturated domestic demand.	2.29	8	
Intense domestic competition for our product/service.	2.18	9	
Competition began exporting.	1.78	12	

* The mean is the average on a scale of 1 (not important) to 5 (very important).

Considering the proactive stimuli combined (internal and external) the average factor mean is 3.0, while the reactive factors average mean is 2.5. It is evident that the respondents rated the proactive stimuli as more important than the reactive stimuli. In order to evaluate how significant is this difference in means between internal and external motives a paired-sample t-test was conducted. The results indicated that the difference between their means is significant ($p < 0.001$), with internal motives being more important than the external motives. This finding shows that proactive motives are more important in initiating exporting among British exporters than reactive motives.

Considering internal versus external stimuli, the internal factors average mean is 3.1 and the external factors average mean is 2.5. This finding indicates that on average the internal stimuli were perceived by the respondents as more important in influencing the exporting decisions of the British exporters than were the external

stimuli. The results of the t-test for two related means confirmed that there is a significant difference ($p < 0.001$) between the means of internal motives and external motives, with internal motives mean being more important than the external motives mean.

Table 7.7 reports the results of the analysis of the influence of a set of firm-specific characteristics, resources and capabilities on the perception of export stimuli.

Table 7.7 Firm-specific resources and capabilities and export motives

	Internal reactive	Internal proactive	External reactive	External proactive
<i>Export experience</i>				
Beginner ≤ 6 years	1.96	3.76	2.72	2.07
Experienced > 6 years	2.25	3.91	2.85	2.18
<i>t</i> -value	-2.07***	-0.98	-0.79	-0.85
<i>Management export experience and attitude</i>				
High	2.20	3.96	2.81	2.18
Low	2.30	3.14	2.89	2.06
<i>t</i> -value	0.56	4.55**	0.47	1.21
<i>Export intensity</i>				
Low $\leq 50\%$	2.30	3.75	2.80	2.21
High $> 50\%$	2.11	4.04	2.84	2.11
<i>t</i> -value	1.76**	-2.19***	-0.30	1.01
<i>Export strategy</i>				
Concentrators ≤ 5 countries	2.32	3.62	2.97	2.07
Spreaders > 5 countries	2.16	4.00	2.80	2.18
<i>t</i> -value	1.16	-2.85***	1.09	-0.83
<i>Main export market distance</i>				
Regional	2.29	3.88	2.94	2.22
Global	2.09	3.88	2.67	2.10
<i>t</i> -value	1.86***	-0.07	2.44***	1.30
<i>Export market entry mode</i>				
Single mode	2.10	3.79	2.68	2.07
Multiple modes	2.30	4.01	2.94	2.26
<i>t</i> -value	-1.88***	-2.54***	-2.33***	-2.10***
<i>Advanced technology/Unique product</i>				
High	2.24	3.95	2.82	2.16
Low	2.15	3.68	2.56	2.19
<i>t</i> -value	0.78	2.85***	-0.32	-0.27

	Internal reactive	Internal proactive	External reactive	External proactive
<i>Networking resources</i>				
High	2.25	4.05	2.81	2.23
Low	2.18	3.68	2.82	2.09
<i>t</i> -value	0.73	4.34***	-0.04	1.60
<i>Number of employees</i>				
Small ≤ 50	2.18	3.83	2.90	2.13
Large > 50	2.19	4.04	2.73	2.20
<i>t</i> -value	-0.08	-	1.37	-0.74
		2.48***		
<i>Sales turnover</i>				
Low ≤ £5 mil.	2.25	3.79	2.91	2.11
High > £5 mil.	2.12	4.06	2.76	2.24
<i>t</i> -value	1.11	-	1.27	-1.33
		3.07***		

Note: * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$.

7.2.3 Firm-specific resources and export motives

The aim of this section of the thesis is to re-investigate the motives that stimulate the exporting decision of British exporters and to identify potentially significant differences in perception of export motives based on the firm-specific resources, capabilities and characteristics. The factor analysis produced four conceptually meaningful groups of motives that closely resemble the Albaum et al. (1989) quadruple typology. Proponents of the resource-based view suggest that the firm's competitive advantage is the main driver of its internationalization process underpinned by idiosyncratic, immobile strategic resources owned or controlled by the firm. These advantage-generating resources encompassing the firm's internal resources (managerial, physical and organizational) are seen as the main impetus of the firm's internationalization strategy (Penrose, 1959; Wernerfelt, 1984; Barney, 1991; Grant, 1991; Ray et al., 2004; Dhanaraj and Beamish, 2003; Ibeh, 2005). Empirical findings of this study endorse the RBV propositions: i) internal proactive

stimuli are the most significant export motives among British exporters, and ii) the firm-specific resources and capabilities play a differentiating role in firm's perception of specific stimuli.

The empirical findings presented in Table 7.6 reveal that export initiation decisions by British exporters are mainly driven by internal proactive stimuli such as the firm's aspirations for growth, higher profits and risk diversification. The high influence of these endogenous proactive stimuli is consistent with previous export initiation studies and seems to indicate strengthening of the export stimuli trend identified in research in the 1980s and 1990s (Johnston and Czinkota, 1982; Jaffe et al., 1988; Leonidou, 1988; Albaum et al., 1989; Diamantopoulos et al., 1990; Sullivan and Bauerschmidt, 1990; Katsikeas and Piercy, 1993; Leonidou, 1995; Ramaseshan and Soutar, 1996; Leonidou, 1998; Crick and Spence, 2005).

Several firm-specific resources and capabilities exhibited overall a relatively strong differentiating role in the firm's perception of different export stimuli. In the literature, the significant role of the firm's international experience in exploiting internationalization opportunities has been well documented. Knowledge accumulated through incremental international experience reduces the liability of foreignness, changing the firm's perception of the potential costs and benefits of the internationalization. As the firm becomes more experienced it becomes more agile in pursuing foreign opportunities and over time develops a more pro-active attitude towards international expansion. Hence, the level of the firm's international experience would have a deterministic role in the perception of the export stimuli, i.e. less experienced exporters are expected to be more reactive to external stimuli, while more experienced exporters will seek foreign opportunities more proactively. However the findings in this study imply that export experience seems to have the

least significant influence on firm's perception of export stimuli. There is little statistically significant difference in the way both beginner exporters and experienced exporters react to export stimuli. These findings are congruent with the results of previous empirical research (Simpson and Kujawa, 1974; Joynt, 1982; Tesar and Tarleton, 1982; Leonidou, 1998).

On contrary, the management's international knowledge, experience and positive attitude towards foreign operations were found to have a significant deterministic role in export stimuli perception, reinforcing the argument that management resources are one of the key driving forces of firm internationalization (Pavord and Bogart, 1975; Wiedersheim-Paul et al., 1978; Cavusgil, 1980; Reid, 1981; Sullivan and Bauerschmidt, 1990; Diamantopoulos et al., 1990; Katsikeas and Piercy, 1993; Katsikeas, 1996; Leonidou, 1998). Prior empirical evidence has identified management's international experience as a particularly significant source of the firm's international knowledge and experience. Management's knowledge, orientation and attitude towards international operations have been identified in prior literature as key drivers of internationalization (Chandler and Hanks, 1994; Calof and Beamish, 1995; Fillis, 2001; Boter, 2003). Firm's decision to engage in foreign market activity is significantly influenced by its management perception of export stimuli, i.e. the more experienced and internationally oriented the management, the more likely that the firm will pursue foreign expansion more proactively.

According to the stage theory, a firm with limited international experience is at the early stages of its internationalization process. The resource commitments are very limited in both scope and scale, which is reflected in the relatively low export intensity of the firm. If export intensity, defined as a percentage of international sales of the total sales, is considered as a different measure of the firm's international

experience and commitment, than export intensity should have similar effects on stimuli perception as export experience. Few prior studies have considered the influence of export intensity on export motives. This study provides new evidence indicating that firms that generate more than 50 percent of their sales revenues from exports are more proactive, seeking growth and profit opportunities abroad, while smaller exporters react more to internal changes in domestic sales, product seasonality and excess capacity. The level of resources available to each group of firms might be an explanation of the results, however, it may also be argued that there is an interplay of cause and effect. High export intensity firms may have a higher percentage of their revenues generated abroad because they were more proactive in the first place in seeking opportunities in foreign markets, whilst low export intensity firms are generating fewer sales from exports because they only respond to pressures in the domestic market.

If a firm has been exposed to stimuli this does not necessarily mean that it will initiate an export strategy. The existence of export motives is unlikely to result in actual export without a favourable context within the firm. Therefore, the organizational background is expected to have a significant effect on the firm's willingness to begin exporting. In the export literature certain organizational factors have been identified as having a potentially discriminating function when making exporting decisions, such as industry type, number of employees, sales turnover, business profits, corporate assets, organizational age, business affiliations, and domestic market share (Bilkey and Tesar, 1977; Wiedersheim-Paul et al., 1978; Cavusgil, 1982; Moon and Lee, 1990; Katsikeas and Piercy, 1993; Leonidou, 1998). The firm's size has received relatively more attention in the prior literature compared to the other factors but the empirical evidence has been ambiguous.

A review of the export motivation literature suggests that prior research has not considered the potential variations in critical export motivators when firms employ different export strategies. Responding to this gap in the export literature this study examines the export motivation patterns of firms employing different export strategies when targeting specific overseas markets and when adopting different foreign market entry strategies. The findings indicate that British exporters employing a market-spreading strategy are more perceptive of opportunities in foreign markets than exporters targeting a few key export markets. The study's findings strengthen the limited empirical evidence (Crick, 2007) of the deterministic role of export strategy in the firm's sensitivity to export initiation stimuli.

The study has produced new findings with regard to the distance of the main export markets and the market entry modes. In particular, regional exporters (British firms exporting mainly to neighbouring European markets) are driven more by reactive stimuli, both internal and external, than global exporters. These findings are in line with the recent debate about the regional nature of the international firms (Rugman and Verbeke, 2004; Rugman, 2005). Undertaking an exporting venture in a market located beyond the boundaries of the home region incurs higher costs associated with higher liability of foreignness and risk. Hence, companies that do embark on a global expansion, need to have highly proactive attitude and do so by implementing a well planned strategy supported by substantial resource commitment.

Among the organizational capabilities, the use of single or multiple entry strategy has the strongest discriminating effect on export stimulation. Firms employing multiple entry modes are more sensitive to all the export stimuli than firms using a single entry mode. As there is almost no prior empirical research on this area it would be useful for future research to investigate this further. The high sensitivity to

export stimuli of firms using multiple entry modes could be a result of higher export readiness of these firms to become engaged in international operations in the first place and as such they were more inclined to utilize different entry modes as the opportunities were presented to them. This finding contradicts previous findings where no empirical evidence was found on the role of entry mode (Leonidou, 1998). One possible explanation may be the different conceptualization of this parameter, i.e. entry mode operationalized as direct and indirect modes of entering overseas markets versus the single and multiple entry modes utilized in this study.

The analysis of the relationship between the firm's capabilities and export stimulation factors confirmed prior findings – firms with advanced technology and networking capabilities are more proactive in seeking opportunities in foreign markets. Advanced technology has often been cited in the RBV literature as one of the main firm-specific advantages that plays a key role in the firm's internationalization venturing. High investment costs of advanced research and technology impel these firms to seek foreign markets in order to amortize the investment across a broader market base. Therefore, their attitude towards internationalization motives might be considerably different than those in the other industries. The findings indicate that British exporters surveyed in this study that have possession of advanced technology or a unique product are better positioned to act proactively in seeking foreign opportunities.

Drawing on theories of social exchange and resource dependency, network theory focuses on the firm's internationalization behaviour in the context of a network of inter-organizational and interpersonal relationships. Networks are seen as critical export stimuli that encourage the firm to become international. In most cases the starting point is the domestic network that through existing relationships provides

contacts and helps to develop new relationships abroad (Sharma and Johanson, 1987; Johanson and Mattsson, 1988; Axelsson and Easton, 1992; Johanson and Vahlne, 1990, 1992; Benito and Welch, 1994; Vatne, 1995; Coviello and McAuley, 1999; Chetty and Campbell-Hunt, 2003; Wright and Dana, 2003). The study findings show that firms that invest resources in developing network relationships are perceived to have a more proactive attitude towards international expansion. The networking relationships of firms also seem to have a differentiating role when it comes to the perception of export motives. In particular, well-connected firms are more likely to perceive foreign opportunities than firms with few network relationships.

The firm's physical resources seem to have a mixed influence on the perception of the export stimuli. The firm's size, measured both by the number of employees and by total sales turnover, affects the firm's perception of growth and profit opportunities abroad. These findings indicate that the size of the firm's human and financial resources play a significant role in the firm's ability to recognize and exploit foreign opportunities. These findings contribute to an area of the existing literature where there is little prior evidence (Ghauri and Kumar, 1989; Leonidou, 1998). These findings imply that larger firms are more proactively seeking growth and profit opportunities in foreign markets and managing their domestic market risk than are smaller firms. The stronger impact of internal proactive stimuli on the larger firms, measured both by number of employees and annual sales turnover, may be explained by the fact that larger firms have better management resources to identify foreign market opportunities and more organizational resources to act upon those opportunities.

It is worth observing that the external proactive stimuli factor exhibited no significant differentiating role in perception of export motives, apart from the case of

export market entry modes. It would appear that changes in legal and other barriers between countries and changes in competition and domestic demand seem to have very limited influence on export initiation decisions in general and largely no differentiating role among firms with different organizational, internationalization or capabilities characteristics.

7.3 Geographic diversification strategy and performance

In line with the main proposition advanced in this thesis that internal resources are main drivers of the firm's export strategy and performance, this part of the thesis investigates *the relationship between the firm-specific resources, its export strategy reflected in the firm's degree of geographic diversification and its performance.*

The management of a company considering initiating or expanding its international operations is faced with two types of strategic decisions. First, the management has to decide what kind of international expansion strategy is best for the firm. In general, firms have two strategic choices, either to execute a market concentration strategy, i.e. to concentrate their resources and marketing efforts on a relatively small number of foreign markets, or, to implement a market spreading strategy, i.e. to spread resources and activities across as many markets as possible. Second, the management has to assess the potential impact of the distance of the new markets. Geographical markets may differ from each other in terms of their physical, cultural and administrative proximity to the home market, as well as economic development (Ghemawat, 2001).

Geographic diversification (spread and scope) is an important strategic option for growth oriented firms, both small and large. Prior research has suggested that growth through geographic diversification has significant effect on the firm's economic

performance (Goerzen and Beamish, 2003; Goerzen and Asmussen, 2007). The general assertion is that conceptually, geographic diversity should enhance a company performance. A higher degree of geographic diversity enables the firm to optimize the cost/benefit ratio of internationalization and maximize its performance. Hence, pursuing a global strategy was widely believed to be the road to optimal performance.

Academics and practitioners have developed a multitude of definitions and terminology when referring to a firm's geographic diversification (for a review of definitions and terminology of multinationality and international diversification see Annavarjula and Beldona, 2000). In general, geographic diversification refers to the involvement of a firm in markets beyond the national borders of its host country. Regardless of the variation in definitions there is a consensus that geographic diversification is a highly complex and situational phenomenon subject to firm-specific characteristics, home country environment, and potential host market situation.

Evidently, most of the prior research on geographic diversification has been focused on the global strategic orientation of the big multinational enterprises with very little attention devoted to the smaller international players, exporters in particular. A general view is that if the majority of the large MNEs, which are considered to be the drivers of the globalization process, are more regional than global (as the evidence suggests), then it is likely that the SIFs will be even less global (Rugman and D'Cruz, 2000). The rationale behind this perception lies in the incremental costs and benefits of the internationalization process. Taking a company's products or services over national borders incurs costs stemming from the liability of foreignness and newness (differences in the legal, social and economic systems, consumer culture

and tastes). Bridging the administrative, economic, cultural and geographic distance (the so called ‘psychic distance’) (Johanson and Wiedersheim-Paul, 1975; Johanson and Vahlne, 1977, 1978, 1990; Bilkey and Tesar, 1977; Cavusgil, 1982; Czinkota, 1982; Lim et al., 1991; Crick, 1995) between the home and the foreign market requires significant resource commitments, both human and financial. The bigger the distance gap, the more likely the costs will outweigh the internationalization benefits. Given the human, knowledge and financial constraints of SIFs compared to larger firms, it is expected that SIFs will be more home-region oriented.

By examining a sample of 356 British exporters the degree of SIFs regionalization is determined following Rugman and Verbeke’s (2004) classification of regional and global firms. The analysis indicates that SIFs might be less regional in their geographic orientation than previously thought.

7.3.1 Regional nature of the British exporters

In the prior literature the effect of international diversification on the firm’s economic performance has been studied mostly by examining the relationship between the firm’s degree of internationalization (DOI) and internationalization outcomes (Sullivan, 1994). Various conceptualizations of DOI do not always reflect the geographic scope of the internationalization process. In this study two different concepts of geographic diversification are employed: (i) geographic diversification expressed as a degree of regionalization following Rugman and Verbeke’s (2004) classification of global and regional firms, and (ii) geographic diversification reflected in the firm’s market expansion strategy where a market concentration strategy indicates a regional orientation and a market spreading strategy indicates a global orientation.

Adhering to Rugman and Verbeke's (2004: 7) geographic diversification typology the survey respondents were classified into four categories employing the F/T sales as presented in Table 7.8.

Table 7.8 Classification of British exporters by Triad region spread (F/T sales)

	<i>Total sample</i>	<i>Europe</i>	<i>North America</i>	<i>Asia-Pacific</i>	<i>Other</i>
<i>Home region oriented</i>	170 (49%)	170	-	-	-
<i>Host region oriented</i>	107 (31%)	-	30 (28%)	40 (37%)	37 (35%)
<i>Global oriented</i>	42 (12%)				
<i>Bi-regional oriented</i>	25 (7%)	18 (72%)	4 (16%)	3 (12%)	
Europe		-	-	-	-
North America		10 (40%)	-	-	-
Asia-Pacific		3 (12%)	4 (16%)	-	-
Other		5 (20%)	0	3 (12%)	-

Note: Classification adopted from Rugman and Verbeke (2004).

The results show that almost half (49%) of the respondents are home region oriented exporters, i.e. they generate at least 50% of their sales in their home Triad region – Europe. The second largest group is the host region oriented (31%), i.e. firms that have more than 50% of their export sales in a Triad region other than their home region (North America, Asia-Pacific or Other region). Global export companies make up 12% of the sample and only 7% are classified as bi-regional. The Asia-Pacific region is the largest host region for the British exporters (37%), followed by markets outside the Triad regions (35%) and finally the North American region

(28%). Table 7.8 indicates that the majority of the bi-regional exporters (72%) have at least 20% of their sales in the home region of Europe. The North American region is a target market for 40% of the bi-regional exporters, followed by Other regions (20%) and Asia-Pacific region (12%).

As shown in Table 7.9 home region oriented British exporters generate on average 75% of their export sales intra-regionally and host region oriented have only 15% of their sales in the home region of Europe, while the global and bi-regional exporters have 30% and 32% respectively of their sales in the European Triad region. These results indicate that global and bi-regional exporters have more evenly dispersed sales across the four regions, confirming a higher degree of geographic diversification, while home and host region oriented exporters generate more than 70% of their sales in a single region, indicating a lesser degree of geographic spread.

Table 7.9 Average export sales by Triad region by type of exporter

	<i>Europe (Intra-regional sales)</i>	<i>North America</i>	<i>Asia-Pacific</i>	<i>Other</i>
<i>Home region oriented</i>	75%			
<i>Host region oriented</i>	15%	68%	72%	77%
<i>Global oriented</i>	30%	25%	25%	19%
<i>Bi-regional oriented</i>	32%	25%	20%	19%

These findings are consistent with Rugman and Verbeke (2004) who reported that the majority of international companies trade predominantly in their home region of the Triad where they generate most of their total revenues. These findings are based on the F/T sales data for my sample of British exporters while the majority of prior studies seem to derive their observations from analysis based on R/T sales. In order

to compare the geographic spread of my sample with the findings in previous studies the R/T sales are now utilized to classify the study respondents.

