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## 1. 0. CHAPTER 1 INTRODUCTION:

1. 0. 1. This PhD thesis was largely motivated by the perceived need, in a globalising world, for further improvement in the United Kingdom's export performance, on the one hand, and an awareness of the unsatisfactory state of knowledge about its determinants, on the other. Beginning with an examination of the rationale for exporting, this introductory chapter goes on to consider what makes for success in overseas markets, the implications of the available evidence and how best to build on previous research. A confirmatory or testing-out study, not an exploratory one, it moves downwards from macro to micro level and, through a review of the relevant literature, sets a research direction and derives hypotheses for an empirical study of exporting among a sample of UK manufacturers of knitted apparel. Succeeding chapters report in turn on the main parameters of this sector and its markets; the design and conduct of the research survey, the processing and (multivariate) analysis of the field data; and the main findings and conclusions that emerged.

1. 0. 2. Turning directly to the task itself, in line with standard practice a series of questions are used to focus this research. These questions are:

- i. What is the broad rationale for exporting?
- ii. How important is exporting, overall and for the UK specifically?
- iii. What are the main determinants of effective export performance, or success?
- iv. How can we build on earlier research?

The first two of these questions appear to lend themselves to relatively straightforward answers; the third will provide the core theme for this research.

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1. 0. 3. Unsurprisingly, the broad rationale for exporting, in theory and practice, is in terms of the benefits it bestows on the participants. As Samuelson explains, as soon as there are diversities of productivities within a country, specialisation and exchange become profitable. And it is the same for nations. International exchange is an efficient way for us to transform one good into another; and it is more efficient than having to rely solely on domestic production (*Samuelson, P.A.. 1961, p724.*).

1. 0. 4. The practical benefits of exporting per se, at macro and micro levels, especially in an era of increasing globalisation, can be indicated in a variety of ways. At macro level four overlapping examples highlight the main facets. First, Leonidou notes that exporting can enable national economies to enhance their foreign exchange reserves, increase employment, establish key linkages and boost the standard of living (*Leonidou, L.C. et al, 1996, p1, 2*). Next, Morgan comments that export growth is predicted to cause economy-wide productivity gains in the form of higher levels of GNP - the export-led growth thesis (*Morgan, R.E. et al, 1997, p68*). Third, among the main benefit which the UK government sees as flowing from trade expansion overall are: lower prices and wider consumer choice; access for industry to the most competitive sources of components and materials, stimulating competition and innovation; and the promotion of international economic growth. (DTI<sup>2</sup>: World Trade: UK Trade and Investment<sup>1</sup>: [www.dti.gov.uk/ewt/uktrade.htm](http://www.dti.gov.uk/ewt/uktrade.htm)3). Finally, the UN sees effective engagement in exports as one key way by which developing countries can escape from their cycles of poverty and deprivation (*Currier,N.H.,2003, p2*).

1. 0. 5. At the micro level, specialists describe a variety of positive effects of exporting on

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<sup>1</sup> Downloaded 13 December 2005

- individual enterprises. Katsikeas explains that it has not only become increasingly vital to the long-term commercial viability of firms, but it is also, with its lower resource commitment than other options, an attractive foreign market entry and expansion mode. (*Katsikeas, C.S. et al, 1994, p33*). Leonidou identifies four benefits which exporting can confer on the firm: a competitive advantage, enhanced financial position, increased capital utilisation and improved technical standards (*Leonidou, L.C., 1996, op cit., p1,2*). Woudhuysen finds that it tends to increase firm size, to enhance productivity and, chiefly via the acquisition of foreign market and technical information, to improve competitiveness. (*Woudhuysen, J. 2004, p7*). Girma concurs with the first two of these and adds that exporters, whose productivity increases with export intensity, also pay higher wages (*Girma, S., et al, 2002, p31*). And exporters themselves have identified a range of specific benefits brought to them by their export activity, including higher turnover, less dependence on the home market, and economies of scale (See Chapter 4)

1.0. 6. Quantitative trade data demonstrate the central and growing importance of exporting to both world trade and the UK economy in particular. On the first of these, between 1980 and 1998 world trade had increased from 20 to 34 per cent of global production (*Lin and Schmidt, 2000, P1*). And, with an increase of 9 per cent in real terms in 2004, world merchandise trade had grown considerably faster than its average for the previous 10 years (World Trade Report, 2005, p1). In 2003 the exports share in world trade had amounted to about 15 per cent of world GDP but that figure alone gives too narrow and static a picture. Thus, the data also indicate that, over the past 25 years or so, the rate of growth of exports, of which manufactures accounted for some 81 per cent, has increased significantly faster than both world production and total economic output. (*Global Policy Forum, P1,2, (D/L 05)*].

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Fuller data on these relativities are in Tables 1.1, 1.1a.

Table 1.1 World Trade and Production (1980, 2001)

<u>Indices.</u>	<u>Value World Exports</u>	<u>Volume World Production</u>	<u>Gross World Product</u>
<u>1980</u>	59	78	73
<u>2001</u>	175	126	127 (1990 =100).

Source: Global Policy Forum (Downloaded: 31 December 2005). Abridged by writer.

As will be seen, in their different ways both tables highlight the greater dynamism of growth in exports as compared with one or both of world production and gross world product. It is also interesting that, in the growth of exports in value terms, the export of goods retained, in 2004, its 2000 (81 per cent) share of the total.

Table 1.1a: Growth In World Exports and Production; Volume & Value: 2000- 2004 (\$ billion)

<u>Years</u>			<u>Annual Percentage change</u>				
	<u>2000</u>	<u>2004</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
<u>Volume</u>							
<u>Production</u>	4.5	4.0	4.5	n/a	2.5	3.5	4.0
<u>Exports</u>	12.0	9.0	12.0	n/a	3.5	5.0	9.0
<u>Value: Exports only</u>							
<u>Goods</u>	6,186	8,880	12.0	-4.0	5.0	17.0	21.0
<u>Services</u>	1,435	2,100	6.0	0	7.0	13.0	16.0

Source: World Trade Organisation: World Trade in 2000, 2004- Overview. Abridged

1. 0. 7. In different ways Tables 1. 2 and 1.3 help to show the importance to the United Kingdom's economy of world trade in general and exporting in particular. Focusing on exports, from Table 1. 2 it will be noted that the UK had the sixth highest share in goods and the second highest in services. The significance of this trade for the economy is underlined by its magnitude; it is estimated that the export sector accounts for about a quarter of Gross Domestic Product. (*UK Trade & Investment. DTI, p1, D/L 7 August 2003*).

1. 0. 8. And the great variety of product types that feature in UK's exports and imports is amply illustrated in its official trade statistics. ( See, for example, ONS's Monthly Review Of External Trade Statistics, August 2005, p61). Thus it is clear that for many sectors of UK commercial activity world trade is of crucial importance.

1. 0. 9. But current share of world trade and depth of involvement do not provide certainty about tomorrow. As noted, the pressures of globalisation are increasing (Chapter 2 shows these forces at work in international trade in wearing apparel). The UK has been falling in rank in its world trade share between 2001 and 2005, with the balance on trade in goods deteriorating quite substantially while that for trade in services grew strongly, albeit from a lower base, as

**Table 1.2: World Trade: Merchandise & Commercial Services 2004 (Value: \$billions)**

Exports					Imports				
Rank	Country	%WE*	%Svcs*	+/-%	Rank	Country	%WI*	%Svc	+/-%
1	USA	10.30	27.99	13	1	USA	15.70	14.56	17
2	Germany	9.48	12.79	21	2	Germany	8.00	21.21	19
3	Japan	5.98	14.36	20	3	China	5.57	11.31	36
4	China	5.94	9.47	35	4	UK	5.28	22.69	18
5	France	5.05	19.61	14	5	Japan	5.20	22.76	19
6	UK	4.70	33.12	13	6	France	4.95	17.15	17
7	Holland	3.90	16.92	21	7	Italy	3.80	18.67	18
8	Italy	3.90	19.01	17	8	Holland	3.45	18.48	21
9	Canada	3.29	12.88	16	9	Canada	2.95	16.65	14
10	Belgium	3.22	13.85	20	10	Belgium	2.94	14.46	6

Source: World Trade Organisation: World Trade in 2004: Overview. Adapted by the writer. (Downloaded 15 June 2006).

\* WE (world exports), WI (world imports.), Svcs (services)

Table 1. 3 indicates,

The overall effect is that the adverse balance has increased substantially. This seems clearly a manifestation of increased competition in the international trade arena. It cannot be expected to diminish.

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Table 1.3. UK Balance of Trade (Goods & Services); Trend 2001 to 2005 (indices). (£mn)

<u>2001 Balance</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
<u>Goods</u> (-£41,212 =100)	-116	-118	-148	-167
<u>Services</u> (£14,423 =100)	117	133	180	162
O/all Bal (-£26,789 =100)	-115	-110	-131	-169

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Source: Office For National Statistics: Personal e-mail from Balance Of Payments staff:  
 21 December 2006

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1. 0. 10 Summary: This section has described the broad rationale for exporting, its weighting in world trade and its significance for the United Kingdom economy, with its large foreign trade sector, in particular. International competition is increasing as globalisation gathers pace and it will be necessary to 'run faster to stay in the same place'. If export performance is to meet this challenge, its basis will require to be well-understood. There therefore seems to be a clear need to identify the main determinants of exporting effectiveness and to apply them in practice. Because well-founded theories are potentially of greatest value from this perspective, we next turn to a consideration of international trade theory and its adequacy.