Table 7.10 shows the geographic orientation of my sample of British exporters, the Rugman and Verbeke's (2004) sample of the world's largest 380 MNEs, and the Rugman et al.'s (2007) sample of 27 largest UK MNEs. It is immediately evident that the percentage share of home region oriented firms in Table 7.10 is drastically higher than in Table 7.9, i.e. it has gone from 49% (based on F/T sales in Table 7.9) to 83% (based on R/T sales in Table 7.10). This big discrepancy is due to the structure of R/T sales – it includes the national sales (sales to the domestic market).

A closer comparison of my findings with Rugman and Verbeke's (2004) study of the world's largest 380 MNEs and Rugman, Kudina, and Yip's (2007) study of 27 UK MNEs presented in Table 7.10 reveals some interesting differences.

First, Table 7.10 clearly illustrates that the predominant home region orientation of the sample of British exporters (82%) is analogous to the sample of world top 380 MNEs (84%) but less so to the sample of top 27 UK MNEs (70%). Second, the distribution of firms among the other three categories in the sample of British exporters differs from that of the other two samples. The most surprising difference is the high share of global oriented firms in the sample of British exporters (5%) relative to those of the UK MNEs (0%) and world top MNEs (2%). This observation is contrary to the general expectation that smaller international firms will be even less global than the MNEs.

Table 7.10 Geographic orientation according to Rugman and Verbeke's (2004) classification (based on R/T sales)

	<i>Sample of 356 UK exporters</i>							<i>Top 27 UK MNEs</i>	<i>Top 380 world MNEs</i>
	<i>Sales</i>		<i>Number of firms</i>				<i>Total sample</i>		
	<i>Home market</i>	<i>Intra-regional</i>	<i>Europe</i>	<i>North America</i>	<i>Asia-Pacific</i>	<i>Other</i>			
<i>Home region oriented</i>	62%	83%	291				291	19	320
			82%				82%	70%	84%
<i>Host region oriented</i>	14%	24%		7	9	9	25	2	11
				28%	36%	36%	7%	7%	3%
<i>Bi-regional oriented</i>	17%	38%	7	2	4	2	15	4	25
			47%	13%	27%	13%	4%	15%	7%
<i>Global oriented</i>	22%	38%					17	0	9
							5%	0%	2%
<i>Insufficient data</i>							8	2	15
							2%	7%	4%
Total							356	27	380

Sources:

Sample of 356 UK exporters: Primary data collected via electronic survey (data for 2005).

Top 27 UK MNEs: Adapted from Rugman, Kudina, and Yip, 2007: 302 (data for 2001).

Top 380 world MNEs: Adapted from Rugman and Verbeke, 2004: 7 (data for 2001).

In order to further investigate the geographic positioning of British exporters I analysed the geographic distribution of the respondents considering their size, industry type and export experience. The descriptive statistics of these variables are provided in Table 7.11. The chi-square statistics indicate that all three variables have a significant differentiating effect on the geographic spread of British exporters.

Table 7.11 Firm size, industry and export experience characteristics of the four types of British exporters

	<i>Home region oriented</i>	<i>Host region oriented</i>	<i>Global oriented</i>	<i>Bi-regional oriented</i>	<i>Total</i>	χ^2
<i>Total sample</i>	170 49%	107 31%	42 12%	25 7%	344 100%	
<i>SMEs</i>	159 51%	98 32%	36 12%	18 6%	311 100%	12.92*** <i>df</i> = 3
<i>Large firms</i>	11 33%	9 27%	6 18%	7 21%	33 100%	
<i>Manufacturing</i>	136 52%	72 27%	36 14%	18 7%	262 100%	8.52** <i>df</i> = 3
<i>Services</i>	32 41%	34 43%	6 8%	7 9%	79 100%	
<i>Less experienced exporters</i>	53 50%	44 42%	5 5%	3 3%	105 100%	16.61*** <i>df</i> = 3
<i>More experienced exporters</i>	117 49%	63 26%	37 15%	22 9%	239 100%	

** $p \leq 0.05$; *** $p \leq 0.01$.

The descriptive statistics presented in Table 7.11 indicate considerable difference in the geographic spread between the SMEs and the large firms. Just over half of the SMEs are home region oriented compared to about one third of the large firms. A much greater proportion of the large exporters in the sample (39%) are bi-regional and global oriented than is the case for SMEs (18%). However, the results of the multinomial logistic regression (for details see Appendix 5) show that size is a significant predictor of the firm's geographic diversification only in the case of bi-

regional and home oriented exporters where large firms (as opposed to SMEs) are significantly more likely to be bi-regional than home region oriented.

With regard to industry sector – manufacturing industries or services – Table 7.10 indicates that there are differences in the geographic positioning between the two sectors. While the manufacturing industries seem to be more home region oriented (52%) than the service industries (41%), the services industries are more host region oriented (43%) and bi-regional (9%). On the other hand, the manufacturing sector is considerably more global (14%) than the service sector (8%). The results of the multinomial logistic regression (Appendix 5) indicate that industry sector has a significant predicting value only in the case of home and host region oriented exporters where service firms (as opposed to manufacturing firms) are almost twice more likely to be host region than home region oriented exporters.

The findings are consistent with previous empirical evidence. For example, Rugman's (2005) analysis of the world's largest 380 MNEs also indicated that service industries are significantly more host region oriented than the manufacturing industries. Service sectors tend to be more regional either because they are relatively more "location-bound" (utilities, transportation) or because of the propensity to be more heavily regulated than the manufacturing industries (banking and other financial services, telecommunication and utilities). Hence their propensity to concentrate their internationalization efforts to a single region (home or host).

As Table 7.10 indicates there are significant differences in geographical diversification between less experienced and more experienced exporters. Exporters with more than 10 years experience tend to be more global (15%) and bi-regional oriented (9%) than the less experienced exporters, while more than 90% of the less experienced firms implement a single region strategy, either home (52%) or host

(40%) region focused. The results of the multinomial logistic regression indicate that export experience is the only firm-specific resource that has highly significant effect on all four types of geographic diversification with more experienced exporters being more likely to be global and bi-regional than home region oriented exporters.

These findings endorse the argument that less experienced exporters will be more regional than more experienced exporters. The results imply that there is a significant difference in the inter-regional preferences of the less and more experienced firms. Namely, 92% of less experienced exporters have their sales within a single region of the Triad, either home or host region (Table 7.10), while more experienced exporters are less single-region oriented and more bi-regional and global. These findings suggest that geographic distance still plays a significant role in the firm's selection of foreign locations, in line with the internationalization theory rationale of geographic expansion (Johansson and Vahlne, 1977, 1990), i.e. firms expand their activities first in the neighbouring markets where the "psychic" proximity reduces the liability of foreignness and newness and the associated costs of diversification beyond the national borders. Gradually, as the experiential learning is built up, they engage in new markets and more complex resource commitments. The experiential learning is a function of time and will directly affect the pace and spread of the firm's geographical expansion – the more experienced a firm is, the bigger the geographic spread of its operations.

7.3.2 Geographic diversification and export performance

Studies focusing on large MNEs have implied that the relationship between geographic diversification and performance is a highly complex and context specific nexus (Sullivan, 1994; Annavarjula and Beldona, 2000; Liu, 2004; Wagner and

Ruigrok, 2004; Li, 2007), resulting in inconsistent and sometimes contradictory findings, ranging from a positive, linear relationship (Kim et al., 1989; Tallman and Li, 1996), negative relationship (Denis et al., 2002), insignificant or marginal, and non-linear relationship (U-shaped, inverted U-shaped, or horizontal S) (Geringer et al., 1989; Hitt et al., 1997; Li, 2005; Contractor, 2007; Ruigrok et al., 2007).

Regardless of the inconsistent empirical evidence, there remains a strongly held view that in the long run there is a positive relationship between international diversity and performance. This arises from the many benefits of internationalization, such as economies of scale, resource accessibility, learning effects as well as exploitation of firm-specific assets in foreign markets, accumulation of global market power, lowering of volatility from geographical diversification and accumulation of international experience (Hennart, 2007; Contractor, 2007). “[I]nternationalization is indeed generally ‘good’ for companies” is a conclusion derived from a recent comprehensive analysis of the principal theories underlying the multinationality/performance (M/P) relationship (Contractor, 2007: 473). Examining the contradictory results of the benefits of internationalization published in over 100 studies over the past 30 years, Contractor asserts that “while internationalization does not necessarily always improve performance (during the initial international expansion stage, or in cases where a firm may have over-internationalized), for the most part – over a considerable range of expansion – international expansion does indeed result in net positive benefits to a firm” (2007: 471).

The extent to which a firm is able to realize the benefits of incremental geographic internationalization is constrained by their capacity to handle and absorb the costs associated with this expansion (Vermeulen and Barkema, 2002). Smaller international firms, such as exporters, in general are less able to absorb costs than are

large MNEs, mainly due to resource constraints. Empirical evidence indicates that geographic specialization, rather than geographic diversification, results in higher levels of profitability (Vachani, 1991). Diversification towards related, physically-close and culturally-similar markets with analogous economic and institutional environments, reduces communication barriers, learning cost, transportation cost, product adaptation and marketing efforts. These cost saving advantages of geographic specialization imply that firms that export mainly in the home region, perceived to be culturally, physically and economically closer, will have better profitability and performance than firms following a geographic diversification strategy.

The impact of the market expansion strategy on the firm's performance is a well-researched topic. The empirical research on which strategy (market concentration or market spreading), results in better export performance of the firm, has produced inconsistent evidence. The market concentration strategy proponents argue that larger market shares in a few key markets result in higher profits in the long run (Tookey, 1975; Day, 1976; Tessler, 1977; Attiyeh and Wenner, 1981). Other studies have found that a market spreading strategy yields better export performance for smaller firms by avoiding direct market-share competition with larger companies in key export markets (Hirsch and Lev, 1973; Hamermesh et al., 1978; Piercy, 1981; Cooper and Kleinschmidt, 1985; Lee and Yang, 1990). In this study this argument is endorsed and market expansion strategy is employed as an indicator of the firm's geographic orientation, i.e. executing a market concentration strategy indicates a firm's regional orientation (exporting to a few key markets concentrated either in the home or a host region), while a market spreading strategy implies a firm's multi-region or global orientation.

Given that the export performance measure used in this study is a multi-dimensional measure an exploratory factor analysis (EFA) was employed to produce discrete and non-overlapping variables of export performance. The Pearson correlation matrix of the eight performance variables revealed that all the variables were strongly correlated. Adhering to the Kaiser's criterion, eigenvalues greater than one were used as a factor extraction criterion in combination with the scree test (Cattell, 1966). The analysis resulted in extraction of one factor with factor loadings ranging from 0.75 to 0.90 and explained 69 percent of the observed variance. The internal reliability was validated by a strong Cronbach alpha coefficient of 0.94.

A frequently used measure of international diversification employed in prior studies is the degree of internationalization, measured as a percentage of foreign sales in total sales. As presented in Figure 7.1 there is a significant positive relationship between the degree of internationalization (FS/TS) and export performance among the sample of British exporters.

However, as argued above, a high degree of internationalization does not mean that a firm also has a high degree of geographic diversification, i.e. it may export only to one foreign market or to a small number of markets in a specific region. Indeed, when I employed Rugman and Verbeke's (2004) measure of geographic spread of the firm's international activities across the main Triad regions the relationship looks considerably different. As presented in Figure 7.2, the relationship between geographic diversification and export performance has an inverted S shape rather than a positive linear relationship as in Figure 7.1.



Figure 7.1 Export performance* and the degree of internationalization

* Details of *Export performance* measure are provided in Appendix 1.

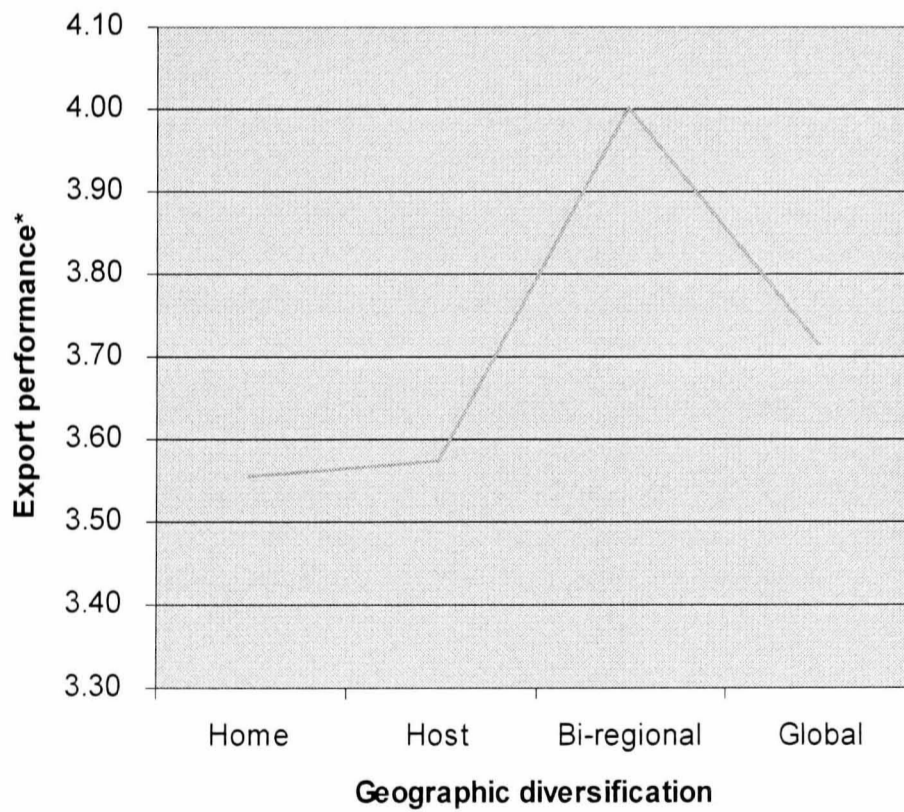


Figure 7.2 Export performance* and geographic diversification

* Details of *Export performance* measure are provided in Appendix 1.

To test the significance of this relationship, a binominal logistic regression was employed. The analysis was performed to assess prediction of membership in the two categories of the dependent variable – export performance (low performance and high performance) on the bases of an independent variable – predictor: geographic diversification, and a set of control variables: size of the firm, industry sector, and export experience. For the dependent variable, ‘low performance’ was set as a reference category and ‘high performance’ as a predicted category. I employed three different measures of geographic diversification as an independent variable:

- (i) *geographic diversification* (home, host, bi-regional and global oriented firms), where ‘home region oriented’ was coded as a reference category, and the remaining three groups (host, bi-regional and global oriented firms) as predicted categories;
- (ii) *single versus multi region orientation* (single region includes home and host oriented; multi region includes bi-regional and global oriented), where ‘single region oriented’ was coded as a reference category, and ‘multi-region oriented’ as a predicted category; and
- (iii) *market expansion strategy* (concentration versus spreading), where ‘concentration strategy’ was coded as a reference category, and ‘spreading strategy’ as a predicted category.

The control variables were coded as follows: firm size (0 = SMEs, 1 = large firms), industry sector (0 = manufacturing, 1 = services), and export experience (0 = less experienced, 1 = more experienced), where 0 is the reference category and 1 is the predicted category.

In order to establish whether British exporters trading predominantly in the home Triad region have relatively better export performance than British exporters trading predominantly in the other Triad regions, a binominal logistic regression was employed. Significance tests were conducted to assess the model goodness of fit, i.e. to validate that the model adequately fits the data. Hosmer and Lemeshow (H-L) chi-square test of goodness of fit (a recommended test for overall fit of a logistic regression model) produced a non-significant result ($\chi^2=5.266$, $df=3$, $p=0.729$) indicating that the model adequately fits the data and the independent variable has significant explanatory power for the dependent variable. This finding was confirmed by the Omnibus test of model coefficients (an alternative test to H-L test). The Omnibus test results ($\chi^2=20.825$, $df=6$, $p=0.002$) show that there is adequate fit of the data to the model, meaning that at least one of the predictors is significantly related to the response variable.

The parameter estimates presented in Table 7.12, panel (I) show that there is a significant positive relationship between geographic diversification and export performance. In particular, high performance exporters are almost 3 times more likely to be global and 3.4 times more likely to be bi-regional than low performance exporters. The results imply no statistically significant difference in export performance between home and host region oriented exporters. These results imply that global and bi-regional oriented exporters are more likely to have high export performance than home and host region oriented exporters. These findings provide empirical support to the growing argument that the positive internationalization/performance relationship is not linear but mostly horizontally S shaped.

Table 7.12 Binominal Logistic Regression analysis of export performance: Low vs. High performance firms

	Variables	B	Wald χ^2 - test	Odds ratio
(I)	<i>Home, Host, Bi-regional, Global oriented exporters</i>			
	Home vs. Host	0.11	0.17	1.11
	Home vs. Bi-regional	1.23	4.51**	3.41
	Home vs. Global	1.07	6.29***	2.93
	Constant	-0.15	0.38	
(II)	<i>Geographic spread strategy</i>			
	Single vs. Multi region oriented exporters	1.09	9.68***	2.97
	Constant	-1.69	8.72***	
(III)	<i>Market expansion strategy</i>			
	Concentration vs. Spreading strategy	1.65	28.69***	5.22
	Constant	-0.43	2.58*	0.65
(IV)	<i>Control variables</i>			
	Firm size (0=SMEs, 1=large firms)	-0.06	0.02	0.94
	Industry sector (0=manufacturing, 1=services)	0.47	2.68**	1.60
	Export experience (0=less experienced, 1=more experienced)	0.55	4.60**	1.73

** $p \leq 0.05$; *** $p \leq 0.01$ (one-tailed test).

Interpretation of Table 7.12:

The dependent variable (Export performance) has two categories; 'Low performance exporters' (coded 0) is specified as a reference category, and 'High performance exporters' (coded 1) is a predicted category.

Panel I – The independent variables are coded as follows: Geographic diversification ('Home oriented exporters'=reference category (coded 0); 'Host', 'Bi-regional' and 'Global'=predicted categories (coded 1, 2, 3)).

Binominal logistic regression predicts the higher category (coded 1), using the lower (coded 0) as the reference category.

For example, in panel I the results are interpreted as follows: the odds of being 'High performance' (predicted dependent category) for 'Global oriented exporters' (predicted independent category, coded 1) as opposed to 'Home oriented exporters' (reference independent category, coded 0) are 2.93 times the odds of being 'Low performance exporters' (reference dependent category).

Panel II – The independent variables are coded as follows: Single versus multi-region strategy ('Single region oriented exporters'=reference category (coded 0); 'Multi-region oriented exporters'=predicted category (coded 1)). Thus the results mean: the odds of being 'High performance' (predicted dependent category) for 'Multi-region oriented exporters' (predicted independent category, coded 1) as opposed to 'Single-region oriented exporters' (reference independent category, coded 0) are 2.97 times the odds of being 'Low performance exporters' (reference dependent category).

The proponents of the three-stage theory of international expansion argue that “the apparently contradictory results of past studies are but subsets of the three stages of the general theory” (Contractor, 2007: 11). If we consider the predominantly home region oriented exporters to be at Stage 1 (early internationalization), host and bi-regional oriented firms at Stage 2 (later internationalization), and global exporters at Stage 3 (excessive internationalization), then the findings of this study endorse the recently proposed three-stage or S-shaped general theory (Hennart, 2007; Contractor, 2007).

Having analysed the impact of geographic diversification on the firm’s performance, next I investigate the effect of single region versus multi region strategy on firm performance. The data suggests that the majority of British exporters follow predominantly a regional strategy, either home or host region focused, i.e. 80% of the firms in the sample (49% in the home region and 31% in a host region) generate on average more than 70% of their sales within a single region (Table 7.8).

In order to determine whether British exporters following a predominantly single-region strategy have better export performance than British exporters following a multi-region strategy, I employed a binominal logistic regression. Both tests of significance of the logistic regression model show that the model adequately fits the data. The H-L chi-square test of goodness of fit produced a non-significant result ($\chi^2=3.135$, $df=5$, $p=0.679$) indicating that the independent variable has significant explanatory power for the dependent variable, and the Omnibus test of model coefficients results ($\chi^2=20.601$, $df=4$, $p=0.0001$) show that the predictor is significantly related to the dependent variable.