1. 1. DETERMINANTS OF EXPORT EFFECTIVENESS: INTERNATIONAL TRADE THEORY<sup>2</sup> AND THE APPROPRIATE LEVEL FOR RESEARCH.

1. 1. 1. Although the export mode is a subset of international trade, a well-tested general theory<sup>3</sup> of why states engage in such trade might well go a long way towards identifying the determinants of effective exporting. It will, however, be seen that this is not a fruitful option.

1. 1. 2. International trade theory has evolved over more than two centuries but it has also fragmented. More recently, the neo-classical Heckscher–Ohlin model was developed to overcome the shortcomings of earlier versions, especially those of Adam Smith (absolute advantage, 1776) and David Ricardo (comparative advantage, 1817). It sought to explain

2 A theory: '...is an organised system of accepted knowledge that applies in a variety of circumstances to explain a specific set of phenomena; theories can incorporate facts and laws and tested hypotheses...' (wordnet. Princeton.Edu/ perl/webwn)

- comparative advantage in terms of a country's relative factor endowments or proportions.

1. 1. 2. 1. Different goods are seen as requiring different proportions of the various factors of production, some being land-intensive, some labour-intensive and some capital-intensive. Its main conclusion is that countries should specialise in the goods which use most intensively the factors of production of which they have a plentiful supply (*Lipsey, R.G., 1989, P351; Piggott, J., et al, 1999, p55*).

1. 1. 3. However, the major limitations of this theory lie in its unrealistic model and assumptions. It is purely supply-side and is restricted to two countries, two factors of production (land, labour), and two products. Beyond being respectively capital and labour intensive, these two products are undifferentiated (*Adapted by the writer from Piggott, op cit. p55*). Two of its other assumptions-constant returns to scale and perfect competition- are equally unrealistic. First, Vernon, for example, has shown that returns, within and outside the firm, are not constant but increasing (*Vernon, R., et al, 1991, p87*). Second, given this, a large and successful company, for example, could be a reflection, not of a natural comparative advantage but of having been first to exploit economies of scale in its industry. And such expansion would negate the theory's assumption of perfect competition – a model now itself being challenged by Stiglitz in particular (*Stiglitz, J., et al, 2001*).

1. 1. 4. . Dissatisfaction with the numerous limitations of the neo-classical model motivated the development of a various alternative theories, typically with opposite assumptions. Though all of these disparate trade theories have received support in empirical tests, none of them can account for intra-industry trade. A high percentage of all trade takes place within the industrialised countries and, for example, in many commodity groups the EU exports and imports similar amounts. But all of the trade theories predict that all trade will be governed by

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the principle of comparative advantage: the same good could not be exported and imported at the same time (*Piggot, J., et al, op.cit,p58; Perdikis, N. et al, 1998, p5*).

1. . 1. 5. As Mikic explains, neither the neo-classical nor the new trade theories can explain much of the actual real world trade (*Mikic, M., 1998, p236, 238*). Perdikis highlights in more detail the main problems: first are the complexities stemming from the existence of both inter and intra-industry trade; and, second, the large number of factors that have been found to influence trade. Together these difficulties have stood in the way of any empirical reconciliation to date. As a result there is not yet any general theory of international trade (*Perdikis, N.,et al, op cit., p233*). ( It is, however, noted that the various existing theories can be of use in analysing broad issues relating to trade at sectoral level.).

1. 1. 6. But in any case sector-level analysis seems unlikely to be detailed enough. By analogy with the splitting of the atom, there appears to be a clear need to get down to `subatomic' level; and we have outlined a number of them above. There are others. First, as O'Keefe states, a compelling argument for focusing at enterprise level is the empirical data, supporting the Resource-Based View, showing that the firm and its resources are 4 to 5 times as important in determining firm performance as are factors associated with its industry, hence the industry is not the appropriate unit of analysis (*O'Keefe, M. et al, 1998, p3*). And Girma concurs: `The appropriate level of analysis for investigating exporting and business performance is the firm level' (*Girma, S. et al, op.cit., p1*). Other scholars argue for an even lower level, the export venture (*eg Zou, S. et al,1998, p341*). For the above and other reasons our research will focus on the firm/ enterprise level. [Later we put forward some grounds for preferring the firm to the

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export venture (See Chapter 3]

1. 1. 7. Summary: In its current state of development international trade theory is not well-suited to the identification of the determinants of effective exporting performance. Its main focus is at sector level whereas, as the experts indicate, such determinants need to be sought chiefly at the level of the enterprise. It is thus timely to begin our investigation of export performance at this lower, micro, level.

## 1. 2. RESEARCH FOCUS AND THE LITERATURE SEARCH

1. 2. 1. The influences on corporate export performance overall seemed likely to be numerous and to range from the very important to the more peripheral, from the central to the insignificant. As it would not have been sensible for us to seek to explore, without good reason, any large number of these, it was desirable to sharpen further the focus of the research to provide a more specific context. The six questions listed below, which centre directly on the firm itself, were thus used to operationalise this project.

### (a) Operationalisation of the research project

- What are the main relevant export related characteristics of the company, including its management, technology and products?;
- What is its exporting experience and the current scale?
- How is exporting planned and organised?
- What are the export market selection methods and the range of markets?
- How are export products priced, distributed and promoted?
- How adequate are export performance and profitability?

1. 2. 2. At this point we may also take the opportunity to re-state the research question as: 'What are the determinants of export performance at the firm or enterprise level?'. It is more sharply defined later.

### (b) The Literature Search

1. 2. 3. Having thus laid down some broad markers for the research, it was appropriate next to establish, insofar as possible, what was already known about the determinants of effective exporting performance at micro or enterprise level. This process, usually taking the form of a literature review, aimed also to uncover the amount of existing scope for a related empirical

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research project. But here, to allow for the possibility that a full review might not prove necessary, the process was broken down into two elements: first a literature search, to be followed as necessary by a review or assessment of selected research. This approach is consonant with Cooper's advice that it is important first to see if a new literature review is needed (*Cooper, H., 1998, p25*).

1. 2. 4. Main criteria used in search. Three key aspects of the literature search conducted were: the criteria for inclusion and exclusion of research, the literature search methods and data sources used, and the search terms utilised. These are discussed individually below.

(i) Criteria for exclusion/inclusion: Research studies were excluded partly on grounds of lack of relevance. Main exclusions were: macro research, studies in languages other than English (owing to this writer's limited linguistic ability), and overseas sales in modes other than exporting (eg licensing, overseas subsidiaries). Studies for inclusion had, inter alia, to be empirical cross-sectional (no case studies), involve statistical analysis/ tests and have as dependent variables export performance in some form or other. The latter are primarily those of Zou et al (*Zou et al 1998, p334* )

(ii) Literature search: main data sources: The quest for literature bearing on exporting was conducted partly through searches of the reference sections of hard copy academic texts, but chiefly by consulting a range of electronic journal databases. One of two reasons for this asymmetry was the perceived greater scope for finding more up to date articles in journals. The other consisted in the writer's limited resources. And the range of electronic databases examined was a deliberate effort to minimise possible bias that relying on one or two might cause. (*Cooper, H., 1998, p159-162*). Main hard copy and database sources searched are shown in Table 1.4.

(iii). Search methods and terms: In the search process the 'snowballing'<sup>3</sup> approach was used to locate relevant references in the hard-copy sources ; in the electronic journal databases searches the search terms used were chiefly: 'export', 'exporting', 'export performance', and 'export success' and the period covered was predominantly from 1990 onwards. The Citation Index was also employed to help to identify and confirm who the leading authors in the field were. Some 140 references were located in the main search (a figure that later increased to 190), after hundreds of irrelevant ones had been jettisoned.

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Table 1.4: Main Sources<sup>3</sup> Searched For Relevant Documents<sup>4</sup>

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(A). Main Hard-copy Books

The Marketing Book (Ed Baker, M.J.,1991)

Principles Of Global Marketing (Keegan, W. et al, 1997)

Principles Of Marketing; The European Edition ( Kotler, P. et al, 1996)

New Perspectives On International Marketing (Ed. S.J. Paliwoda, 1991)

Marketing Management & Strategy ( Doyle, P.,1994)

(B). Databases

International Bibliography Of The Social Sciences (IBSS); ZETOC; ProQuest: ABI/INFORM; Elsevier Science Direct; MCB Emerald Library; ECONbase; ESRC -Regard database; UK Trade; and Web Of Science (Social Science Citation Index).

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1. 2. 5. In line with scholarly recommendations that the range of literature encountered be described in some way (*Institute of Education: EPPI-Centre, p 4, Descriptive mapping*), the general results of the search are summarised, in two forms, in Tables 1.5 and 1.6, while the summary overview that follows sketches a broad .historical picture of empirical research on export performance over the years.