The parameter estimates as presented in Table 7.12 panel (II), show positive and highly significant ($p < 0.01$) B coefficient indicating that the odds of being high performance exporter for multi-region oriented firms (as opposed to single-region oriented firms) are 3 times than for low performance exporter. This finding is consistent with the outcome of the previous tests, meaning that multi-region oriented exporters are more likely to have high performance than single region oriented exporters.

Further analysis of the geographic diversification/export performance relationship was conducted by employing an alternative measure of the firm's degree of regional orientation: the firm's market expansion strategy. I hypothesised that firms following market concentration strategy will have better export performance than firms following market spreading strategy. Both tests of significance of the binominal logistic regression model show that the model adequately fits the data (the H-L chi-square test of goodness of fit ($\chi^2 = 3.135$, $df = 5$, $p = 0.679$), and the Omnibus test of model coefficients ($\chi^2 = 20.601$, $df = 4$, $p = 0.0001$)) indicating that the predictor is significantly related to the dependent variable.

The positive and highly significant ($p < 0.01$) B coefficient parameter estimates presented in Table 7.12 panel (III) show that the odds of being high performance exporter for firms following market spreading strategy (as opposed to market concentration strategy) are 5.2 times than for low performance exporter. This finding endorses further the argument that more geographically diversified firms are more likely to have high performance than exporters concentrating their efforts to a smaller number of export markets.

With respect to the control variables the results presented in Table 7.12 panel (IV) show that industry sector and export experience have a significant relationship with

export performance. Service firms are 1.6 times more likely to have high performance than manufacturing exporters, and more experienced exporters are 1.7 times more likely to be high performance than less experienced exporters. The analysis produced no significant relationship between firm size and export performance.

7.4 Summary

This chapter provided an overview of the main characteristics of the sample of British exporters surveyed in this study, the main factors that motivated these exporters to initiate and sustain their international activities, and the degree of the geographical spread of their exporting activities across the main Triad regions of the world and its relationship with the exporters' performance.

The overview of the main characteristics of the response sample indicated that the sample of surveyed firms is well balanced in terms of industry mix, export intensity, export entry modes, and geographic spread of the exporting activities. It also provides an additional validation of the representativeness of the response sample of the industry population studied in this research.

The second section of the chapter presented an analysis of the main factors driving the export initiation process among the sample firms. The empirical findings revealed that export initiation decisions by British exporters are mainly driven by internal proactive stimuli such as the firm's aspirations for growth, higher profits and risk diversification. These empirical findings endorse the thesis RBV grounded propositions that: i) internal proactive stimuli are the most significant export motives among British exporters, and ii) the firm-specific resources and capabilities play a differentiating role in firm's perception of specific stimuli.

Finally, the chapter looked into the exporting strategy of the surveyed British exporters. The study's findings imply that even though British exporters follow predominantly regional strategy the somewhat surprising evidence show that they are relatively less regionally oriented than generally expected. The analysis provides evidence that the firm's international experience has a deterministic role in the degree of geographic spread of the firm's international operations. Furthermore, a significant relationship between geographic diversification (as defined by Rugman and Verbeke's (2004) classification) and firm export performance measured by a composite multi-item scale was also found. The evidence also indicates that firms following multi-region strategies and market spreading strategies also exhibit better performance.

Chapter 8 Findings – Resource Determinants of Export

Performance

In this chapter an analysis of the resource/performance relationship is presented from two perspectives: empirical and perceptual. The proposed resource-based model of export performance is empirically validated and exploratory and confirmatory factor analyses are conducted to assess construct validity and reliability. An assessment employing Structural Equation Modelling is performed of the individual as well as the concurrent effects of the firm-specific resources on the firm's export strategy and performance. The mediating role of the export strategy in resource-performance relationship is also tested.

The second part of the chapter presents the managers explicit views of the importance of specific factors for the firm's export success and contrast them with the empirical findings of the resource/performance relationship derived in the first part of this chapter. This section provides a comparative analysis of the empirical versus perceptual observations of the specific resource/performance relationships. The chapter highlights the apparent disparity between empirical findings and management's perceptions of the key determinants of export success.

8.1 Introduction

This thesis advances the RBV perspective as a valuable theoretical framework in identifying advantage-generating resources and capabilities as critical drivers of the export initiation process, export strategy and export performance. Building on the propositions and findings of prior studies, a resource-based model of export performance was developed and presented in Chapter 5 (Figure 5.1).

This model extends the earlier work in three ways. Firstly, it integrates and tests concurrently a wider pool of firm-specific resources than the prior studies. The majority of prior studies examine the relationship between either a particular resource or a small number of resources and firm performance. Secondly, it makes a clear distinction between resources and capabilities and examines their relative importance for the firm performance. Third, it examines the relative importance of different resources/capabilities and resource/capability bundles and their relationship with the export performance of the firm. Finally, it investigates the extent to which export strategy mediates the effects of these resources/capabilities upon export performance.

8.2 Resource/performance nexus – empirical findings

Based on a comprehensive literature review, a list of the potential *resources* conceptualized and empirically tested in RBV studies over the past 40 years was compiled. Considering the empirical evidence of the relationship between each resource and both export strategy and export performance, this extensive list was narrowed down to 37 resources. Following the most common classification used by the RBV scholars and my hypothesised structure, these 37 resources were grouped into five sets, namely: physical, managerial, organizational, relational, and knowledge-based resources. Full details of these 37 resources and their categorization are given in Appendix 3. The extent of each of these 37 firm-specific resources was measured using perceptual measures, asking the manager to appraise the firm's ownership/control of each resource, via a Likert-type five-point response coding ranging from 'strongly disagree' (1) to 'strongly agree' (5).

8.2.1 Deriving the measurement model

In order to validate the grouping of the 45 items measuring resources (37 items) and performance (8 items) into scales and evaluate their measurement of the underlying constructs they were designed to measure, a preliminary measurement model is derived for them using Exploratory Factor Analysis (EFA) on one randomly-selected half of the data, then tested this using Confirmatory Factor Analysis on the other half (using Path Analysis software MPlus). This split-half cross-validation was used to guard against overfitting of my model caused by testing it on the same data used to construct it. The internal consistency reliabilities of each of the scales derived from the item groupings resulting from my factor analyses were then checked on the full data set, and the measurement model finalised.

For the exploratory factor analysis on one ‘construction’ half of my data, principal-axis factoring (PAF) analysis with oblique rotation was utilized, with the number of factors to be extracted determined by consulting both the scree plot and with reference to Kaiser’s ‘eigenvalue > 1’ criterion (Conway and Huffcutt, 2003). After the removal of several items, which either cross-loaded or had very low loadings, including all five items measuring physical resources, a clear 9 factor solution was found from the remaining 32 items as presented in Table 8.1. All factor-item loadings were greater than 0.40, the communalities for all items were above 0.46, and the factors together explained 69 percent of the observed variance.

This emergent model revealed distinct patterns in the loadings of the resources and performance items across the nine factors that were consistent with the theoretical propositions for four of the five resource bundles in the model. As expected, items measuring managerial resources grouped together as indicators of a single factor. Items representing organizational resources and capabilities items were found to be

measuring three distinct concepts: advanced technological capabilities, quality product/service capabilities, and export planning capabilities. The knowledge-based resources and relational resources bundles each split into two groups; namely those measuring export expertise, versus those indicating export knowledge, and those focusing on business relationships versus items which measured the relationship with government. All eight export performance items loaded highly on a single factor. This proposed measurement model was then tested on the other random 'validation' half of the data using Confirmatory Factor Analysis.

The 9 factor solution ($\chi^2 = 721$ on 427 df) offered a relatively good fit to the data as judged by the range of key fit indices recommended by Hu and Bentler (1998); specifically CFI = 0.92; TLI = 0.91, RMSEA = 0.06; SRMR = 0.06. The internal consistency and reliability of each of the groupings ('scales') of items suggested by the item-factor breakdown of this measurement model were tested on the full sample. The Cronbach's alpha coefficients for all 9 scales were more than adequate, with values of greater than 0.75, and no instances of item removal improving the consistency of a scale. The results of these exploratory and confirmatory factor analyses and the reliabilities of the resulting scales of items are given in Table 8.1.

The physical resources items had failed to group into a clearly identifiable factor at the exploratory factor analysis stage and so were excluded from the measurement model. In fact these items focused on five distinctly different physical resources, reflected in the weak to medium correlations amongst them ($r < 0.35$), suggesting an index-like quality. As a result of this, and to ensure that physical resources were included in the subsequent structural equation modelling process I decided to compute the mean score across the five items, and use the resulting observed variable as a predictor representing a 'physical resources index'.

Table 8.1 Exploratory and confirmatory factor analysis, internal consistency reliabilities and observed mean scores for resources and performance items

Dimension / Item	Factor loadings - EFA †	Stand'sd Coeff's - CFA ‡	Factor Mean Score	C'bach's alpha **
Management resources			4.01	0.88
Management has...				
A strong commitment to exporting	0.78	0.77		
A global, internationally-oriented strategy	0.59	0.82		
A proactive attitude towards exporting	0.71	0.79		
A positive perception of export advantages	0.64	0.76		
An ability to overcome export barriers	0.40	0.72		
Organizational capabilities: Advanced technology			3.47	0.83
Our company...				
Has strong leadership in technology	0.72	0.85		
Develops technology by investing in R&D	0.83	0.79		
Acquires new technology	0.59	0.69		
Adopts new methods and concepts in manufacturing/service process	0.46	0.72		
Organizational capabilities: Quality of product/service			4.28	0.86
Our company...				
Provides consistent quality of products/ services	0.76	0.81		
Meets customer specifications and requirements	0.83	0.82		
Meets delivery dates	0.80	0.71		
Provides good quality after-sales service	0.65	0.76		
Organizational capabilities: Export planning			3.29	0.90
Our company...				
Implements a separate, well-defined export strategy	0.77	0.94		
Has a formalized export planning activity	0.64	0.89		
Knowledge-based resources: Export expertise			3.79	0.92
Our company...				
Has highly-skilled export personnel that deals with international markets/operations	0.89	0.95		
Has export personnel that are experienced in international operations	0.71	0.94		
Knowledge-based resources: Export knowledge			3.73	0.86
Our company...				
Has knowledge about the customers in our export markets	0.71	0.84		
Has knowledge about the competitors in our export markets	0.74	0.84		
Has information related to doing business in our export markets	0.67	0.77		
Relational resources: Business relationships			3.61	0.76
Our company...				
Has good relationships with the distributors in our export markets	0.85	0.72		
Has good relationships with the supply chain in our export markets	0.68	0.85		
Relational resources: Government relationships			2.31	0.85
Our company...				
Has good government links in the UK	0.85	0.78		
Has good government links in our export markets	0.86	0.95		
Export performance			3.60	0.94
Over the past 5 years our exporting activities...				
... Have contributed significantly to our overall profitability.	0.55	0.64		
... Have generated a high volume of sales.	0.64	0.79		
... Have achieved rapid growth.	0.72	0.84		
... Have improved our international competitiveness.	0.74	0.86		
... Have strengthened our strategic position in the international market.	0.69	0.86		
... Have significantly increased our international market share.	0.85	0.89		
... Have been very successful.	0.84	0.87		
... Have fully met our goals and expectations.	0.75	0.73		
Physical Resources Index ††			3.63	N/A

† Absolute values. Construction half of the sample; N = 168

‡ Validation half of the sample; N = 161

†† Physical Resources items were omitted from measurement model; observed mean score created as index

The observed means of each resource dimension within my model (calculated over the whole sample, and also given in Table 8.1) indicate that, on average, the firms within this sample agree with statements regarding themselves as having organizational capabilities in providing good quality goods and customer service, capable management resources, significant export expertise and knowledge, good business relationships, and sufficient physical resources. Their perceptions regarding their advanced technology and export planning capabilities were inclined towards neutrality, and they tended to disagree with positive statements with respect to their government links.

Before constructing the structural equation model the correlations shared between the 9 factors resulting from the measurement model were examined as well as their correlations with the observed physical resources index described above. All resource factors and the physical resources index shared positive correlations with the performance factor, with all but one of these coefficients being of medium to large size and statistically significant ($0.18 < r < 0.64$). These results provide preliminary evidence supporting hypotheses 1 to 5, i.e. that each of the five resource groups will have a significant positive effect on export performance. Correlations between resources were all positive, and almost all of medium to large size, but not so large to compromise the divergent validity of the factors ($r < 0.66$); these inter-correlations are given in full in Table 8.2.

Table 8.2 Inter-correlations between resources and performance factors† on full sample

	1	2	3	4	5	6	7	8	9
1 <i>Physical Resources†</i>									
2 <i>Management resources</i>	0.52								
3 <i>Organizational capabilities: Advanced technology</i>	0.60	0.46							
4 <i>Organizational capabilities: Quality of product/service</i>	0.42	0.39	0.35						
5 <i>Organizational capabilities: Export planning</i>	0.53	0.65	0.44	0.20					
6 <i>Knowledge-based resources: Export expertise</i>	0.43	0.66	0.31	0.31	0.59				
7 <i>Knowledge-based resources: Export knowledge</i>	0.59	0.64	0.40	0.44	0.62	0.66			
8 <i>Relational resources: Business relationships</i>	0.52	0.47	0.33	0.27	0.49	0.48	0.62		
9 <i>Relational resources: Government relationships</i>	0.42	0.23	0.31	0.10	0.41	0.25	0.40	0.38	
10 <i>Export performance</i>	0.36	0.64	0.40	0.18	0.50	0.42	0.52	0.38	0.21

† Physical resources represented by an observed index; all other variables are latent factors.
N = 329

8.2.2 Structural Equation Model

The measurement model outlined above was next transmuted into a series of structural equation models, with the eight resource factors and the observed physical resources index as potential antecedents and the performance factor as an outcome. Two variables were introduced representing export strategy, specifically export intensity and export spread, as potential mediators of resource-to-performance effects; and also two dichotomous variables for company size and export experience, to control for the effects of these potentially confounding background variables upon performance (details of these variables are provided in Chapter 6).

The series of models tested began with a baseline model (A), in which the effects on performance of all nine resource variables were only via the mediating strategy variables. There were no direct resource-performance paths, only the indirect effects, i.e. those from each resource to each of intensity and spread, and then onwards from

intensity and spread to performance. As presented in Table 8.3 the overall fit of the model ($\chi^2 = 1200$ on 552 df, CFI = 0.903, RMSEA = 0.065, SRMR = 0.092) fell just below levels of adequacy on the key indices. The fit statistics for each model, and comparison tests against the baseline model are summarised in Table 8.3.

Table 8.3 Competing Structural Equation Models for a resource-based model of export performance

Model		χ^2 , df	$\Delta\chi^2$, Δdf ‡	CFI	RMSEA	SRMR
A	Fully mediated	1200, 552	---	0.903	0.065	0.092
B1	Direct path(s) from Managerial Resources to Performance	1159, 551	41, 1 *	0.909	0.063	0.058
B2	Direct path(s) from Knowledge-based Resources to Performance	1169, 550	31, 2 *	0.908	0.064	0.062
B3	Direct path(s) from Organizational Capabilities to Performance	1152, 549	48, 3 *	0.910	0.063	0.057
B4	Direct path(s) from Relational Resources to Performance	1174, 550	26, 2*	0.907	0.064	0.066
B5	Direct path(s) from Physical Resources to Performance	1181, 551	19, 1 *	0.906	0.064	0.059
C	Direct path(s) from all resources to Performance	1134, 543	66, 9 *	0.912	0.063	0.052

N = 278

‡ change assessed vs. baseline Model A (fully mediated);

* model improvement significant at $p < 0.05$ level;

The path coefficients (presented in Table 8.4) from this model supported hypotheses 6, 7a and 7b, with three of the resource variables within the five bundles being significantly positively related to one or both strategy variables. Specifically, management resources (H6; $\beta = 0.168$, $p < 0.05$), export knowledge (H7a; $\beta = 0.173$, $p < 0.05$), and export expertise (H7b; $\beta = 0.254$, $p < 0.05$) were significantly positively related to spread, with management resources and export knowledge ($\beta = 0.533$, $p < 0.05$ and $\beta = 0.167$, $p < 0.05$ respectively) also significantly related to intensity.

Table 8.4 Standardized path coefficients and support for alternative hypotheses from competing Structural Equation Models

<i>Alternative Hypothesis for each path within each model (as opposed to respective null hypotheses of no effect)</i>	<i>Effect of resource on export strategy</i>		<i>Direct effect of resource/</i>	<i>Indirect effect (via strategy) of</i>	<i>Null Hypotheses</i>
	<i>Export intensity</i>	<i>Export spread</i>	<i>strategy/control on Export Performance</i>	<i>resource on Export Performance</i>	<i>rejected in favour of alternative</i>
<i>Model A – Mediating effect of Export strategy: indirect effects of resources via strategy only</i>					
H6: Management resources → Export strategy → Export performance	0.533*	0.168*		0.316*	✓
H7a: Export knowledge-based resources → Export strategy → Export performance	0.167*	0.173*		0.132*	✓
H7b: Export expertise resources → Export strategy → Export performance	0.016	0.254*		0.077	✓
H8a: Export planning capabilities → Export strategy → Export performance	-0.043	-0.020		-0.028	X
H8b: Quality/service competences → Export strategy → Export performance	-0.049	-0.269		-0.098	X
H8c: Technology resources → Export strategy → Export performance	0.113	0.015		0.062	X
H9a: Business relationships → Export strategy → Export performance	0.008	-0.013		0.000	X
H9b: Government relationships → Export strategy → Export performance	-0.098	-0.200		-0.105	X
H10: Physical resources → Export strategy → Export performance	-0.237	0.079		-0.099	X
H11: Export strategy (intensity) → Export performance			0.508*		✓
H11: Export strategy (spread) → Export performance			0.272*		✓
Control Variables: Export experience	0.157*	0.281*	-0.195		NA
Control Variables: Company size	-0.072	0.130*	-0.064		NA

Table 8.4 con't.

<i>Alternative Hypothesis for each path within each model (as opposed to respective null hypotheses of no effect)</i>	<i>Effect of resource on export strategy</i>		<i>Direct effect of resource/</i>	<i>Indirect effect (via strategy) of</i>	<i>Null Hypotheses rejected in favour of alternative</i>
	<i>Export intensity</i>	<i>Export spread</i>	<i>strategy/control on Export Performance</i>	<i>resource on Export Performance</i>	
<i>Models B1 to B5 – Resource individual effect: as well as indirect effects via strategy, direct unique effects to performance added for each resource in turn</i>					
H1: Management resources → Export performance	0.541*	0.169*	0.411*	0.198*	√
H12a: Export knowledge-based resources → Export performance	0.151	0.169*	0.339*	0.095*	√
H2b: Export expertise resources → Export performance	0.025	0.259*	-0.016	0.059	X
H13a: Export planning capabilities → Export performance	-0.051	-0.024	0.277*	-0.026	√
H3b: Quality/service competences → Export performance	-0.049	-0.270	-0.011	-0.074	X
H3c: Technology resources → Export performance	0.107	0.011	0.179*	0.047	√
H4a: Business relationships → Export performance	-0.004	-0.024	0.180*	-0.008	√
H4b: Government relationships → Export performance	-0.117	-0.206	0.149*	-0.109	√
H15: Physical resources → Export performance	-0.237	0.079	0.221*	-0.099	√

Table 8.4 con't.

<i>Alternative Hypothesis for each path within each model (as opposed to respective null hypotheses of no effect)</i>	<i>Effect of resource on export strategy</i>		<i>Direct effect of resource/</i>	<i>‡Indirect effect (via strategy) of</i>	<i>Null Hypotheses</i>
	<i>Export intensity</i>	<i>Export spread</i>	<i>strategy/control on Export Performance</i>	<i>resource on Export Performance</i>	<i>rejected in favour of alternative</i>
<i>Model C – Resources concurrent effects: as well as indirect effects via strategy, direct unique effects to performance added for all resources</i>					
H11: Management resources → Export performance	0.534*	0.169*	0.287*	0.190*	√
H2a: Export knowledge-based resources → Export performance	0.165*	0.175*	0.211*	0.078*	√
H2b: Export expertise resources → Export performance	0.016	0.254*	-0.132	0.042	X
H3a: Export planning capabilities → Export performance	-0.045	-0.022	0.130*	-0.017	√
H3b: Quality/service competences → Export performance	-0.049	-0.270	-0.105	-0.055	X
H3c: Technology resources → Export performance	0.114	0.014	0.153*	0.037	√
H4a: Business relationships → Export performance	0.008	-0.014	0.025	0.000	X
H4b: Government relationships → Export performance	-0.097	-0.200	0.013	-0.059	X
H15: Physical resources → Export performance	-0.237	0.079	-0.075	-0.062	X
H11: Export strategy (intensity) → Export performance			0.310*		√
H11: Export strategy (spread) → Export performance			0.147*		√
Control Variables: Export experience	0.157*	0.281*	-0.156		NA
Control Variables: Company size	-0.072	0.131*	0.006		NA

N = 278,

* p < 0.05 (1-tailed test)

‡ Indirect effects exist via each of the mediating strategy variables, and for each combination of resource and mediating variable, they were calculated as the product of the path coefficient from the respective resource to mediating variable with the path from mediating variable to performance. The overall indirect effect via strategy (i.e. both mediating variables) was calculated by summing the indirect effects found via each mediator, with the resulting value tested for its statistical significance.

The results from this model also gave strong backing to hypotheses 11; strategy, measured by both export intensity ($\beta = 0.508$, $p < 0.05$) and spread ($\beta = 0.272$, $p < 0.05$), was a strong positive predictor of performance. With respect to the background variables, both, export experience and firm's size have significant positive effect on both aspects of export strategy, except in the case of size-intensity relationship that seems to be negative.

Both, through putting the two sets of results above together (i.e. where a resource had a significant path to strategy, and given that strategy had a significant relationship with performance), and by specific tests of these indirect effects, the results show that there is a degree of initial support for hypothesis 12, that strategy has a mediating effect on the resource-performance relationship.

The resource bundles for which there were statistically significant paths from resource to strategy, and then from at least one of the strategy variables to performance were management resources, knowledge-based resources and export expertise. The other resources were not significantly positively related to either strategy variable. Likewise, significant positive overall indirect effects (tested using the sum across the two mediating strategy variables of the products of the coefficients between resource and mediator, and mediator and performance (Bollen, 1989; Sobel, 1982; Muthen and Muthen, 2004) were found between management resources and performance ($\beta = 0.316$, $p < 0.05$), and between knowledge-based resources and performance ($\beta = 0.132$, $p < 0.05$).

To examine whether these mediation effects were complete, or whether either management resources, knowledge-based resources, or export expertise resources also had a direct impact on performance, and also to investigate whether the other resource bundles were directly related to performance, five competing models (B1 to

B5) were tested, each of which added direct paths from the variable(s) within one of the five resource bundles. In each case, when testing the difference between model chi-square statistics, the model with additional paths was a statistically significant improvement upon the baseline model, indicating that direct relationships did indeed occur, with the model fit (Table 8.3).

The standardised paths coefficients for the effects of the B1 to B5 models are presented in Table 8.4. Management resources showed a strong direct positive effect upon performance ($\beta = 0.411$, $p < 0.05$) implying support for hypothesis 1; hence, though a significant indirect effect of management resources on performance via strategy ($\beta = 0.198$, $p < 0.05$) also exists, the mediation of the management resources effect on performance by the strategy variables can only be described as partial. Of the knowledge-based resources, export knowledge was strongly directly related to performance ($\beta = 0.339$, $p < 0.05$; support for hypothesis 2a), but expertise did not have a significant direct effect (hypothesis 2b not supported). Whilst one half of the knowledge bundle, the knowledge-based, is partially mediated, the other, expertise appears to be fully mediated, i.e. its significant effect on performance exists primarily through one type of strategy, specifically spread.

Of the organisational capabilities, only quality of product and service was not significantly directly related to performance (hypothesis 3b not supported); the finding of a significant positive direct relationship between export planning capabilities ($\beta = 0.277$, $p < 0.05$) and technology resources ($\beta = 0.179$, $p < 0.05$) and export performance provide further support for hypotheses 3a and 3c. The variables within the relational resources, both business ($\beta = 0.180$, $p < 0.05$) and government ($\beta = 0.149$, $p < 0.05$), and the physical resources ($\beta = 0.221$, $p < 0.05$) bundles were all significantly positively directly related to performance, further supporting

hypotheses 4a, 4b and 5. However, none of the organisational capabilities, relational or physical resource variables showed significant indirect relationships, again indicating that any mediating effect of strategy on the resource-performance relationship is confined to managerial and knowledge-based resources.

Finally, a model (C) was fitted with direct paths from all resources through to performance, to test the unique effects of each resource with all others taken into account. This model significantly improved upon both the baseline and each of models B1 to B5 in terms of its model chi-square ($\chi^2 = 1134$ on 543 df, see Table 8.3 for comparison test), with improved fit indices (CFI = 0.912, RMSEA = 0.063, SRMR = 0.052) despite the loss of parsimony. When the resource-to-performance relationship was simultaneously tested considering all resources concurrently, the results show that the pattern of results for the path coefficients mirrored those from the previous set of models. Namely, management resources ($\beta = 0.287$, $p < 0.05$), knowledge-based resources ($\beta = 0.211$, $p < 0.05$), export planning capabilities ($\beta = 0.130$, $p < 0.05$) and technology resources ($\beta = 0.153$, $p < 0.05$), all have strong direct positive effect on export performance. The effects on performance of both physical and relational resources were now non-significant. The two background variables, export experience and firm size, in this model were also found to have non-significant effect on export performance. Both indicators of export strategy, intensity and spread, showed strong positive direct effect on export performance. The testing of indirect effects of resources upon performance via strategy again indicated that mediation of the resource-performance effect was confined to managerial and knowledge-based resources. The path diagram for this full model, with the respective coefficients and significance levels added, is given in Figure 8.1.

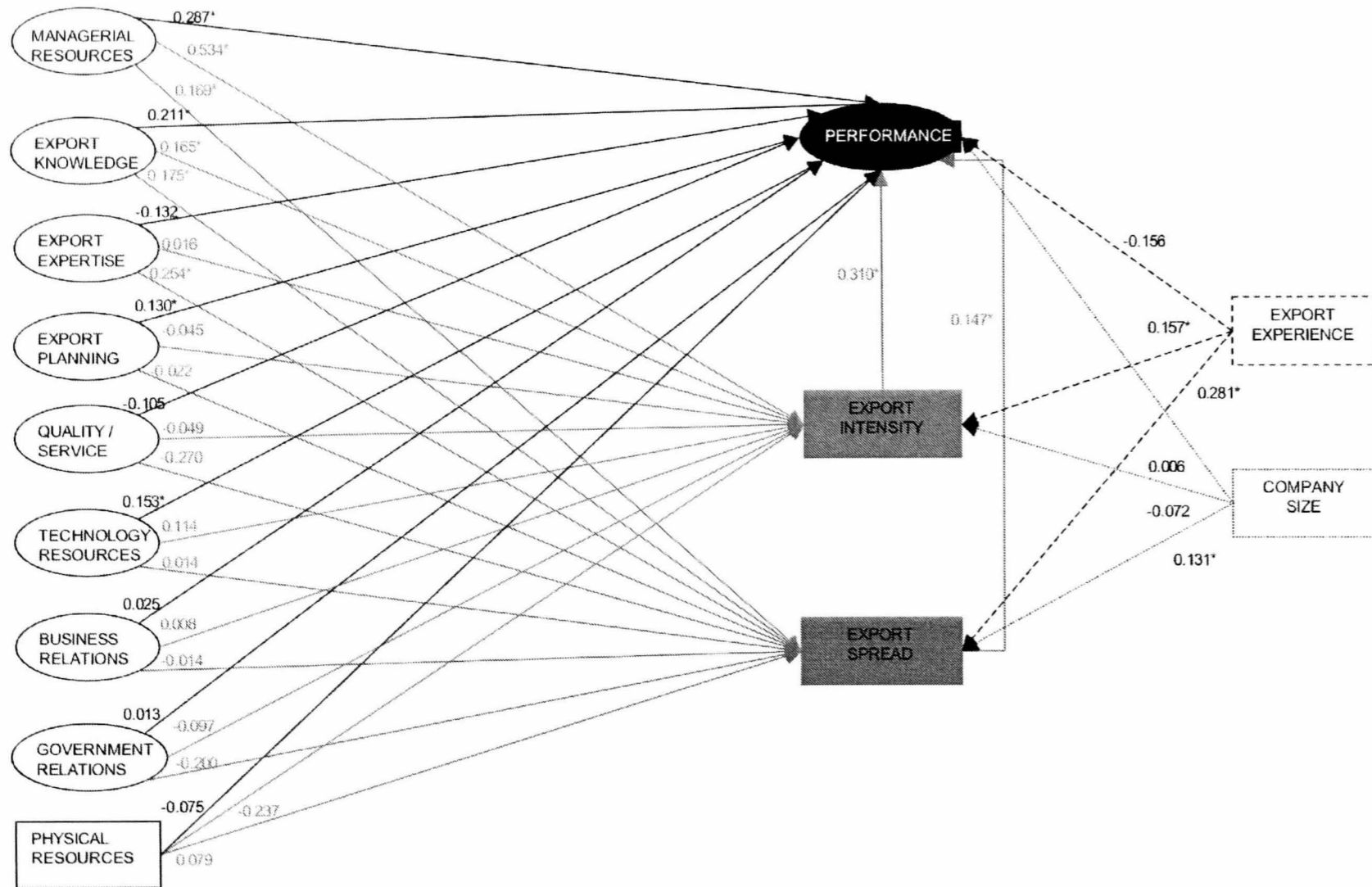


Figure 8.1 Structural Equation Model (C) for resource-based model of export performance, showing standardised path coefficients

Model $\chi^2 = 1200$, $df = 552$; CFI = 0.912, RMSEA = 0.063, SRMR = 0.052,

N = 278. * = $p < 0.05$, 1-tailed test. Item-factor paths and correlations between resources factors are omitted for parsimony

8.3 Management perceptions of the resource-export performance relationship

The final research objective of this thesis was to obtain from *managers explicit views of the importance of specific factors for the firm's export success* and contrast them with the empirical findings of the resource/performance relationship derived in the previous section. This section provides an overview of the characteristics of the export performance measures of the sample of British exporters, and the comparative analysis of the empirical versus perceptual observations of the specific resource/performance relationships.

Over forty years of research on export performance has identified an array of firm-specific and environment-specific factors and behaviours and explored their association with export performance (Aaby and Slater, 1989; Chetty and Hamilton, 1993; Leonidou, Katsikeas and Piercy, 1998; Zou and Stan, 1998; Leonidou, Katsikeas and Samiee, 2002). Various models have been advanced to assess empirically the sign and direction of the relationship between these factors and export outcomes and have yielded different results. This plethora of research outcomes is a result of the considerable number of factors advanced as performance determinants as well as the inconsistencies in conceptualization and operationalization of performance measures. In addition, concerns have been raised about a potential divergence between the academic findings of the export determinants/performance relationship and the perceptions of managers (e.g., Madsen, 1998; Lages and Montgomery, 2004; Lages and Lages, 2004; Lages, Lages and Lages, 2005). In fact, there is very limited evidence of the perceptions of managers as to which factors are important for export success. Furthermore, very few studies consider explicitly managers' assessment of the export performance of their

firms and the associated degree of satisfaction with the realization of export strategy goals.

In the pursuit of theoretically sound and empirically reliable and valid export performance models, researchers have relied mostly on objective measures of export determinants and export outcomes and have used statistical analysis to empirically assess the determinant/performance relationship. Although this approach has been perceived as reliable by academic researchers, a number of professional associations have raised concerns about a potential disparity between the findings derived from the academic research and the managers' perceived reality (e.g., Marketing Science Institute and *Journal of Marketing Research*, 2003). To reconcile this apparent gap between the academic findings and practitioners' perceptions implies a need for research that relies more on subjective, perceptual measures of determinants and export performance.

Objective indicators (profit, sales or market related indicators) of actual performance have been the preferred metrics in export research, as they are claimed to be reliable and unbiased. However, this type of approach has also been associated with a number of problems (see Venkatraman and Ramanujam, 1986). First, data on corporate financial indicators are available only for publicly traded companies. Researchers have acknowledged the difficulty in obtaining primary data, particularly as export managers in privately held and smaller companies are often unwilling to provide absolute values. Second, financial data from secondary sources is usually aggregated and detailed firm level analysis is difficult. Furthermore, there are accounting and reporting differences across countries, industries, and firms making comparison of findings more challenging. Third, firms often engage in exporting ventures for strategic rather than financial reasons and hence managers (and

stakeholders) use different (often non-financial) measures to formulate their decisions and to track progress and achievement of the firm's objectives.

This chapter attempts to bridge the academic/practitioner divide by asking the export managers directly their view on the importance of firm specific factors for their firm's export performance. The observations based on the explicit perceptions of management are then contrasted with the empirical findings of the resource/performance relationship reported in the previous chapter.

In this study subjective measures are used in assessing the resource/performance relationship and the performance outcomes. The study survey asked for managers' perceptions of the importance of a set of firm-specific factors for their firms' export performance, and relies on the managers' subjective perceptions of export performance measured by a composite performance scale. The next section presents an overview of the determinants of export performance and the different export performance metrics used in the literature. The methods section includes a description of the measures used in this study. The sample characteristics overview commences the results section and a discussion of the findings with their implications concludes the chapter.

8.3.1 Measures of export performance used by British exporters

Table 8.5 presents the main characteristics of the export performance measures as perceived by the managers in this sample of British exporters. In general, exporters seem to rely more on financial than nonfinancial indicators in assessing the success of their exporting activities. About 95 percent of the respondents use one or more financial indicators while 75 percent also employ some kind of nonfinancial indicator. Results in Table 8.5 imply that the most frequently used financial/economic indicators to track the export success of the firm are: export sales

Table 8.5 Characteristics of the export performance measures of British exporters

	Frequency	%
Type of assessment indicator		
<i>Financial/Economic</i>	338 ¹	95%
Export sales volume	244	71%
Export sales growth	215	63%
Export profit margin	213	62%
Export profitability	206	60%
Company growth	179	52%
Export profit contribution to the company's overall profitability	161	47%
Export intensity – Export sales share of total company sales	123	36%
Export profit margin growth	108	32%
Export intensity growth	73	21%
Export sales return on investment	63	18%
Return on assets (ROA)	44	13%
Other (please specify)	14	4%
None	13	4%
<i>Non-financial/Non-economic</i>	267 ²	75%
Competitiveness	162	46%
Strategic position in export markets	122	34%
Market share in export markets	111	31%
Strategic targets	99	28%
None	87	24%
Degree of commitment in the export market	70	20%
Rate of new market entry	51	14%
Capacity utilization	51	14%
Other (please specify)	9	3%
Measure complexity		
<i>Single-item measures</i>	36	11%
<i>Multi-item measures</i>	305	89%
Level of assessment		
Company level	244	72%
Total exports level	57	17%
Product/service level	34	10%
Export venture level	6	2%
Export profitability over the last 5 years		
Very profitable	184	54%
Slightly profitable	135	40%
Break even	16	5%
Not profitable at all (loss)	4	1%
Export profitability trend over the last 5 years		
Increasing	166	49%
Stable	113	33%
Decreasing	40	12%
Fluctuating	22	6%
Export vs. domestic profitability over the past 5 years		
Same level of profitability	117	35%
Less profitable	88	26%
More profitable	86	26%
Much more profitable	34	10%
Much less profitable	11	3%

1 Number of firms that used some kind of financial indicator.

2 Number of firms that used some kind of non-financial indicator.

volume (71%) and growth (63%), export profit margin (62%) and profitability (60%), and company growth (52%). Less used indicators appear to be the export intensity indicators (<36%) as well as the ROI (18%) and ROA (13%) indicators. This is an interesting finding bearing in mind that the export intensity, ROI and ROA indicators, as objective financial measures, are considered by the academic researchers to be more reliable and hence they are most frequently utilized in studies assessing export performance (Sousa, 2004). Evidently, the majority of the surveyed exporters (89%) use multiple items to measure the export performance of their firms.

The majority of the exporters in the sample measure the progress of their export activities and performance at company level (72%). Very few exporters (2%) assess performance at export venture level. This appears to be contrary to arguments advanced in some studies that using the export venture as the unit of analysis allows a better understanding of the more concrete antecedents of export performance (Cavusgil and Kirpalani, 1993; Cavusgil and Zou, 1994), and hence is more useful to managers in defining strategic goals and analogous exporting strategies for achieving those goals.

Over 90 percent of respondents perceive their firm's exporting activities as profitable. In their view over the previous five years export performance on average has been either very profitable (54%) or slightly profitable (40%). Furthermore, exporting has been increasingly profitable for almost half of the respondents (49%) and another third of the exporters perceived it to be stable (33%). When compared to domestic profitability over 70 percent of the export managers perceive the exporting to be as profitable as their domestic operations (35%), more profitable (26%) and much more profitable (10%).

A composite measure EXPERF was employed to capture the manager's perception of the performance of the firm's exporting activities over the previous five years. Overall the surveyed managers agree that exporting activities have contributed positively to the overall performance of the firms. The means of each of the eight items of the EXPERF scale, shown in Table 8.6, exceeded the median of the scale indicating that each of the eight items has made a positive contribution to the firm's export performance. In the managers' perception, exporting activities have contributed to their firms' overall profitability, have generated a high volume of sales, and have been successful. They also agree that exporting activities have improved their international competitiveness, strengthened their strategic position in the international market, and have significantly increased their international market share. Overall, in the managers' view the firms' engagement in exporting has met their goals and expectations.

8.3.2 Determinants of export performance – managers' perception

The managers were asked to assess the importance of a set of firm-specific resources to export performance over the previous five years. The exploratory and confirmatory factor analysis produced eight theoretically meaningful and statistically reliable resource factors, as shown in Table 8.6.

For the exploratory and confirmatory factor analysis the same procedure was followed as in the previous section of this chapter. After the removal of several items, which either cross-loaded or had very low loadings, including all five items measuring physical resources, a clear eight factor solution was found from the remaining 37 items as. All factor-item loadings were greater than 0.30, the communalities for all items were above 0.49, and the factors together explained 77 percent of the observed variance.

The internal consistency reliability of each of the scales suggested by the measurement model was tested on the full sample. The Cronbach alpha coefficients for all nine scales were more than adequate, with values no less than 0.73, and no instances of item removal improving the consistency of a scale. The results of these exploratory and confirmatory factor analyses and the reliabilities of the resulting scales of items are given in Table 8.6.

The physical resources items had failed to group into a clearly identifiable factor at the exploratory factor analysis stage and so were excluded from the measurement model. In fact these items focused on five distinctly different physical resources, reflected in the weak to medium correlations amongst them ($r < 0.35$), suggesting an index-like quality. As a result of this, and to ensure that physical resources were included in the subsequent analysis, the mean score across the five items was computed, and the resulting observed variable was used as a 'physical resources index'.

The distribution of the resources items amongst the eight factors revealed distinct patterns consistent with the theoretical propositions for four of the five resource groups in the model. *Management resources* loaded in one factor and have the highest percentage of variance explained (37%). *Organizational resources/capabilities* loaded in three factors: *Advanced technology*, *Quality product/service*, and *Export planning* capabilities. *Knowledge-based resources* loaded in two factors: *Export expertise*, and *Export knowledge*. *Relational resources* also loaded in two factors: *Business relationships*, and *Institutional relationships*. All eight *export performance* variables loaded in a single factor exhibiting a high degree of consistency and measure reliability, with individual loads at least 0.66 and Cronbach alpha of 0.94.