3. The main search was of course conducted before the field survey in 2000/ early 2001

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Table 1.5: Main results from the literature data search

<u>Topic</u>	<u>No</u>	<u>Topic</u>	<u>No</u>
Performance	34+	Pricing	5
M & D Channels*	11	Internationalisation	5
Assistance to exporters	10	Differences: Exps & NonExps	4
Barriers	9	Behaviour	4
Market information	9	Market research	4
Market entry	7	Size	3
Performance measurement	6	Miscellaneous	29

\* Marketing and Distribution : +Figures indicate the number of references to topic

1. 2. 6. Overview of empirical work. Beginning with the pioneering work of Tookey (*Tookey, D., 1964*) empirical research on export performance has burgeoned over the years. As Leonidou. et al explain, that aimed at identifying the determinants of successful exporting falls into 5 main groups: managerial, organisational, environmental, market targeting, and marketing mix variables (*Leonidou, L.C. et al, 2002, p51*). Zou et al slice the research in a different way, stating that the 5 broad groups of determinants identified over time are: firm characteristics; product characteristics; market characteristics); industry characteristics; and export marketing strategy. (*Zou , S. et al, 1998b, pp38,39*).

1. 2. 7 : Summary: This section began by narrowing the focus of the research to six main aspects of the knitted apparel exporting firm, and by `tuning' further the research question. Turning next to the literature search, it began by describing inclusion/ exclusion criteria, main data sources used, and search methods and terms employed. Next it quantified, by topic, the main results that had emerged from the search. Finally, it provided a brief prose overview of empirical research on the determinants of export performance. The next section assesses in more detail the output from the literature search.

### 1. 3. ASSESSMENT OF THE OUTPUT FROM THE LITERATURE SEARCH

1. 3 . 1. Having completed the literature search, our next task was to decide whether a new review /synthesis was needed. As Cooper suggests, `*past syntheses can help establish the*

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*necessity for a new one'*(Cooper, H, 1995, p25) therefore our starting point was to ascertain whether the research field of interest- the determinants of export success- was already fully reviewed and, if so, whether to an adequate standard (Cooper, H. ,*op cit.* p8,79-86) and for the requisite period; in our case, this was primarily the decade prior to the conduct of the survey in 2000/ 2001.

1. 3. 2. A detailed examination of the output from the literature search identified, inter alia, four meta-analyses of the export performance literature: Taken together, these: Gemunden, H. G. (1991); Chetty, S. et al, (1993); Zou, S. et al (1998); reviewed much of the export performance literature, chiefly for the 20 or so years to 1998. In the same date order, the numbers of studies reviewed were 50, 100 and 50. In addition, Leonidou's review of 36 studies of export marketing strategy performance determinants, though narrower in range and not published till 2002, included numerous studies from our period of interest. On the face of it, the topic therefore seemed to have been comprehensively assessed, leaving little apparent scope for a new review of the literature. Preparing a new one could have involved us in wasteful duplication of existing findings.

1. 3. 3. To make headway, however, we needed to apply two other tests: the methodological quality criterion and the principle of parsimony (- the latter to minimise the number of entities to be dealt with at this point). On the first, as Cooper reminds us, most scholars agree that a careful evaluation of the methodology used is essential to the task of judging the quality of any research study: *Most social scientists agree that methodological quality should be the primary criterion for decisions about how much trust to place in a study's results. (Cooper,H. op cit., 1998. Page 80).* In his review Gemunden had made largely the same point and had been

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highly critical of the studies he assessed on this account (*Gemunden, H.G., 1991, p43* ).

1. 3. 4. By extension, this quality test should apply not only to individual studies but also to the review methodology itself. (We shall be concerned with both in this project). And, clearly, such assessments need to be full if they are to be adequate; a need recognised, for example, by Leonidou in excluding from his mainstream review studies in which methodological and other key information was incomplete (*Leonidou, L.C. et al, 1996, p519*).

1. 3. 5. The Zou et al (1998) study was, *prima facie*, the review that would assist most in deciding whether a new one was needed. One reason was that it naturally embraced a greater amount of the more recent literature than did the works of Gemunden or Chetty et al. And it had also resolved a categories problem identified in the Chetty study (*op cit, page 344* ).

1. 3. 6. However, an examination of the coverage and methodology of the Zou et al document revealed not only its undoubted strengths but also some seemingly quite serious weaknesses (– to be discussed more fully later). One of the latter was its failure to mention or take any account of the 1991 major review – though that of Aaby et al 1989 had been discussed. Another was the failure to allude to an independent variable (market selection methods) that had a clear bearing on export performance. In view of the latter’s potential importance, reference ought surely to have been made whether or not it had featured in the studies assessed.

1. 3. 7. And, finally, Zou et al did indeed describe main problems encountered in reviewing

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the literature, especially those resulting from the lack of standardisation in the approaches adopted by researchers to the selection, naming and measurement of performance variables, whose combined effect was to make comparisons of findings very difficult, if not impossible. But while they did comment critically on some main aspects of methodology in the studies assessed (*Zou, S. et al, 1998, p 337 et seq*), they made no reference at all to a range of other key elements.