Table 8.6 Exploratory and confirmatory factor analysis, internal consistency reliabilities and observed mean scores for resources and performance items

Factor/Variable importance for export performance over past 5 years:	Factor loadings - EFA †	Stand'sd Coeff's - CFA ‡	Factor Mean Score *	C'bach's alpha **
Management resources				
			3.83	0.92
Management's strong commitment to exporting	0.74	0.76		
Management's global, internationally-oriented strategy	0.34	0.48		
Management's proactive attitude towards exporting	0.83	0.84		
Management's positive perception of export advantages	0.88	0.88		
Management's ability to overcome export barriers	0.43	0.55		
Organizational capabilities: Advanced technology				
			3.25	0.86
Having a strong leadership in technology	0.88	0.84		
Developing technology by investing in R&D	0.84	0.86		
Acquiring new technology	0.75	0.68		
Adopting new methods and concepts in manufacturing/service process	0.64	0.56		
Organizational capabilities: Quality of product/service				
			4.36	0.87
Providing consistent quality of products/ services	0.76	0.71		
Meeting customer specifications and requirements	0.86	0.85		
Meeting delivery dates	0.76	0.82		
Providing good quality after-sales service	0.62	0.70		
Organizational capabilities: Export planning				
			3.05	0.93
Implementing a separate, well-defined export strategy	0.87	0.73		
Having a formalized export planning activity	0.64	0.82		
Researching the export market actively	0.60	0.57		
Having a well-defined market selection strategy	0.67	0.64		
Knowledge-based resources: Export expertise				
			3.79	0.91
Having highly-skilled export personnel that deals with international markets	0.85	0.87		
Having export personnel that is experienced in international operations	0.94	0.91		
Having a significant company international experience	0.62	0.57		
Knowledge-based resources: Export knowledge				
			3.62	0.80
Having knowledge about the customers in our export markets	0.61	0.44		
Having knowledge about the competitors in our export markets	0.61	0.39		
Having knowledge about doing business in export markets	0.42	0.30		
Relational resources: Business relationships				
			3.53	0.73
Having good relationships with the distributors in our export markets	0.40	0.66		
Having good relationships with the supply chain in our export markets	0.31	0.65		
Relational resources: Institutional relationships				
			2.28	0.89
Having good government links in the UK	0.85	0.80		
Having good government links in our export markets	0.80	0.76		
Being a member of a UK business network	0.79	0.84		
Being a member of a business network in our export markets	0.80	0.82		
Export performance				
			3.60	0.94
Over the past 5 years our exporting activities...				
... Have contributed significantly to our overall profitability.	0.70	0.69	3.98	
... Have generated a high volume of sales.	0.79	0.80	3.83	
... Have achieved rapid growth.	0.78	0.79	3.26	
... Have improved our international competitiveness.	0.80	0.78	3.48	
... Have strengthened our strategic position in the international market.	0.70	0.70	3.63	
... Have significantly increased our international market share.	0.82	0.83	3.41	
... Have been very successful.	0.82	0.83	3.78	
... Have fully met our goals and expectations.	0.63	0.66	3.43	
Physical Resources Index ††				
			3.42	N/A

† Absolute values. Construction half of the sample; N = 188

‡ Validation half of the sample; N = 168

†† Physical Resources items observed mean score created as index

* Sample mean of observed unweighted average score across all items in dimension. ** Full sample: 334 < N < 343

As a first step, the correlations were examined between the nine factors (eight resource factors and the observed physical resources index) and the export performance factor. All nine factors shared positive correlations with the export performance factor, with varying degrees of significance indicating that there is a correlation between the managers' perceptions of resource importance and the export performance. Correlations between resources were all positive, and almost all of medium to large size, but not so large as to compromise the divergent validity of the factors ($r < 0.66$). These inter-correlations are given in full in Table 8.7.

The observed means of each resource factor shown in Table 8.6, indicate that on average, the firms within this sample perceive all resources, except institutional resources, to be important for the firm's export performance (average factor means higher than the median of the scale and). Among the nine resource groups, organizational capabilities in providing good quality goods and customer service were perceived to be most important resource for the firm's export success (based on the highest factor mean score of 4.36), followed by the management resources, the knowledge-based resources (both export expertise and export knowledge), and business relationships capabilities. The managers' perceptions regarding the importance of their physical resources, advanced technology and export planning capabilities were inclined towards neutrality, and they tended to disagree with positive statements with respect to the importance of the institutional relationships.

8.3.3 Determinants of export performance – empirical versus perceptual

observations

The analysis of the proposed RBV framework of export performance presented in the previous section indicated that certain resource factors had a significant direct or indirect relationship with export performance. In particular, management resources,

Table 8.7 Inter-correlations between firm resources and performance factors on full sample

<i>Correlations</i>	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>	<i>7</i>	<i>8</i>	<i>9</i>
1 Management resources	1								
2 Advanced technology resources	0.415**	1							
3 Quality of product/service	0.371**	0.293**	1						
4 Export planning/strategy capabilities	0.648**	0.422**	0.286**	1					
5 Export expertise	0.647**	0.286**	0.277**	0.517**	1				
6 Export knowledge	0.616**	0.372**	0.366**	0.654**	0.557**	1			
7 Business relationships	0.406**	0.329**	0.171**	0.534**	0.405**	0.554**	1		
8 Institutional relationships	0.285**	0.330**	0.044	0.482**	0.209**	0.414**	0.400**	1	
9 Physical resources index	0.578**	0.662**	0.428**	0.581**	0.480**	0.559**	0.476**	0.448**	1
10 Company's export performance	0.616**	0.322**	0.252**	0.463**	0.446**	0.410**	0.237**	0.167**	0.412**

** Correlation is significant at the 0.01 level (1-tailed).

* Correlation is significant at the 0.05 level (1-tailed).

export knowledge, export strategy/planning capabilities and advanced technology were found to have a significant direct relationship with export performance when all resources are considered both individually and concurrently.

Table 8.8 shows the nine resource bundles ranked in descending order of their mean management perceptions, and the empirical findings of significance of the resource/performance relationship from Table 8.4 (models B and C) from Chapter 6 (only significant relationships shown in Table 8.8).

Table 8.8 Empirical findings versus perceptual observations of the importance of resource/performance relationship

Resource [†]	Mean management perception of resource importance	Direct resource/performance relationship ^{††}	
		Individual effects	Concurrent effects
<i>Organizational capabilities: Quality of product</i>	4.36		
<i>Management resources</i>	3.83	0.411*	0.287*
<i>Knowledge-based resources: Export expertise</i>	3.79		
<i>Knowledge-based resources: Export knowledge</i>	3.62	0.339*	0.211*
<i>Relational resources: Business relationships</i>	3.53	0.180*	
<i>Physical Resources Index</i>	3.42	0.221*	
<i>Organizational capabilities: Advanced technology</i>	3.25	0.179*	0.153*
<i>Organizational capabilities: Export planning</i>	3.05	0.277*	0.130*
<i>Relational resources: Institutional relationships</i>	2.28	0.149*	

[†] Resources are ranked according to the observed mean perception of the resource importance for the export performance (descending).

^{††} Direct resource/performance relationship results are derived from the RBV framework of export performance proposed and tested (SEM) in section 8.2.

* $p < 0.05$ (1-tailed test).

A comparison of results presented in Table 8.8 shows there is an obvious discrepancy between the findings based on managerial perception and the empirical findings for two of the nine resource factors: quality of product/service and export

expertise. The analysis in this section has found that these two resources are perceived by the managers to be very important for the firm's export performance, however, the empirical analysis of the relationship of the firm's endowments with these resources and its export performance (as presented in section 8.2) showed that this relationship is insignificant. This finding is even more noteworthy considering that these resources are two of the three highest ranked by their mean importance for export performance as perceived by the surveyed managers. This finding testifies to an evident divergence between the empirical (objective) results and the perceptual (subjective) observations.

Product quality and customer support have been studied frequently by researchers, indicating that academic interest in the topic has been aligned with the managers' concerns. However, past research has produced inconsistent results. For example, Ibeh and Wheeler (2005) and Wheeler et al. (2008) in their analysis of the empirical evidence of UK-focused studies concluded that marketing mix variables exhibit predominantly neutral effects on export performance. Conversely, the managers in this study's sample of British exporters perceived this organizational capability as the most important resource for the firm's export performance (based on the highest observed mean of management's perceptions). Similar findings were reported recently by Lages, Lages and Lages (2005) in one of very few studies that also investigates managers' explicit views of performance determinants. In their study of British and Portuguese managers' perspectives on export performance determinants, Lages Lages and Lages (2005) found that the most important determinant was product quality, followed in importance by price competitiveness/value for money, and service quality. These findings suggest that in a highly competitive and volatile

international environment managers perceive that providing good quality products and services is critical to their performance.

With regard to the importance of advanced technology and export planning capabilities this study's findings imply that managers' views are not aligned with the literature. Advanced technology and export planning capabilities are perceived by the surveyed managers in this study to be of neutral importance for export performance, while the majority of studies have found them to be critical success factors for the firm's international ventures (Aaby and Slater, 1989; Madsen 1989; Cavusgil, Zou, and Naidu, 1993; Styles and Ambler, 1994; Zou and Stan, 1998; Dhanaraj and Beamish, 2003; Ibeh and Wheeler, 2005; Rodriguez and Rodriguez, 2005). A possible explanation for this finding could be that managers perceive these activities to be costly and time and resource consuming, particularly for resource constrained exporting SMEs. Consequently, managers may have a negative perception of the cost/benefit ratio of these resources.

Another avenue of inquiry was to investigate if there were significant differences in the managers' perceptions according to whether the managers perceived their firms export performance was successful or whether they perceived their firms export performance was less successful. A majority of the surveyed managers (72%) agreed that the exporting activities of their firms over the previous five years had been very successful and had contributed significantly to firm profitability and growth, improved competitiveness, market position and market share, and fully met their goals and expectations. Table 8.9 presents the mean perception of managers of the resource/performance relationship in 95 low performance and 239 high performance firms.

The comparison of the ranking by mean scores shows that the managers of both low performance and high performance exporters assign the same relative importance to all but two resource factors: management resources and business relationships. Namely, management resources have the second highest mean score in the high performance sub-sample while low performance respondents perceived the business relationships to be the second most important resource factor. Management resources have been consistently found in academic studies to be one of the factors that have critical positive implications for the firm's export success.

Table 8.9 Management's perceptions of resource importance of Low versus High export performance firms

Variables	Low export performance		High export performance		t-test
	Mean	Rank	Mean	Rank	
Quality product/service	4.15	(1)	4.47	(1)	-3.811*
Business relationships	3.20	(2)	3.65	(5)	-3.056*
Export expertise	3.17	(3)	4.04	(3)	-6.843*
Export knowledge	3.13	(4)	3.81	(4)	-6.291*
Management resources	3.11	(5)	4.16	(2)	-10.113*
Physical resources index	3.09	(6)	3.58	(6)	-4.884*
Advanced technology	2.84	(7)	3.43	(7)	-4.559*
Export strategy	2.43	(8)	3.30	(8)	-6.877*
Institutional relationships	2.14	(9)	2.33	(9)	-1.452

* $p < 0.01$ (2-tailed test)

The findings in this study, both empirical and perceptual, also confirm the significant role that managements' experience, knowledge and attitude have for the export performance. The significantly lower mean management perception of the relative

importance of this resource among the low performance firms may indicate that these firms have insufficient or inadequate management capabilities that could be considered as one of the potential causes of these firms' underperformance. The high mean score of the business relationships capabilities on the other hand confirms the empirical evidence of the significant role business relationships are perceived to play in providing access to export opportunities particularly among the smaller and less experienced growth oriented firms. Providing good quality products and services were viewed by both low and high performing exporters as the most important contributor to the firm's export performance.

To determine if there are significant differences in mean perceptions between low performance and high performance exporters the t-test for two unrelated means was performed. The results, presented in table 8.9, indicate that there are significant differences in the management's perceptions of the importance of the resource for the firm's export performance between low performance and high performance respondents for all but one resource factor – institutional relationships were perceived as equally unimportant for the firm's export performance by both low and high performing exporters. The other eight resource factors were perceived as being significantly more important (scored higher means of perceived importance) by high performance respondents than by the low performance respondents.

In fact, the managers from low performance firms viewed all the resources, except quality of product and services, to be of very little importance or not important at all for the firm's export outcomes. There might be several reasons for such considerable negative perception. The managers may view their firm's resource endowments to be inadequate and hence not contributing sufficiently to the firm's export performance.

Alternatively, they may consider some other factors (environment-specific) to be more important for their firm's export outcomes.

8.4 Summary

The critical importance of export performance for both practitioners and policy-makers have been reflected in a wide spread interest of the subject among academic researchers. Even though export performance has been one of the most studied subjects in the exporting literature it has been criticized for being methodologically fragmented and conceptually diverse providing inconclusive results.

The majority of the advanced export performance models in prior studies are tested by employing 'objective' methods in assessment of the relationship between the determinants and export performance, i.e. the firm's ownership or control of factors, seen as potential determinants of export success (or the external factors) are assessed by collecting factual data (e.g. the firm's endowment of advanced technology). While the majority of export performance studies employ both objective and subjective measures of export performance very few have obtained explicitly the manager's perception of the importance of specific factors for the firm's export success (Diamantopoulos and Kakkos, 2007).

Considering the increasing concerns about a potential divergence between the academic observations and management's perceptions of the critical factors determining export success, this study makes two novel contributions. First, it seeks the managers' perception of the importance of a set of nine internal, firm-specific factors for the firm's export performance. Second, it contrasts the empirical evidence of the resource/performance relationship with the managers' perceptual observations derived from the same set of data.

Chapter 9 Summary and Conclusions

This chapter summarizes the purpose of the study, the research methodology and the findings related to the study research questions. It discusses theoretical and practical contributions of this research project, acknowledges limitations to the study and points to directions for further research.

9.1 Background and aims

The central research phenomenon of interest in this thesis was to investigate the main determinants of successful and sustainable internationalization strategies of indigenous (locally owned) British firms. In particular, the aim of the thesis was to employ the resource-based view of the firm (RBV) perspective to develop and empirically test a framework depicting the relationships between the firm-specific resources and the firm's export strategy and performance.

The comprehensive review of the RBV-grounded theoretical and empirical research on internationalization, export development and export performance revealed that there is insufficient empirical support of the advanced export performance models and frameworks in several respects. One, there is an evident deficiency of empirical validation of RBV-grounded models in general and integrative frameworks in particular. Two, the majority of prior studies have focused on the individual effects of relatively few resources leaving a gap in the research where the significance of all firm-specific resources is assessed concurrently. Furthermore, very few studies were found that employ both objective and subjective (perceptual) evaluations of the resource/performance relationship.

In view of the identified research gaps four primary research questions guided this study:

1. What is the relative importance of firm-specific resources and capabilities in facilitating a successful export strategy and good export performance?
2. What is the nature of the specific resource/performance relationships?
3. Does the firm's export strategy mediate the relationship between the firm-specific resources/capabilities and its export performance?
4. Is there a significant difference between the objective (empirical) observations and subjective (management's) perception of the resource/performance relationship?

In order to answer these questions a number of hypotheses were developed that through empirical validation depicted the nature of the relationships between the firm-specific resources and the firm's export strategy, and export performance.

9.2 Research methods

The findings in this thesis were derived by analysing a set of primary data from 356 British exporters generated in 2007 via an electronic and Internet based survey. The survey questions were designed to inquire about the manager's perceptions of the degree of the firm's endowments with firm-specific resources and capabilities, and about the manager's view of the importance of each of these resources for the firm's export strategy and performance. Export performance was measured by a composite perceptual measure – the EXPERF scale.

A sampling frame of 1,505 active British exporters with at least five years of exporting experience across all industries was compiled from the British Exporters Database for 2005. Three rounds of e-mail contacts were administered resulting in 356 completed surveys for an effective response rate of 24%. Wave analysis was used to assess the non-response bias and no significant differences were found

between the first wave and the subsequent waves of collected data. Content validity and instrument reliability were assessed by employing exploratory and confirmatory factor analysis. The findings implied that the constructs conceptualized and operationalized in this study were consistent with the theoretical propositions. Bivariate and multivariate statistical analyses were performed in order to test the proposed hypotheses and address the questions of the thesis.

9.3 Summary of findings

The findings in this thesis endorse the RBV perspective as a valuable theoretical framework in identifying advantage-generating resources and capabilities as critical determinants of the firm's export strategy and export performance. Overall, the findings in this thesis are summarised as follows:

1. *Not all resources have equal strategic importance or have the potential to be a source of successful performance.* The assessment of the concurrent effects of all observed resource variables on export performance revealed a set of particular resources/capabilities that possess the VRIS attributes (valuable, rare, imperfectly imitable, and hard to substitute). This research identified the following firm-specific resources and capabilities as advantage-generating factors among the sample of surveyed British exporters: managerial resources, knowledge-based resources, planning capabilities, and technology resources. All four resources/capabilities are either skill-based or knowledge/process-based resources and capabilities and as such have high levels of tacitness, complexity and dynamism, and consequently are firm-specific and difficult to duplicate. These resources generate resource-based competitive advantage and become the driving factor of the firm-level

performance differences (Barney, 1991). This study therefore provides fresh empirical support for the RBV propositions.

2. *Advantage-generating resources and capabilities have both direct and indirect (via export strategy) positive effect on export performance.* The four resources and capabilities were found to have a significant positive direct (concurrent) effect on export performance. Furthermore, managerial resources, export knowledge-based resources and export expertise were also found to have positive indirect (via export strategy) effect on export outcomes.
3. *The firm's export strategy has both direct and indirect significant influence on the firm's export performance.* The findings show that export strategy, measured by export spread and export intensity, has a significant direct positive effect on export outcomes as well as indirect influence via full or partial mediation of the relationships between specific resources and export performance. The effects of managerial and knowledge-based resources on export performance are partially mediated by a combination of export spread and intensity strategy, while the effect of export expertise is fully mediated by export spread strategy.
4. *Resources and capabilities are two distinct sources of competitive advantage and successful performance.* The results of the exploratory and confirmatory factor analysis provide new empirical evidence in support of the proposition that resources and capabilities are two distinct concepts with discrete significance for the firm's export strategy and performance.
5. *There is a significant divergence between the objective (empirical) observations and subjective (management's) perception of the*

resource/performance relationship. Managers of the surveyed British exporters identified a significantly different set of firm-specific resources and capabilities as critical determinants of their firms' export performance. In managers' view organizational capabilities in providing good quality of products and customer service are the most important determinants of export outcomes.

This research project also looked at the export motives and the export geographical diversification strategy of the sample of British exporters. The empirical findings of the export motives analysis on the surveyed sample of British exporters imply that: i) internal proactive stimuli are the most significant export motives among British exporters, and ii) certain firm-specific resources and capabilities play a differentiating role in the firm's perception of specific stimuli factors. These findings endorse one of the main propositions of this thesis that the firm-specific resources and capabilities are the main drivers of the internationalization process.

This thesis also provides empirical evidence that certain firm-specific characteristics and resources have a significant relationship with the firm's geographic diversification and export performance. The study's findings present novel and somewhat surprising evidence that: i) majority of the surveyed British exporters follow predominantly home-region oriented export strategy; ii) British exporters are relatively less regionally oriented than generally expected, i.e. when compared to the world's largest MNEs the findings imply that British exporters are relatively less regional and more multi-regional and global; iii) the firm's international experience was found to be the firm-specific resource that has the most significant impact on the geographic spread of its exporting activities; and iv) there is a significant positive relationship between geographic diversification (as defined by Rugman and

Table 9.1 Summary of results

	Hypothesis	Results of hypothesis testing
H1:	<i>Management resources will have a significant positive effect on the firm's export performance.</i>	Support
H2a:	<i>Export knowledge-based resources will have a significant positive effect on the firm's export performance.</i>	Support
H2b:	<i>Export expertise resources will have a significant positive effect on the firm's export performance.</i>	No support
H3a:	<i>Export planning capabilities will have a significant positive effect on the firm's export performance.</i>	Support
H3b:	<i>Marketing mix (quality/service) competencies will have a significant positive effect on the firm's export performance.</i>	No support
H3c:	<i>Technology resources will have a significant positive effect on the firm's export performance.</i>	Support
H4a:	<i>Business relational resources will have a significant positive effect on the firm's export performance.</i>	Support
H4b:	<i>Government relational resources will have a significant positive effect on the firm's export performance.</i>	Support
H5:	<i>Physical resources will have a significant positive effect on the firm's export performance.</i>	Support
H6:	<i>There is a significant positive relationship between managerial resources and the firm's export strategy.</i>	Support
H7a:	<i>There is a significant positive relationship between export knowledge-based resources and the firm's export strategy.</i>	Support
H7b:	<i>There is a significant positive relationship between export expertise-based resources and the firm's export strategy.</i>	Support
H8a:	<i>There is a significant positive relationship between export planning capabilities and the firm's export strategy.</i>	Support
H8b:	<i>There is a significant positive relationship between marketing mix capabilities and the firm's export strategy.</i>	
H8c:	<i>There is a significant positive relationship between technological capabilities and the firm's export strategy.</i>	Support
H9a:	<i>There is a significant positive relationship between business relational resources and the firm's export strategy.</i>	No support
H9b:	<i>There is a significant positive relationship between government relational resources and the firm's export strategy.</i>	No support
H10:	<i>There is a significant positive relationship between physical resources and the firm's export strategy.</i>	No support
H11:	<i>The firm's export strategy (export intensity and spread) will have a significant positive effect on the firm's export performance.</i>	Strong support
H12:	<i>The firm's export strategy will mediate the relationship between firm's resources and the firm's export performance.</i>	Partial support

Verbeke's (2004) classification) and firm export performance measured by a composite multi-item scale.

A summary of the results by proposed hypothesis is provided in Table 9.1. This table indicates whether or not the respective hypotheses were significantly supported by the data.

9.4 Contributions

The theoretical and methodological grounding of this study contributes to the advancement of export related research in several respects. First, by providing better specification of the nature of the effects – direct or indirect – of particular resource factors on export strategy and performance (Zou and Stan, 1998). Second, by conducting exploratory as well as confirmatory factor analysis to validate construct measurements, and utilization of structural equation modelling to improve validity, reliability and error levels. Third, by employing multiple measures of export performance, including subjective options like perceived satisfaction with the export performance (Sousa, 2004). Fourth, by contrasting the empirical findings with subjective (perceptual) observations of the investigated relationships within a same data sample.

One of the significant contributions of this thesis is the novel empirical evidence of the nature of the effects – direct or indirect – of particular resource factors on export strategy and performance. The assessment of the concurrent effects of all observed resource variables on export performance revealed four resource groups that have significant positive relationship with the firm's performance: managerial resources, knowledge-based resources, export planning capabilities, and advanced technology resources.

The evidence of significant direct and indirect (via export strategy) effects that managerial resources exhibited on export performance reinforces the argument that management's knowledge of, experience in and attitude towards international ventures is one of the key success factors in the firm's international operations. A knowledgeable and experienced management team enhances the firm's export performance both indirectly by creating and executing profitable export strategies and directly by managing successfully day-to-day international operations. Management resources also strengthen the ability of the firm to spread its operations across a wider geographic area and enter an increasing number of foreign markets. These findings on the strategy and performance effects of management-related resources and capabilities support the findings of previous export related research (Aaby and Slater, 1989; Chetty and Hamilton, 1993; Ford and Leonidou, 1991; Leonidou and Katsikeas, 1996; Zou and Stan, 1998).

The findings from this study also contribute to the advance of the knowledge-based view of the firm by providing strong support for its main proposition that heterogeneity in knowledge-based resources is a significant source of variation in firm performance (Grant, 1996; Kogut and Zander, 1992; Morgan et al., 2003). The study found that export market knowledge (i.e. information about the export markets, customers, competitors, channels and other players in the target market) had a significant positive effect on the firm's export performance both directly and indirectly through export strategy. These findings also endorse the widely held belief that experiential knowledge (export expertise) about foreign markets and operations is a driver of the firm's international expansion strategy (Cavusgil, 1984; Johanson and Valhne, 1990).

A number of observations can be made based on the findings on organizational resources/capabilities. Export planning/strategy capabilities were found to have strong positive direct export performance implications. These findings are not surprising considering that resource investment in planning for exporting or having a defined export strategy is considered a clear indicator of a strong firm commitment to exporting that usually results in solid positive export performance outcomes (Cavusgil and Nevin, 1981; Diamantopoulos and Inglis, 1988; Aaby and Slater, 1989; Wheeler et al., 2008). It emerged, however, that the firm's marketing mix capabilities (product/service quality, adaptation, delivery) do not have significant impact on export performance. The neutral effects of these variables, evident also in previous studies, reflect the on-going debate on the marketing mix importance for export performance (Zou and Stan, 1998).

Factors pertaining to the firm's technology capabilities received positive support in this study. Possession of advanced technology was found to have a significant positive effect on export performance outcomes but not on any extent of export strategy, i.e. possession of advanced technology does not necessarily enhance the firm's export intensity or market spread. The direct positive implications of technology on export performance reinforces the argument that technology is one of the driving forces of product mobility across national borders (Buckley and Casson, 1991) and that internationalization facilitates amortization of the high investment costs associated with R&D, hence improving the cost/benefit ratio of the firm's international expansion.

When tested for their individual contribution to export performance, the firm's relational and physical resource showed a significant positive effect. However, when these effects were tested simultaneously with the effects of the other resources, the

relational and physical resources of the sample firms seem to be less significant than the rest of the firm's resources and capabilities. Contrary to expectations, the exporting firm's capability in managing and leveraging business and government network relationships, particularly in the case of government relationships, appears not to play an important role in achieving positive performance outcomes. These resources also show no significant relationship with export strategy either, except for government relationships that exhibited a somewhat surprising negative effect on both aspects of export strategy.

The importance of the physical resource advantages in facilitating export performance in this study was found to be marginally significant. These findings support previous evidence that resource availability in the form of production capacity, manpower, finances, location, as tangible assets are less important than the firm's intangible advantage-generating resources in the global environment (Fahy, 2002).

Another major contribution of this thesis is in providing fresh empirical evidence that resources and capabilities are two distinct concepts. The exploratory and confirmatory factor analysis of the 39 resource factors resulted in 4 discrete sets of factors making clear distinction between resources and capabilities. These findings provide new contribution to the argument advanced in prior research that resources (tangible and intangible) and capabilities are two distinct sources of competitive advantage (Hall, 1992; Fahy, 2002; Kaleka, 2002). Furthermore, the results of the SEM analysis of the proposed resource-based framework of export performance show that export planning capabilities and advanced technology capabilities are among the most significant determinants of export outcomes alongside with managerial and knowledge-based resources.

This thesis makes a significant contribution to the debate about the gap between academic research and practitioners' perception of the critical determinants of export performance. The majority of the advanced export performance models employed in prior studies are tested by employing 'objective' methods in assessment of the relationship between the determinants and export performance, i.e. the firm's ownership or control of factors, seen as potential determinants of export success (or the external factors) are assessed by collecting factual data (e.g. the firm's endowment of advanced technology). While the majority of export performance studies employ both objective and subjective measures of export performance very few have obtained explicitly the manager's perception of the importance of specific factors for the firm's export success (Diamantopoulos and Kakkos, 2007).

Considering the increasing concerns about a potential divergence between the academic observations and management's perceptions of the critical factors determining export success, this study makes two novel contributions. First, it seeks the managers' perception of the importance of a set of nine internal, firm-specific factors for the firm's export performance. Second, it contrasts the empirical evidence of the resource/performance relationship with the managers' perceptual observations derived from the same set of data.

The study's findings indicate that the manager's views of the critical resource/performance relationships are not aligned with the literature or with the empirical findings in this study. When the thesis' empirical findings, derived by the SEM analysis of the proposed resource-based model of export performance, were contrasted with the managerial perceptions of the importance of individual resource factors for the firm's export performance (Table 8.8), two evident divergences in the findings were evident. First, the results of the SEM procedure show that quality of

products/services does not have a significant relationship with export performance, neither direct nor indirect. However, this variable scored the highest mean managerial perception for its importance to export performance. Second, export expertise was another resource factor that was perceived as highly important by the surveyed managers. Again, however, the empirical results indicated that this variable had no significant relationship with performance. A possible reason for these disparities could be that even though managers perceive that quality of products and services and export expertise are very important for export performance, they may also recognize that these capabilities are not as good as they could or should be in their own firms. Hence, a manager would perceive the firm's endowment of this capability to be low, which then translates into a small impact on the performance outcomes, thereby producing an insignificant relationship with export performance.

It could also be that there is indeed a disconnect between academic findings and the reality of practitioners. Business and management academics have long been criticised for having 'objective' views that are too theoretical and usually too outdated (obsolete by the time they get published) to help practitioners in responding to actual business problems. On the other hand, it could be the case that managers, who are absorbed in managing everyday survival in the international market and the achievement of their short term performance targets, are unable to identify what really drives the success of their exporting activities. They may have a misperception of the real degree of importance of having a sustainable competitive advantage based on innovation, knowledge and expertise. Or may simply be unable to identify the causal relationships. Causal ambiguity is a well-known phenomenon in the RBV literature. Empirical evidence testifies to the existence of the managers' ambiguity as to what factors are responsible for superior performance (King and Zeithaml, 2001).

While causal ambiguity among managers about the link between firm resources and sustained competitive advantage benefits a firm by protecting the firm's competitive advantage from imitation, it may also impede imitation of valuable resource within the firm, limiting managers' ability to leverage resources for competitive advantage (Reed and de Fillippi, 1990). This study implies support to prior evidence of causal ambiguity among managers about the link between firm resources and superior (or inferior) performance particularly with regard to knowledge-based resources.

Acknowledging the significant contribution of the prior export motivation research, the outcome of this empirical work further enhances understanding of the export initiation process by making contributions in the following areas. First, the study provides a fresh insight into the factors that play a critical role in initiating the internationalization process of firms that engage in export activity. Second, the study has produced empirical evidence, lacking in previous research, of the differentiating effect of the firm's organizational and internationalization characteristics on export stimulation. Third, the study makes a new contribution to research in export motivation by investigating the potential variations in critical export motives according to the number and distance of export markets entered and the number of export market entry modes adopted.

This thesis also provides a contribution to the growing body of regionalization research from a RBV perspective in the following areas. First, the study's findings are derived from primary data while most of the prior research on regionalization/globalization has been based on secondary, publicly available data. Second, the primary data collected through a survey of British exporters enabled utilization of a distinct approach to conceptualizing some of the measures employed in this study, in particular the home region sales and performance measures enabling

a better understanding of the home-region orientation. Third, the analysis identified certain firm-specific resources to be significantly related to the firm's degree of geographic diversification. Fourth, the observed significant relationship between the geographic spread and firm export performance resulted in an S-shaped curve, endorsing the three-stage theory.

9.5 Managerial implications

This thesis offers fresh evidence on the importance of key resources and capabilities in facilitating successful export performance with both managerial and policy implications. The study's findings could be used as a set of benchmarks by exporters in assessing the composition of their array of resources and capabilities and in identifying the critical resource/competences gaps that may constrain their international expansion and success. Growth-oriented exporters that seek to initiate or expand their operations into new markets need to prioritize their investment in managerial staff that would possess pro-exporting attributes such as international orientation and experience. Having a managerial team experienced in international operations will strengthen the firm's ability to handle the increased complexity of managing operations in geographically diverse markets. They should aim toward having an export capable top management by both enhancing the skills of the existing management through training and international exposure and by acquiring new experienced and internationally oriented managers.

The study's findings also highlight the importance of particular knowledge-based resources and organizational capabilities. Success-oriented exporters need to have an established firm-level knowledge base for gathering of market intelligence (i.e. information about the export markets, customers, competitors, channels and other players in the target markets) and even more so an efficient knowledge-sharing

mechanism within the firm. International success was also found to be strongly affected by the firm's capability in planning and organizing for exporting, implying a critical need for a strong management commitment to a policy of systematic export planning. Well-informed and knowledgeable export planning/strategy could be a strong advantage-generating capability in the international context.

The findings of this study imply that well-established exporters that proactively seek international opportunities are the ones with higher export intensity and market spread. Managers responsible for exporting that envision their companies as successful exporters should direct their efforts to strengthening their company's offensive capabilities in pursuing future export ventures. In achieving this they need to build their management's knowledge of and attitudes toward international operations, seek foreign opportunities through efficient management of marketing information, and develop network relationships. However, this aggressive export behaviour will facilitate export development and success only if the company already possesses a clear competitive advantage that is internationally marketable.

The findings may be particularly beneficial for those sporadic exporters that adopt passive and opportunistic export behaviour but who may decide to pursue more regular exporting activities. The study provides a guideline that may help them to develop a strategy to migrate their activities from a passive response to unsolicited orders and customer followership to an active pursuit of international opportunities.

The smaller international firms like exporters should not feel constrained by their size to initiate and expand their international operations. However, the findings indicate that they need to enhance their international experience as it was found to have a significant relationship with all four types of geographic orientation, i.e. with higher degree of geographic spread. Furthermore, the S-shaped relationship between

geographic spread and export performance observed in the study implies that once the firms absorb the initial cost of internationalization and start to expand their operations beyond the home region, the benefits start to outweigh the costs and yield better performance.

The observed significant positive effects of advanced technology resources on export performance suggest that export-oriented firms would significantly benefit from a strategic investment in advancing product and process technologies. This direct positive relationship, with no mediating effect by strategy, implies that technologically advanced exporters are able to generate superior performance from their international operations regardless of the exporting strategy they execute.

9.6 Policy implications

Policy makers could employ the study's findings as valuable guidelines in directing their export support policies and programmes. The observed significance of the managerial resources, know-how and organizational capabilities should assist policy makers in developing specific capacity building programmes that would enable exporters to bridge the identified critical resource gaps. Some of these initiatives may include targeted training to develop and enhance exporter's international management skills, export planning competencies, support R&D initiatives or acquisition of new technology, and providing foreign market intelligence.

At a national policy level, there is a clear indication that export assistance schemes should focus on building firms' capabilities to be able to recognize their export potential and execute successful export strategies, with particular focus on beginner exporters and sporadic exporters. Policy makers can do this by facilitating skills development through training and mentoring, providing timely and relevant market

information, by organizing industry specific or regional exporters' consortia to enable development of network relationships and mentoring.

The observed significant negative relationship between government relationships and the firm's expansion and spread strategies may be a signal that government export development programmes are perceived to be actually stalling instead of accelerating the internationalization activities of firms. Hence, the government capacity building assistance should be timely and customized to the specific resource deficiencies of different sectors or geographic regions.

9.7 Limitations

The limitations of the study should be noted. First, particular resource performance implications identified as significant in this study may be country-specific and diverse national settings may produce different advantage-generating resources as critical influences on internationalization strategies and performance. Relational resources, for example, were perceived mainly as non-significant in this sample of British exporters, while the majority of prior research has found them to be one of the most crucial advantage-generating and performance-enhancing factors (Madsen, 1987; Coviello and Munro, 1997; Zou and Stan, 1998, Crick and Jones, 2000; Kaleka, 2002; Ray et al., 2004; Ibeh and Wheeler, 2005, Styles et al., 2008).

Second, the cross-sectional approach has weaknesses particularly in studying the internationalization/performance relationship, where longitudinal studies may be preferable. Sample heterogeneity in terms of industry mix, while beneficial to a degree, impedes the analysis from taking into account industry specifics.

Third, there are a large number of experienced and well-established exporters in the response sample. Firms that have been exporting for 10 years or more (which

constitute a substantial part of the sample) have more human and financial resources available to them and will be more proactive in seeking growth and profit opportunities through international operations. They also have more experience, both at firm and management-level. This bias may potentially have a skewing effect and it should be taken into consideration when interpreting the study results.

9.8 Future research

As with all research, there still remain several questions unanswered, which suggests future research opportunities. The questions of particular importance are discussed in greater detail in this section.

The first question relates to the RBV perspective of firm performance. Among management scholars, the ultimate research objective is to explain why firms differ in their levels of performance (Hitt et al., 2006). This study employed the RBV approach in identifying the key advantage-generating resources with significant positive export performance implications. The study does not take into account the influences of the external environment. The diverse regulatory and economic framework of the export markets may have location-specific performance implications not addressed in this study. It would be fruitful to investigate further whether this study's findings are due to country- or region-specific effects by conducting similar studies in different geographic contexts.

The next question relates to the generalizability concerns stemming from the heterogeneous industry mix of the sample. The nature of the sample in this study means that industry specific effects may be mitigated. Different industry sectors have been found in prior studies to have distinct resource/competences advantages in global settings. Testing the proposed RBV grounded integrative resource-performance model on more homogeneous industry samples will help determine the

differences and similarities pertaining to resource-based advantages between specific industries.

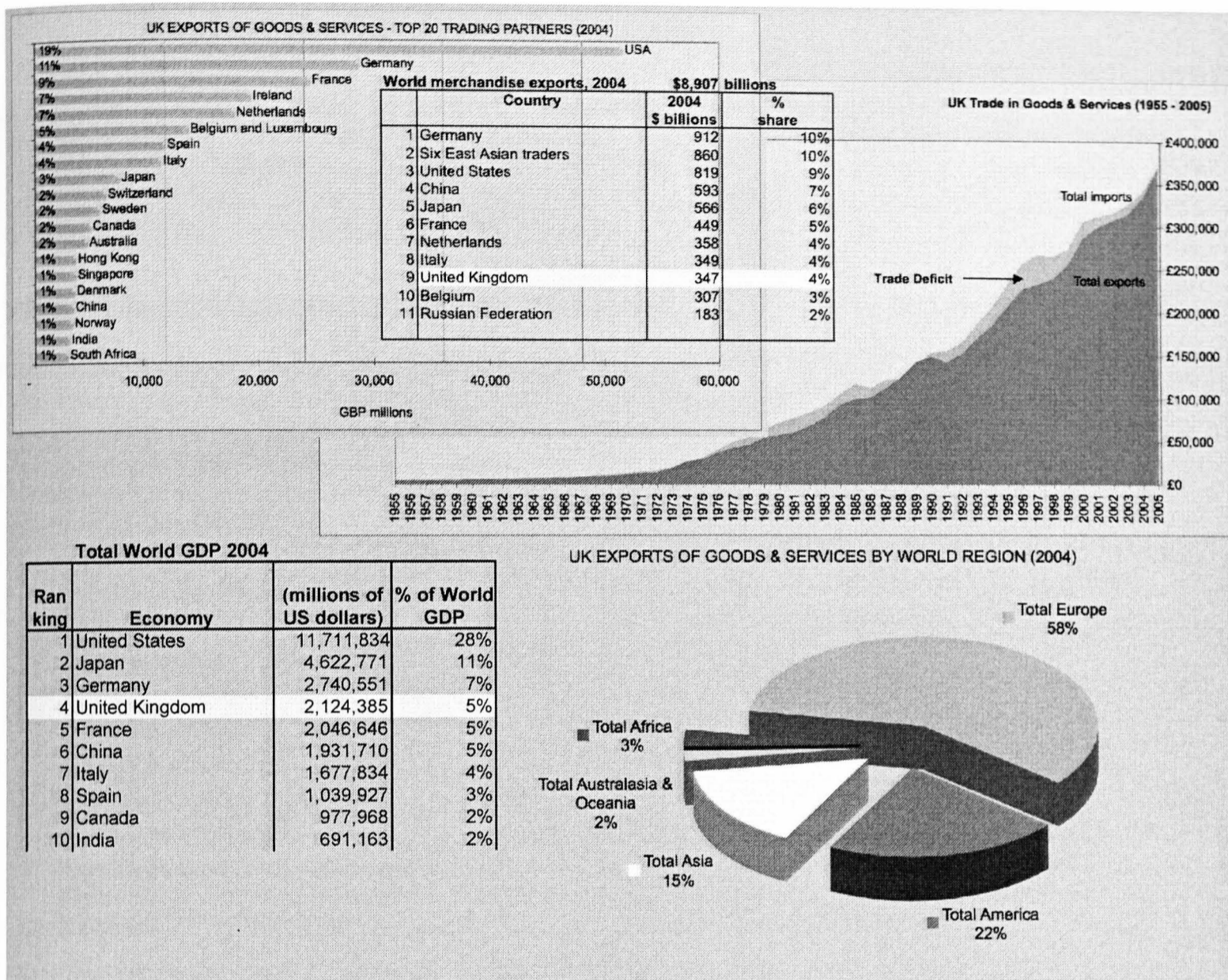
Finally, the observations in this study imply that future research should employ more subjective, perceptual assessments of the export determinants/performance relationship. These observations imply a need for further research to incorporate both external factors as well as firm-specific factors in order to obtain a more comprehensive understanding of management's perceptions of the success drivers of export performance. Another future line of inquiry would be to investigate management's views of those factors they perceive as hindering export success. A closer collaboration between researchers and export practitioners may contribute to better conceptualization and operationalization of export success determinants and export performance measures. Studies with open ended questions may uncover factors that are perceived by managers to be important for the firms' exporting success but which have been either ignored or neglected in the academic literature. Furthermore, it would be useful to obtain the views of both exporting managers and general managers of firms, in order to determine if there are differences in their perceptions of the critical factors for export success, and differences in their level of satisfaction with export performance. Further, if certain factors are consistently found in academic research to have a critical impact on export outcomes but these factors are not perceived as such by managers, this signals the need for more efficient and effective means of dissemination of academic findings among practitioners.