1. 3. 8. With this background, the main choice facing us was largely that of, on the one hand, duplicating in part the content of a completed review, with much more limited resources than those invested in the original, or, on the other, of relying instead on the findings of the Zou et al meta-analysis findings, despite that review's apparently significant shortcomings.

1. 3. 9. The compromise adopted was to re-assess a subsample of Zou's 50 export performance studies and also to assess a further small number of studies which post-dated that review. Here the primary aim was to make a detailed examination of the adequacy of empirical studies' methodologies, while also extracting findings and conclusions that could prove useful for comparison purposes. Assessing the subsample's methodology was considered to involve minimal duplication of methodology assessment, and its merit was seen to be its close linkage with the meta-analysis's findings on performance determinants. And it was felt that the findings from the subsample assessment might possibly be more informative because more detailed. Accordingly, a (manageable) 20 per cent simple random sample was drawn from the Zou group of 50 studies. The 4 later studies then chosen, non-randomly, from the literature search output, were added to the subsample mainly to extend the scale of the methodological

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examination., and to consider some examples other than those in the Zou group of studies.

1. 3. 10. Arising from the analysis of this new sample of 14, it was felt useful to enhance our findings further by assessing an additional group of 4 post-Zou non-random studies, as far as feasible in accordance with the greater rigour of the systematic approach, as described by e.g. The Institute of Education (*EPPI, 2004, database*), resource intensive though this method was. The extra 4 would provide not only more data on methodology but also research results. Experts advise: if selected studies are to be synthesised adequately and accurately a series of standardised questions, inter alia, needs to be applied to each selected study and the results tabulated or recorded in some other suitable way. *The Institute of Education's EPPI guidelines* recommend that these be structured under 7 subheadings: Bibliographical details, Abstract, Aims, Study Design, Main findings, Conclusions, Generalisability, and Trustworthiness. (*EPPI, op cit, p18,19*). This Data Extraction Protocol was followed almost entirely in assessing systematically these 4 studies. While worthwhile data were obtained, a lack of homogeneity in the studies prevented the making of a full synthesis. (*Andrews, R. et al, 2006, p287*). Main results for all 18 studies including the four systematic assessments are set out in a series of tables below..

1. 3. 11. Summary: The examination of the literature search output, with a first objective of deciding if a new review /synthesis of the literature was needed, found that there was already good review coverage of the period of greatest interest , satisfying one key criterion. However, the second criterion, quality, was not so easily met and the review which seemed best to represent existing knowledge in the field (Zou et al) was found to have a number of

- shortcomings, including the omission of a key topic and an incomplete assessment of the various methodologies used in the studies on which it reported. Therefore it was considered desirable to investigate the quality of these studies by looking more closely at their methodologies, also extracting findings which would be at a less general level than those of the review. Bearing in mind the risk of duplicating existing work, our compromise approach was to choose for investigation a subsample of the Zou 50 and to complement this with a selection of other later studies. The outcome is presented below.

#### 1. 4. MAIN FINDINGS FROM THE LITERATURE ASSESSMENT

##### Tentative Main Determinants Of Effective Firm-Level Export Performance

1. 4. 1. Based on the foregoing literature review and drawn chiefly from the meta-analyses and the 4 systematic studies, the following Independent Variables are tentatively listed as the main determinants of export performance at firm level. It will, however, be recalled that the quality of these results varies directly with the quality of the research on which they were based. And Zou's tentativeness in his conclusions needs also to be kept in mind.

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Table 1.6: Main Determinants Of Effective Export Performance

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Zou, S. Meta-analysis: 1987-1997

- \* Export planning
- \* Good export organisation
- \* Utilisation of market research information
- \* Product adaptation and product strength
- \* Promotional intensity
- \* Good distribution channel relationships
- \* Managements' international orientation, export commitment and support
- \* Managements' international experience and education
- \* Managements' perceived export advantages
- \* Firms' general and international business competence;
- \* Firms' characteristics including sector, product types and life cycle stage
- \* Industry's technological intensity

[Source: Zou, S. et al, 1998, pp345-350 and Table II ]

{It will be noted that, with the exception of the last, these 12 factors can readily be classified

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into the three categories of management characteristics, the firm's other internal assets, and its export marketing strategy; and these are of course all internal to the firm. }.

1. 4. 2. Main determinants identified by Chetty et al are in Table 1.7 (overleaf); Gemunden's findings are summarised below in Table 1.8. and those of Leonidou et al are displayed in Table 1.9.; those of the 4 systematic studies in Table 1.13 and Annex 4.

TABLE 1. 8: MAIN FINDINGS FROM GEMUNDEN'S 1991 META-ANALYSIS (p52 and Table 2.4)

Factors that correlate positively with export intensity:

- Size of firm;
- Export-oriented information activities
- Intensity of R & D;
- Export oriented product adaptation and services;
- Perceived product strength\*;
- Importance of growth as a company goal;
- Exports perceived contribution to growth or profit goals\*;
- Managers' foreign orientation;
- Export restraints on foreign owned firms;
- Existence of an export department;
- Attractiveness of export market\*;
- Saturation of domestic market\*.

(\* The asterisked factors also correlate positively with export growth and profitability but this second set of relationships is based on a substantially smaller number of studies).

As can be seen, Table 1.10 is a composite list of IVs which intergrates the various potential

determinants of effective export that were variously identified in the 8 sources quoted above.

TABLE 1. 9: MARKETING STRATEGY DETERMINANTS OF EXPORT PERFORMANCE

MAIN FINDINGS* [Exerpted from Leonidou, L.C. et al, 2002]	
<u>Export strategy area.</u> (Alpha = 0.05)	<u>Export strategy area</u> (Alpha 0.05)
<i><u>Targeting</u></i>	
Market concentration	0.000
Market spreading	0.000
Market segmentation	0.000
<i><u>Product</u></i>	
Design	0.027
Quality	0.000
Branding	0.018
Customer service	0.000
Packaging/labelling	0.100
Warranty	0.036
Product advantage	0.000
New/unique product	0.000
Product /brand mix	0.000
Product adaptation	0.000
<i><u>Price</u></i>	
Pricing method	0.000
Pricing strategy	0.000
Sales terms	0.050
Credit policy	0.001
Currency strategy	0.251
Price adaptation	0.000
<i><u>Distribution</u></i>	
Distribution/agents	0.065
Sales reps/ office	0.051
Merchants	0.144
Direct buying	0.438
<i><u>Dealer support</u></i>	
Delivery time	0.001
Distribution/adaptation	0.000
<i><u>Promotion</u></i>	
Advertising	0.000
Sales promotion	0.000
Personal selling	0.000
Trade fairs	0.004
Personal visits	0.001
Promotion adaptation	0.000

[\* Note: These are overall export performance results; results vary across the 8 performance measures. See Leonidou, Table 2, p58, for full results]

## 1. 5. ASSESSING THE QUALITY OF THE REVIEWED STUDIES.

1. 5. 1. In the previous section we have listed the main potential independent variable determinants of effective exporting that were identified from our exploration of the literature on empirical research studies in exporting. It will be recalled that, in their different ways, both Hooper and Gemunden had stressed that the amount of trust we can repose in such research depends crucially on the soundness of the underlying methodologies (Para 1. 3. 3). As we have so far only touched marginally on this aspect, it is timely now to make a fuller assessment. Accordingly, this section considers and discusses, in four subsections, what appear to be significant shortfalls in current knowledge on this subject. The first describes rather more fully

Table 1.10 Composite List Of Independent Variables From 8 Sources

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Export Strategy: (including targeting, market concentration, spreading, segmentation)

A, B, C, D, E, F, G.

Export Planning:

A, H.

Export Organisation: A, B, H.

Market research utilisation: A, B, G, H

Product: (including strengths, adaptation, quality, design). A, B, C, D, E, F, G, H.

Pricing: (including; method, competitiveness, adaptation, sales terms, credit, currency)

A, B, C, D, E, F

Promotion, ( including adaptation, intensity, trade fairs, market visits, advertising)

A, C, D, G, H.

Distribution: (including channel type, adaptation, relationships)

A, C, D, G, H.

Firm: (including: age, size, technology, int'l competence, capabilities)

A, B, D, E, F, G

Industry: Technological intensity, level of instability, R & D annual spend)

B, D, H.

Domestic market: (including expansion, saturation, reduce dependence on)

A, B, G.

Foreign Market: (including attractiveness, competitiveness, barriers)

A, B, D.

Management: (including: age, education, int'l experience;int'l orientation,commitment,

pro-active motivation, perceived export advantage & barriers, risk tolerance)

A, B, D, E, F, G, H.

Other: Communication ability; market selection (A): Marketing expertise (F,G); Growth and profit aspirations (B,G); External assistance (A,F); Staffing/staff skills (A, D): Delivery time (A,C).

Sources: A (Chetty, Table 1.7), B (Gemunden,Table 1.8), C (Leonidou, Table 1.9).

D (Thirkell), E (Baldauf), F (Ogunmokun); G (Dharanaj) Annex 4; H (Zou, p343, Fig 1)

Note: These 13 named Independent variable (IV) categories incorporate Zou et al's (1998) 33 categories, a number of which have had to be widened reliably to accommodate specific IVs. IVs that could not be allocated with certainty to any of these are shown under 'Other'.