In conclusion, this dissertation shows the value and importance of particular internal, firm-specific resources and capabilities as determinants of the firm's export strategy and performance. Furthermore, it has shown that size is not a critical driver of the internationalization process and exporters as smaller international players are not

necessarily less internationalized or geographically diversified. However, growth-oriented exporters do benefit from developing and leveraging skill-based and knowledge/process-based resources and capabilities that are firm-specific and generate resource-based competitive advantage that becomes the driving factor of firm level performance. This study opens future research opportunities for applying the proposed resource-based integrative framework in investigations of resource-strategy and resource-performance relationships in different organizational contexts.

APPENDIX 1:

Survey of British Exporters – Hard copy



Survey of UK Exporters

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This survey is confidential and the findings will be published only as aggregate summaries in which no individual's answers will be identified. Please do not put your company name on the questionnaire.

Our company has been actively involved in exporting over the last 5 years.

YES

NO

If YES please proceed and answer ALL of the questions.

If NO please send an e-mail to ecp05eb@sheffield.ac.uk with a subject line: NOT RELEVANT.

PART I – GENERAL BACKGROUND INFORMATION

Q1. Which of the following categories best describes the business of your company?

- Agriculture, hunting and forestry
- Fishing
- Mining and quarrying
- Manufacturing
- Electricity, gas and water supply
- Construction
- Wholesale and retail trade
- Transport, storage and communication
- Financial intermediation
- Real estate and renting
- Computer and related activities
- Research and development
- Professional services (legal, accounting, tax, management, consulting, architectural, engineering, advertising, recruitment, etc.)

Q2. How many people did your company employ last year? (please tick only one)

- 1 – 10 101 – 250
- 11 – 50 251 – 500
- 51 – 100 > 500

Q3. How many people in your company are currently working full-time on exporting? (please tick only one)

- 1 – 5 21 – 30
- 6 – 10 31 – 40
- 11 – 15 41 – 50
- 16 – 20 > 50

Q4. What level of education do managers in your company have, on average? (please tick only one)

- Below degree level
- BA/BSc degree
- MBA/Master degree or higher

Q5. What were your company's total annual sales last year? (please tick only one)

- < £500,000
- £500,000 - £1,000,000
- £1,000,000 - £2,500,000
- £2,500,000 - £5,000,000
- £5,000,000 - £7,500,000
- £7,500,000 - £10,000,000
- > £10,000,000

Q6. What percentage of your total annual sales is from exports? (please tick only one)

- < 5% 51% - 60%
- 5% - 10% 61% - 70%
- 11% - 20% 71% - 80%
- 21% - 30% 81% - 90%
- 31% - 40% 91% - 100%
- 41% - 50%

Q7. What has been the trend of your company's export sales over the last 5 years? (please tick only one)

- Increasing
- Stable
- Decreasing
- Fluctuating

Q8. For how long has your company been exporting? (please tick only one)

- < 5 year
- 5 – 6 years
- 7 – 8 years
- 9 – 10 years
- > 10 years

Q9. Which of the following products does your company export? (please tick all that apply)

- Industrial goods
 Consumer durables
 Consumer non-durables
 Services

Q10. Who is the major customer for your exported products? (please tick only one)

- Industry – other firms
 Final consumers
 Government
 Other institutions

Q11. How many countries does your company currently export to? (please tick only one)

- 1 – 5
 6 – 10
 11 – 20
 21 – 30
 > 30

Q12. Where are your main export markets by region? (please tick only one)

- Europe
 North America
 Asia-Pacific
 Other

Q13. What is the percentage share of your total export sales by export region?

% Europe

% North America

% Asia-Pacific

% Other

100% of Total Export Sales

(please note that the sum of the % by region should add up to 100% of your total export sales)

Q14. What kind of formal relationships/cooperation does your company have in the export markets? (please tick all that apply)

- Joint venture member
 Exclusive supplier agreement
 Exclusive distributor agreement
 Exclusive customer agreement
 Partnership agreement with a supplier/distributor
 Foreign government agreement
 None
 Other (please specify)

Q15. How are the exporting activities organized in your company in your main export markets? (please tick all that apply)

- Part of the domestic marketing department
 Separate export/ international department
 Overseas agents
 Company employees based in export markets
 Overseas subsidiaries/ Joint ventures

Q16. Thinking about your company involvement in the domestic (UK) business networks (i.e. chamber of commerce, industry association, trade association, professional association, etc.), **how active has your company been over the last 5 years?** (please tick one)

- Network leader – we initiate and organize activities and events
 Active member – we regularly attend meetings, social events, seminars, etc.
 Passive member – we irregularly attend network activities and events
 We are not a member of any business network

Q17. Thinking about your company involvement in the foreign (export countries) business networks (i.e. chamber of commerce, industry association, trade association, professional association, etc.), **how active has your company been over the last 5 years?** (please tick one)

- Network leader – we initiate and organize activities and events
 Active member – we regularly attend meetings, social events, seminars, etc.
 Passive member – we irregularly attend network activities and events
 We are not a member of any business network

Q18. Please indicate the extent to which you agree with each of the following statements about your company networking activities. (please circle your answer)

Our company:	Strongly disagree					Strongly agree
A. Has a company networking strategy	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5	<input type="checkbox"/> 5
B. Devotes resources to networking activities	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5	<input type="checkbox"/> 5
C. Employs people with good network connections	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5	<input type="checkbox"/> 5
D. Relies mostly on individual networking capabilities	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5	<input type="checkbox"/> 5

Q19. Thinking about your company's initial decision to export, how important was each of the following factors for your company? (please circle your answer)

	Not important				Very important
A. Growth opportunities in foreign markets	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
B. Higher profit seeking	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
C. Diversifying risk by operating in more than one market	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
D. Excess production/service capacity	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
E. Smoothing production of a seasonal product	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
F. Boosting sales during a slump in the domestic economy	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
G. Customer followership	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
H. Unsolicited order from foreign customers	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
I. Competition began exporting	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
J. Saturated domestic demand	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
K. Intense domestic competition for our product/service	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
L. Reduction of legal/cultural/other barriers between countries	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5

Q20. What form/s of international involvement does your company have in your main export markets? (please tick all that apply)

- Indirect Exporting (via UK-based intermediary companies)
- Direct Exporting to foreign countries (via company owned channels)
- Contracting (Licensing, Franchising)
- Wholly owned subsidiary
- Joint venture

Q21. Following from the previous question, which of the following factors has had the biggest influence in selecting the form of international involvement of your company in your main export markets over the last 5 years? (please tick all that apply)

- Availability of financial resources
- Perceived level of risk in the export market
- Government/legal barriers
- Government/legal opportunities
- Customer demanded form of presence in the export market
- Competition's form of involvement in the export market

PART II – COMPANY RESOURCES

Q22. Please indicate the extent to which you agree with each of the following statements.
(please circle your answer)

Our company:	Strongly disagree					Strongly agree
A. Uses modern technology and equipment	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5	<input type="checkbox"/> 5
B. Has preferential access to valuable sources of supply	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5	<input type="checkbox"/> 5
C. Has sufficient production/service capacity	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5	<input type="checkbox"/> 5
D. Has access to available financial resources to be devoted to export activities	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5	<input type="checkbox"/> 5
E. Has introduced at least one new product/service in the last two years	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5	<input type="checkbox"/> 5

Q23. Please indicate the extent to which you agree with each of the following statements.
(please circle your answer)

In our company the management has:	Strongly disagree					Strongly agree
A. A significant experience in exporting	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5	<input type="checkbox"/> 5
B. A strong commitment to exporting	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5	<input type="checkbox"/> 5
C. A global, internationally-oriented strategy	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5	<input type="checkbox"/> 5
D. A proactive attitude towards exporting	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5	<input type="checkbox"/> 5
E. A positive perception of export advantages	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5	<input type="checkbox"/> 5
F. An ability to overcome export barriers	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5	<input type="checkbox"/> 5

Q24. Please indicate the extent to which you agree with each of the following statements.
(please circle your answer)

Our company:	Strongly disagree					Strongly agree
A. Has strong leadership in technology	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5	<input type="checkbox"/> 5
B. Develops technology by investing in R&D	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5	<input type="checkbox"/> 5
C. Acquires new technology	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5	<input type="checkbox"/> 5
D. Adopts new methods and concepts in the manufacturing/service process	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5	<input type="checkbox"/> 5
E. Provides consistent quality of our products/ services	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5	<input type="checkbox"/> 5
F. Meets customer specifications and requirements	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5	<input type="checkbox"/> 5
G. Meets delivery dates	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5	<input type="checkbox"/> 5
H. Provides good quality after-sales service	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5	<input type="checkbox"/> 5
I. Implements a separate, well-defined export strategy	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5	<input type="checkbox"/> 5
J. Has a formalized export planning activity	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5	<input type="checkbox"/> 5
K. Has dedicated resources to researching the export market	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5	<input type="checkbox"/> 5
L. Has a well-defined market selection strategy	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5	<input type="checkbox"/> 5
M. Has an internationally orientated culture	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5	<input type="checkbox"/> 5

Q25. Please indicate the extent to which you agree with each of the following statements.
(please circle your answer)

Our company has:	Strongly disagree					Strongly agree
A. Highly-skilled export personnel that deals with international markets/operations	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5	
B. Export personnel that is experienced in international operations	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5	
C. Significant company international experience	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5	
D. Timely export market-related information	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5	
E. Knowledge about the customers in our export markets	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5	
F. Knowledge about the competitors in our export markets	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5	
G. Knowledge about the distributors in our export markets	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5	
H. Information related to doing business in our export markets	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5	

Q26. Please indicate the extent to which you agree with each of the following statements.
(please circle your answer)

Our company has:	Strongly disagree					Strongly agree
A. Good relationships with the distributors in our export markets	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5	
B. Good relationships with the supply chain in our export markets	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5	
C. Good communication with customers in our export markets	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5	
D. Good government links in the UK	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5	
E. Good government links in our export markets	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5	

Q27. How important was each of the following factors as a source of competitive advantage for your company in your main export market over the last 5 years? (please circle your answer)

	Not important				Very important
A. Advanced technology	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
B. Quality of products/services	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
C. Quality of customer service	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
D. Pricing strategy	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
E. Marketing mix	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
F. Production capacity	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
G. Supply chain efficiency	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
H. Financial resources	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
I. Management knowledge and experience	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
J. Management skills and abilities	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
K. Company's international experience	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
L. Company reputation	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
M. Company export strategy	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
N. Company flexibility (ability to adjust to change quickly)	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
O. Export planning	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
P. Export market research	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
Q. Relationship with suppliers	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
R. Distribution channel relationship	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
S. Customer relationship	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
T. Formal business networks memberships	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5

PART III – EXPORT PERFORMANCE

This section addresses your company's export performance over the last 5 years.

Q28. Which of the following financial indicators does your company use to measure export performance?
(please tick all that apply)

- Export profitability
- Export profit margin
- Export profit margin growth
- Export profit contribution to the company's overall profitability
- Export sale volume
- Export sales growth
- Export intensity – Export sales share of total company sales
- Export intensity growth
- Export sales return on investment
- Return on assets (ROA)
- Company growth
- None
- Other (please specify)

Q29. Which of the following non-financial indicators does your company use to measure export performance?
(please tick all that apply)

- Market share in export markets
- Strategic position in export markets
- Competitiveness
- Strategic targets
- Rate of new market entry
- Degree of commitment in the export market
- Capacity utilization
- None
- Other (please specify)

Q30. At what level of business activity is export performance measured in your company? (please tick only one)

- Company level
- Total exports level
- Export venture level
- Product/service level

Q31. How profitable has your exporting been on average over the last 5 years? (please tick one)

- Not profitable at all (loss)
- Break even
- Slightly profitable
- Very profitable

Q32. What has been the trend of your company's export profitability over the last 5 years? (please tick only one)

- Increasing
- Stable
- Decreasing
- Fluctuating

Q33. Compared to your domestic market profitability, would you say that your exporting over the last 5 years was: (please tick one)

- Much less profitable
- Less profitable
- Same level of profitability
- More profitable
- Much more profitable

Q34. How important were each of the following physical resources for your company's export performance over the last 5 years. (please circle your answer).

	Not important				Very important
A. Using modern technology and equipment	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
B. Having a preferential access to valuable sources of supply	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
C. Having a sufficient production/service capacity	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
D. Having access to available financial resources to be devoted to export activities	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
E. Introducing new products/services	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5

Q35. How important were each of the following managerial resources for your company's export performance over the last 5 years. (please circle your answer).

	Not important				Very important
A. Management's significant experience in exporting	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
B. Management's strong commitment to exporting	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
C. Management's global, internationally-oriented strategy	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
D. Management's proactive attitude towards exporting	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
E. Management's positive perception of export advantages	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
F. Management's ability to overcome export barriers	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5

Q36. How important were each of the following organizational capabilities for your company's export performance over the last 5 years. (please circle your answer).

	Not important				Very important
A. Having a strong leadership in technology	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
B. Developing technology by investing in R&D	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
C. Acquiring new technology	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
D. Adopting new methods and concepts in the manufacturing/service process	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
E. Providing consistent quality of our products/ service	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
F. Meeting customer specifications and requirements	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
G. Meeting delivery dates	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
H. Providing good quality after-sales service	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
I. Implementing a separate, well-defined export strategy	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
J. Having a formalized export planning activity	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
K. Researching the export market actively	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
L. Having a well-defined market selection strategy	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
M. Having an internationally-oriented culture	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5

Q37. How important were each of the following knowledge-based resources for your company's export performance over the last 5 years. (please circle your answer).

	Not important				Very important
A. Highly-skilled export personnel that deals with international markets/operations	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
B. Export personnel that is experienced in international operations	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
C. Significant company international experience	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
D. Timely export market-related information	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
E. Knowledge about the customers in our export markets	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
F. Knowledge about the competitors in our export markets	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
G. Knowledge about the distributors in our export markets	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
H. Information related to doing business in our export markets	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5

Q38. How important were each of the following relational resources for your company's export performance over the last 5 years. (please circle your answer).

	Not important				Very important
A. Having good relationships with the distributors in our export markets	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
B. Having good relationships with the supply chain in our export markets	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
C. Maintaining good customer relationships in our export markets	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
D. Establishing good government links in the UK	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
E. Establishing good government links in our export markets	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
F. Being a member of a UK business network*	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
G. Being a member of a business network* in our export markets	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5

(* business network examples: chamber of commerce, industry association, trade association, professional association, etc.)

Q39. Please indicate the extent to which you agree with each of the following statements.
(please circle your answer)

<u>Over the last 5 years</u> our exporting activities:	Strongly disagree				Strongly agree
A. Have contributed significantly to our overall profitability.	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
B. Have generated a high volume of sales.	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
C. Have achieved rapid growth.	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
D. Have improved our international competitiveness.	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
E. Have strengthened our strategic position in the international market.	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
F. Have significantly increased our international market share.	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
G. Have been very successful.	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
H. Have fully met our goals and expectations.	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5

Q40. Thinking about your company's exports, what are your strategic plans over the next 5 years? (tick all that apply)

- To stop exporting all together.
- To decrease our exporting activities.
- To keep the same level of exporting activities.
- To increase exports to the existing market/s.
- To expand exporting into new market/s.
- To enter into contracting arrangements (licensing, franchising).
- To establish our own subsidiary in the export market/s.
- To enter an international joint venture.

Thank you for taking the time to complete this questionnaire. Your assistance in providing this information is very much appreciated. If there is anything else you would like to tell us about your exporting experience or about this survey, please do so in the space provided below:

If you need further information about the survey or clarification of any of the survey questions, please call 01782 634 581 or send an e-mail to ecp05eb@sheffield.ac.uk.

Please return your completed questionnaire either:

- As an attachment in an e-mail to: ecp05eb@sheffield.ac.uk; or
- Print the completed survey and mail it to the following address:

Prof. Keith W. Glaister / Elena Beleska-Spasova

Management School
The University of Sheffield
9 Mappin Street
Sheffield S1 4DT

APPENDIX 2:

Survey of British Exporters – Internet copy

TEXT BOUND CLOSE TO THE SPINE IN
THE ORIGINAL THESIS

Survey of UK Exporters

This survey is confidential and the findings will be published only as aggregate summaries in which no individual's answers will be identified. Should you have any questions please call 01782 634 581 or send an e-mail to ecp05eb@shef.ac.uk.

PART I – GENERAL BACKGROUND INFORMATION

1. Which of the following categories best describes the business of your company?

- Agriculture, hunting and forestry
- Fishing
- Mining and quarrying
- Manufacturing
- Electricity, gas and water supply
- Construction
- Wholesale and retail trade
- Transport, storage and communication
- Financial intermediation
- Real estate and renting
- Computer and related activities
- Research and development
- Professional services (legal, accounting, tax, management, consulting, architectural, engineering,

2. How many people did your company employ last year? (please tick only one)

- 1 – 10
- 11 – 50
- 51 – 100
- 101 – 250
- 251 – 500
- > 500

3. How many people in your company are currently working full-time on exporting? (please tick only one)

- 1 – 5
- 6 – 10
- 11 – 15
- 16 – 20
- 21 – 30
- 31 – 40
- 41 – 50
- > 50

4. What level of education do managers in your company have, on average? (please tick only one)

- Below degree level
- BA/BSc degree
- MBA/Master degree or higher

5. What were your company's total annual sales last year? (please tick only one)

- < £500,000
- £500,000 - £1,000,000
- £1,000,000 - £2,500,000

- £2,500,000 - £5,000,000
- £5,000,000 - £7,500,000
- £7,500,000 - £10,000,000
- > £10,000,000

6. What percentage of your total annual sales is from exports? (please tick only one)

- < 5%
- 5% - 10%
- 11% - 20%
- 21% - 30%
- 31% - 40%
- 41% - 50%
- 51% - 60%
- 61% - 70%
- 71% - 80%
- 81% - 90%
- 91% - 100%

7. What has been the trend of your company's export sales over the last 5 years? (please tick only one)

- Increasing
- Stable
- Decreasing
- Fluctuating

8. For how long has your company been exporting? (please tick only one)

- < 5 year
- 5 - 6 years
- 7 - 8 years
- 9 - 10 years
- > 10 years

9. Which of the following products does your company export? (please tick all that apply)

- Industrial goods
- Consumer durables
- Consumer non-durables
- Services

10. Who is the major customer for your exported products? (please tick only one)

- Industry - other firms
- Final consumers
- Government
- Other institutions

11. How many countries does your company currently export to? (please tick only one)

- 1 - 5
- 6 - 10
- 11 - 20
- 21 - 30
- > 30

12. Where are your main export markets region? (please tick only one)

- Europe
- North America
- Asia-Pacific
- Other

13. What is the percentage share of your total export sales by export region?
(Please note that the sum of the % by region should add up to 100% of your total export sales)

Europe

North America

Asia-Pacific

Other

14. What kind of formal relationships/cooperation does your company have in the export markets?
(Please tick all that apply)

- Joint venture member
- Exclusive supplier agreement
- Exclusive distributor agreement
- Exclusive customer agreement
- Partnership agreement with a supplier/distributor
- Foreign government agreement
- None
- Other

Other Please specify

15. How are the exporting activities organized in your company in your main export markets? (please tick all that apply)

- Part of the domestic marketing department
- Separate export/ international department
- Overseas agents
- Company employees based in export markets
- Overseas subsidiaries/ Joint ventures

16. Thinking about your company involvement in the domestic (UK) business networks (i.e. chamber of commerce, industry association, trade association, professional association, etc.), how active has your company been over the last 5 years? (please tick one)

- Network leader – we initiate and organize activities and events
- Active member – we regularly attend meetings, social events, seminars, etc.
- Passive member – we irregularly attend network activities and events
- We are not a member of any business network

17. Thinking about your company involvement in the foreign (export countries) business networks (i.e. chamber of commerce, industry association, trade association, professional association, etc.), how active has your company been over the last 5 years? (please tick one)

- Network leader – we initiate and organize activities and events
- Active member – we regularly attend meetings, social events, seminars, etc.
- Passive member – we irregularly attend network activities and events
- We are not a member of any business network

18. Please indicate the extent to which you agree with each of the following statements about your company networking activities. (1=Strongly disagree, 5=Strongly agree)

Our company:

- A. Has a company networking strategy 1. 2. 3. 4. 5.
- B. Devotes resources to networking activities 1. 2. 3. 4. 5.
- C. Employs people with good network connections 1. 2. 3. 4. 5.
- D. Relies mostly on individual networking capabilities 1. 2. 3. 4. 5.

Q19. Thinking about your company's initial decision to export, how important was each of the following factors for your company? (1=Not important, 5=Very important)

- A. Growth opportunities in foreign markets 1. 2. 3. 4. 5.
- B. Higher profit seeking 1. 2. 3. 4. 5.
- C. Diversifying risk by operating in more than one market 1. 2. 3. 4. 5.
- D. Excess production/service capacity 1. 2. 3. 4. 5.
- E. Smoothing production of a seasonal product 1. 2. 3. 4. 5.
- F. Boosting sales during a slump in the domestic economy 1. 2. 3. 4. 5.
- G. Customer followership 1. 2. 3. 4. 5.
- H. Unsolicited order from foreign customers 1. 2. 3. 4. 5.
- I. Competition began exporting 1. 2. 3. 4. 5.
- J. Saturated domestic demand 1. 2. 3. 4. 5.
- K. Intense domestic competition for our product/service 1. 2. 3. 4. 5.
- L. Reduction of legal/cultural/other barriers between countries 1. 2. 3. 4. 5.

Q20. What form/s of international involvement does your company have in your main export markets? (please tick all that apply)

- Indirect Exporting (via UK-based intermediary companies)
- Direct Exporting to foreign countries (via company owned channels)
- Contracting (Licensing, Franchising)
- Wholly owned subsidiary
- Joint venture

Q21. Following from the previous question, which of the following factors has had the biggest influence in selecting the form of international involvement of your company in your main export markets over the last 5 years? (please tick all that apply)

- Availability of financial resources
- Perceived level of risk in the export market
- Government/legal barriers
- Government/legal opportunities
- Customer demanded form of presence in the export market
- Competition's form of involvement in the export market

PART II – COMPANY RESOURCES

Q22. Please indicate the extent to which you agree with each of the following statements. (1=Strongly disagree, 5=Strongly agree)

our company:

- 1. Uses modern technology and equipment 1. 2. 3. 4. 5.
- 2. Has preferential access to valuable sources of supply 1. 2. 3. 4. 5.
- 3. Has sufficient production/service capacity 1. 2. 3. 4. 5.
- 4. Has access to available financial resources to be devoted to export activities 1. 2. 3. 4. 5.
- 5. Has introduced at least one new product/service in the last two years 1. 2. 3. 4. 5.

23. Please indicate the extent to which you agree with each of the following statements. 1=Strongly disagree, 5=Strongly agree)

our company the management has:

- 1. A significant experience in exporting 1. 2. 3. 4. 5.
- 2. A strong commitment to exporting 1. 2. 3. 4. 5.
- 3. A global, internationally-oriented strategy 1. 2. 3. 4. 5.
- 4. Has access to available financial resources to be devoted to export activities 1. 2. 3. 4. 5.
- 5. Has introduced at least one new product/service in the last two years 1. 2. 3. 4. 5.

24. Please indicate the extent to which you agree with each of the following statements. 1=Strongly disagree, 5=Strongly agree)

our company:

- 1. Has strong leadership in technology 1. 2. 3. 4. 5.
- 2. Develops technology by investing in R&D 1. 2. 3. 4. 5.
- 3. Acquires new technology 1. 2. 3. 4. 5.
- 4. Adopts new methods and concepts in the manufacturing/service process 1. 2. 3. 4. 5.
- 5. Provides consistent quality of our products/services 1. 2. 3. 4. 5.
- 6. Meets customer specifications and requirements 1. 2. 3. 4. 5.
- 7. Meets delivery dates 1. 2. 3. 4. 5.
- 8. Provides good quality after-sales service 1. 2. 3. 4. 5.
- 9. Implements a separate, well-defined export strategy 1. 2. 3. 4. 5.
- 10. Has a formalized export planning activity 1. 2. 3. 4. 5.
- 11. Has dedicated resources to researching the export market 1. 2. 3. 4. 5.
- 12. Has a well-defined market selection strategy 1. 2. 3. 4. 5.
- 13. Has an internationally orientated culture 1. 2. 3. 4. 5.

Q25. Please indicate the extent to which you agree with each of the following statements. (1=Strongly disagree, 5=Strongly agree.)

Our company has:

- A. Highly-skilled export personnel that deals with international markets/operations 1. 2. 3. 4. 5.
- B. Export personnel that is experienced in international operations 1. 2. 3. 4. 5.
- C. Significant company international experience 1. 2. 3. 4. 5.
- D. Timely export market-related information 1. 2. 3. 4. 5.
- E. Knowledge about the customers in our export markets 1. 2. 3. 4. 5.
- F. Knowledge about the competitors in our export markets 1. 2. 3. 4. 5.
- G. Knowledge about the distributors in our export markets 1. 2. 3. 4. 5.
- H. Information related to doing business in our export markets 1. 2. 3. 4. 5.

Q26. Please indicate the extent to which you agree with each of the following statements. (1=Strongly disagree, 5=Strongly agree)

Our company has:

- I. Good relationships with the distributors in our export markets. 1. 2. 3. 4. 5.
- J. Good relationships with the supply chain in our export markets 1. 2. 3. 4. 5.
- K. Good communication with customers in our export markets 1. 2. 3. 4. 5.
- L. Good government links in the UK 1. 2. 3. 4. 5.
- M. Good government links in our export markets 1. 2. 3. 4. 5.

Q27. How important was each of the following factors as a source of competitive advantage for our company in your main export market over the last 5 years? (1=Not important, 5=Very important)

- N. Advanced technology 1. 2. 3. 4. 5.
- O. Quality of products/services 1. 2. 3. 4. 5.
- P. Quality of customer service 1. 2. 3. 4. 5.
- Q. Pricing strategy 1. 2. 3. 4. 5.
- R. Marketing mix 1. 2. 3. 4. 5.
- S. Production capacity 1. 2. 3. 4. 5.
- T. Supply chain efficiency 1. 2. 3. 4. 5.
- U. Financial resources 1. 2. 3. 4. 5.
- V. Management knowledge and experience 1. 2. 3. 4. 5.

- J. Management skills and abilities 1. 2. 3. 4. 5.
- K. Company's international experience 1. 2. 3. 4. 5.
- L. Company reputation 1. 2. 3. 4. 5.
- M. Company export strategy 1. 2. 3. 4. 5.
- N. Company flexibility (ability to adjust to change quickly) 1. 2. 3. 4. 5.
- O. Export planning 1. 2. 3. 4. 5.
- P. Export market research 1. 2. 3. 4. 5.
- Q. Relationship with suppliers 1. 2. 3. 4. 5.
- R. Distribution channel relationship 1. 2. 3. 4. 5.
- S. Customer relationship 1. 2. 3. 4. 5.
- T. Formal business networks memberships 1. 2. 3. 4. 5.

PART III – EXPORT PERFORMANCE

This section addresses your company's export performance over the last 5 years.

28. Which of the following financial indicators does your company use to measure export performance? (please tick all that apply)

- Export profitability
- Export profit margin
- Export profit margin growth
- Export profit contribution to the company's overall profitability
- Export sales volume
- Export sales growth
- Export intensity - export sales share of total company sales
- Export intensity growth
- Export sales return on investment
- Return on assets (ROA)
- Company growth
- None
- Other

Other please specify

29. Which of the following non-financial indicators does your company use to measure export performance? (please tick all that apply)

- Market share in export markets
- Strategic position in export markets
- Competitiveness
- Strategic targets
- Rate of new market entry
- Degree of commitment in the export market
- Capacity utilisation
- None
- Other

Other Please specify

Q30. At what level of business activity is export performance measured in your company? (please tick only one)

- Company level
 Total exports level
 Export venture level
 Product/service level

Q31. How profitable has your exporting been on average over the last 5 years? (please tick one)

- Not profitable at all (loss)
 Break even
 Slightly profitable
 Very profitable

Q32. What has been the trend of your company's export profitability over the last 5 years? (please tick only one)

- Increasing
 Stable
 Decreasing
 Fluctuating

Q33. Compared to your domestic market profitability, would you say that your exporting over the last 5 years was: (please tick one)

- Much less profitable
 Less profitable
 Same level of profitability
 More profitable
 Much more profitable

Q34. How important were each of the following physical resources for your company's export performance over the last 5 years? (1=Not important, 5=Very important)

1. Using modern technology and equipment 1. 2. 3. 4. 5.
2. Having a preferential access to valuable sources of supply 1. 2. 3. 4. 5.
3. Having a sufficient production/service capacity 1. 2. 3. 4. 5.
4. Having access to available financial resources to be devoted to export activities 1. 2. 3. 4. 5.
5. Introducing new products/services 1. 2. 3. 4. 5.
6. Management's ability to overcome export barriers. 1. 2. 3. 4. 5.

Q35. How important were each of the following managerial resources for your company's export performance over the last 5 years? (1=Not important, 5=Very important)

1. Management's significant experience in exporting 1. 2. 3. 4. 5.
2. Management's strong commitment to exporting 1. 2. 3. 4. 5.
3. Management's global, internationally-oriented strategy 1. 2. 3. 4. 5.
4. Management's proactive attitude towards exporting 1. 2. 3. 4. 5.
5. Management's positive perception of export advantages 1. 2. 3. 4. 5.

Management's ability to overcome export barriers 1. 2. 3. 4. 5.

36. How important were each of the following organizational capabilities for your company's export performance over the last 5 years? (1=Not important, 5=Very important)

1. Having a strong leadership in technology 1. 2. 3. 4. 5.

2. Developing technology by investing in R&D 1. 2. 3. 4. 5.

3. Acquiring new technology 1. 2. 3. 4. 5.

4. Adopting new methods and concepts in the manufacturing/service process 1. 2. 3. 4. 5.

5. Providing consistent quality of our products/service 1. 2. 3. 4. 5.

6. Meeting customer specifications and requirements 1. 2. 3. 4. 5.

7. Meeting delivery dates 1. 2. 3. 4. 5.

8. Providing good quality after-sales service 1. 2. 3. 4. 5.

9. Implementing a separate, well-defined export strategy 1. 2. 3. 4. 5.

10. Having a formalized export planning activity 1. 2. 3. 4. 5.

11. Researching the export market actively 1. 2. 3. 4. 5.

12. Having a well-defined market selection strategy 1. 2. 3. 4. 5.

13. Having an internationally-oriented culture 1. 2. 3. 4. 5.

37. How important were each of the following knowledge-based resources for your company's export performance over the last 5 years? (1=Not important, 5=Very important)

1. Highly-skilled export personnel that deals with international markets/operations 1. 2. 3. 4. 5.

2. Export personnel that is experienced in international operations 1. 2. 3. 4. 5.

3. Significant company international experience 1. 2. 3. 4. 5.

4. Timely export market-related information 1. 2. 3. 4. 5.

5. Knowledge about the customers in our export markets 1. 2. 3. 4. 5.

6. Knowledge about the competitors in our export markets 1. 2. 3. 4. 5.

7. Knowledge about the distributors in our export markets 1. 2. 3. 4. 5.

8. Information related to doing business in our export markets 1. 2. 3. 4. 5.

38. How important were each of the following relational resources for your company's export performance over the last 5 years? (1=Not important, 5=Very important)

1. Having good relationships with the 1. 2. 3. 4. 5.

distributors in our export markets

3. Having good relationships with the supply chain in our export markets 1. 2. 3. 4. 5.
4. Maintaining good customer relationships in our export markets 1. 2. 3. 4. 5.
5. Establishing good government links in the UK 1. 2. 3. 4. 5.
6. Establishing good government links in our export markets 1. 2. 3. 4. 5.
7. Being a member of a UK business network* 1. 2. 3. 4. 5.
8. Being a member of a business network* in our export markets 1. 2. 3. 4. 5.

* business network examples: chamber of commerce, industry association, trade association, professional association, etc.)

39. Please indicate the extent to which you agree with each of the following statements. (1=Strongly disagree, 5=Strongly agree)

Over the last 5 years our exporting activities:

1. Have contributed significantly to our overall profitability. 1. 2. 3. 4. 5.
2. Have generated a high volume of sales. 1. 2. 3. 4. 5.
3. Have achieved rapid growth. 1. 2. 3. 4. 5.
4. Have improved our international competitiveness. 1. 2. 3. 4. 5.
5. Have strengthened our strategic position in the international market. 1. 2. 3. 4. 5.
6. Have significantly increased our international market share. 1. 2. 3. 4. 5.
7. Have been very successful. 1. 2. 3. 4. 5.
8. Have fully met our goals and expectations. 1. 2. 3. 4. 5.

40. Thinking about your company's exports, what are your strategic plans over the next 5 years?

(tick all that apply)

- To stop exporting altogether
- To decrease our exporting activities
- To keep the same level of exporting activities
- To increase exports to the existing market/s
- To expand exporting into new market/s
- To enter into contracting arrangements (licensing, franchising).
- To establish our own subsidiary in the export market/s.
- To enter an international joint venture

Thank you for taking the time to complete this questionnaire. Your assistance in providing this information is very much appreciated. If there is anything else you would like to tell us about your exporting experience or about this survey, please do so in the space provided below:

If you need further information about this survey or clarification of any of the survey questions, please call 01782 634 581 or send an email to ecp05eb@shef.ac.uk

Send

Reset

12 February 07

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Western Bank, Sheffield S10 2TN, UK

APPENDIX 3:

Survey Cover Letter – First round

Subject: Study of UK exporters

Dear Mr.,

We would like to ask you to participate in a study of exporting practices of UK companies undertaken by the University of Sheffield Management School. The aim of the study is to gain a deeper understanding of the factors that contribute to company's successful export performance.

The results of our study will help company executives to evaluate their company's critical advantage-generating resources and capabilities and assess their internationalization strategies against a national benchmark.

As a UK exporting company we would like to enlist your help in completing this survey. Your answers will be confidential and the analysis and results will not identify you or your company. You are not asked to put your company name on the survey.

The survey can be reached at the following link:

http://www.shef.ac.uk/management/forms/uk_exporters.html

We hope you will take a few minutes to help us with this important survey. The findings should be beneficial to both company managers and officials interested in promoting export success.

As a contributor to the study we will be pleased to send you a report of our findings, as a way of thanking you for taking the time to complete this survey.

If you have any questions or comments about this study, please contact us at (01782) 634 581 or via e-mail at ecp05eb@sheffield.ac.uk.

If the questionnaire is not relevant to your company, please let us know by simply replying to this e-mail and saying: not relevant.

Thank you very much for your time and contribution.

Yours sincerely,

Prof. Keith W. Glaister
Dean, Management School

The University of Sheffield

Mrs. Elena Beleska-Spasova
Doctoral Candidate

ecp05eb@sheffield.ac.uk

APPENDIX 4:
Survey Cover Letter – Second round

Dear Sir or Madam:

We would like to ask you to participate in a study of exporting practices of UK companies undertaken by the University of Sheffield Management School. The aim of the study is to gain a deeper understanding of the factors that contribute to company's successful export performance.

The results of our study will help company executives to evaluate their company's critical advantage-generating resources and capabilities and assess their internationalization strategies against a national benchmark.

As a UK exporting company we would like to request your help in completing the survey for this study. Your answers will be confidential and the analysis and results will not identify you or your company. You are not asked to put your company name on the survey.

We hope you will take a few minutes to help us with this important survey. The findings should be beneficial to both company managers and officials interested in promoting export success.

The survey can be reached at the following link:

http://www.shef.ac.uk/management/forms/uk_exporters.html

Alternatively, you can complete the attached survey (as a word file). Please save the attached file to your computer, answer the questions, save it, and e-mail it back to ecp05eb@sheffield.ac.uk.

As a contributor to the study we will be pleased to send you a report of our findings, as a way of thanking you for taking the time to complete this survey.

If you have any questions or comments about this study, please contact us at (01782) 634 581 or via e-mail at ecp05eb@sheffield.ac.uk.

If the questionnaire is not relevant to your company, please let us know by simply replying to this e-mail and saying: not relevant.

Thank you very much for your time and contribution.

Yours sincerely,

Prof. Keith W. Glaister
Dean, Management School

The University of Sheffield

Mrs. Elena Beleska-Spasova
Doctoral Candidate

ecp05eb@sheffield.ac.uk

APPENDIX 5:
Geographic Diversification
 Multinomial Logistic Regression Statistics

Table A5.1 Correlation matrix of geographic diversification factors

	1	2	3	4	5	6	7
1 <i>Geographic diversification</i>	1						
2 <i>Firm size</i>	0.135*	1					
3 <i>Type of industry</i>	0.005	-0.021	1				
4 <i>Export experience</i>	0.133*	0.194*	-0.129*	1			
5 <i>Regional orientation</i>	0.877*	0.164*	-0.044	0.198*	1		
6 <i>Market expansion strategy</i>	0.166*	0.198*	-0.308*	0.454*	0.240*	1	
7 <i>Export performance</i>	0.177*	0.054	0.060	0.144*	0.191*	0.296*	1

* Significant at $p \leq 0.01$ (1-tailed).

Table A5.2 Multinomial Logistic Regression statistics:

Dependent variable: Geographic diversification (Home, Host, Bi-regional, Global)

Independent variables: Firm size, Industry sector, Export experience

<i>Test</i>	<i>Chi-square</i>	<i>df</i>	<i>Sig.</i>
<i>Model Fitting</i>	31.98	9	0.000
<i>Goodness-of-Fit</i>			
Pearson	7.259	9	0.610
Deviance	8.143	9	0.520
<i>Likelihood Ratio</i>			
Intercept	74.801	3	0.000
Firm size	7.140	3	0.068
Industry sector	7.136	3	0.068
Export experience	13.595	3	0.004

Table A5.3 Multinomial Logistic Regression analysis of geographic diversification: Host, Bi-regional and Global oriented firms vs. Home region oriented exporters

Variables	<i>B</i>	Wald χ^2 - test	Odds ratio
<i>(I) Home vs. Global oriented exporters</i>			
Firm size (0=SMEs, 1=large firms)	0.65	1.42	1.91
Industry sector (0=manufacturing, 1=services)	-0.25	0.27	0.78
Export experience (0=less experienced, 1=more experienced)	1.08	4.48**	2.95
Constant	-2.27	22.50***	
<i>(II) Home vs. Bi-regional oriented exporters</i>			
Firm size (0=SMEs, 1=large firms)	1.52	7.48***	4.58
Industry sector (0=manufacturing, 1=services)	0.60	1.43	1.82
Export experience (0=less experienced, 1=more experienced)	0.96	2.14*	2.61
Constant	-3.04	23.97***	
<i>(III) Home vs. Host oriented exporters</i>			
Firm size (0=SMEs, 1=large firms)	0.45	0.89	1.57
Industry sector (0=manufacturing, 1=services)	0.66	5.14***	1.92
Export experience (0=less experienced, 1=more experienced)	-0.44	2.64**	0.65
Constant	-0.38	2.75	

* $p \leq 0.10$; ** $p \leq 0.05$; *** $p \leq 0.01$ (one-tailed test).

Interpretation of Table A5.3:

The dependent variable (Geographic diversification) has four categories (home, host, bi-regional and global oriented exporters), with 'Home oriented exporters' specified as a reference category, whilst the other three are predicted categories.

Multinomial logistic regression predicts the higher category (coded 1), using the lower (coded 0) as the reference category.

For example, in panel I the results are interpreted as follows: the odds of probability of membership of a 'Global oriented exporter' (predicted dependent category) for 'More experienced exporters' (predicted independent category, coded 1) as opposed to 'Less experienced exporters' (reference independent category, coded 0) are 2.95 times the odds of being a 'Home oriented exporters' (reference dependent category).

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