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the problems found by Zou et al in reviewing their 50 research studies. Next, some weaknesses in their own review methodology are highlighted. Then the considerable potential and actual inadequacies we found in our subsample of empirical studies are summarised. Finally, the more widespread lack of methodological assessment in this field is indicated and scope identified for related research.

1. 5. 2. (a) Main problems with the research literature identified by Zou et al

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Main problems which these reviewers found with the literature and research studies assessed were chiefly these:

(i) . Lack of standardisation in the choosing, labelling and measuring of independent and dependent variables, leading to a confusing variety of titles, methods and results.

(ii). Though export performance studies should have clear theoretical underpinnings and build on previous research, about half of those reviewed did not test hypotheses but had mostly an anecdotal or exploratory basis; and about half did not use theoretical reasoning in developing their research questions and hypotheses. Such a theoretical basis is also needed for the rational selection of independent performance variables; in practice often done on an arbitrary basis.

(iii). There is no consensus yet on how export performance should be conceptualised and measured. Some see performance as a narrow concept (eg export sales) and its measurement is also varied (eg one or more financial measures or non-financial measures). And this variability makes it very difficult or impossible to compare the findings from the various studies.

1. 5. 3. The foregoing with some other weaknesses they found largely account for the fact that a number of their conclusions from their review on the determinants of export performance are rather tentative, results are mixed and further research is often seen as being necessary to a clearer understanding. (*Zou, S. et al, 1998, pp345-350*). Together these had served to weaken the empirical export performance literature.

1. 5. 4 (b) Some coverage shortfalls of Zou et al's review

This existing weakness in the literature would seem clearly to have been augmented by three specific gaps in the coverage of their review, all of which have been touched upon briefly above. First, although it fell within their review period, was the work of a serious scholar and

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had apparently been conducted with full academic rigour, they had failed to mention the Gemunden export performance literature review (*Gemunden, H. G., 1991*), as had Chetty also (*Chetty, S. et al, 1993*). In both cases the omission is of concern partly because of the weaknesses in methodology that Gemunden's had highlighted in respect of his period.

1 5. 5. Second, Zou et al seem to have made a very useful contributions to a clearer understanding of export performance and its assessment. But, perhaps unavoidably, they have not covered everything relevant. Their review does not include any comprehensive assessment of the methodologies employed by their fifty researchers. While they do, indeed, discuss some aspects of geographical coverage, samples, industry context, types of firm and units and methods of analysis, theirs do not seem to be all of the most important issues. And those entirely excluded from their assessment include; survey population definition, sampling frames, sector and product coverage, inter-sector variability, and response rates. ( Zou et al do, however, explicitly recognise some of these absences).

1. 5. 6. Finally, at least one independent factor/ variable with what would appear to be a direct bearing on export performance does not feature in their review (though it does in Chetty's). How export customers and markets are selected, formally or informally, proactively or reactively, is likely to have a direct bearing on how well-suited to the needs of the individual exporter these foreign outlets are. But this important issue does not feature in Zou and it is clear that it has not been adequately researched, noted specifically by Leonidou et al (*Leonidou, L.C. 2002*, p 64).

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1. 5. 7. (c) Our partial assessment of subsample methodologies

The rationale for our partial assessment and the approach adopted were outlined earlier (Para 1. 3. 9 *et seq*) and it will be recalled that it focused on a simple random sample of 10 studies selected from Zou et al's 50, supplemented by a further 8 studies, chosen judgementsly, that post-dated Zou. As noted also, 4 of the 8 were assessed in line with the systematic approach recommended by the Institute of Education.

1. 5. 7. 1. The overall outcome of our assessment of the methodologies employed in all 18 studies is summarised in Table 1.12, wherein the column headings comprise the assessment criteria.. Table 1.14 shows the high degree of variability in company size data given in the 18 studies assessed. Findings and other data from the 4 systematic assessments are given in Table 1.13, from which their strengths and weaknesses may readily be identified.

1. 5. 8. Fuller information, in text and tabular form, is in Annexes 1 and 4, but the main findings may be summarised here as follows: Our subsample assessment revealed significant weaknesses overall, in the form of either or both of a lack of key methodology-related information and difficulties highlighted by what was actually disclosed. On the first of these, and ranging from general to large minority, there was a failure to: define survey populations; name documents used as sampling frames or to report on their suitability; describe survey type and the selection of its elements; define the sectors and products covered; to date sampling frames and surveys; report on follow-up; or to recognise inter-sector variability. On the second, problems seen included: narrow operationalisation; the lack of standardisation in company size descriptions (See Table 1.14 below); reported response rates ranging downwards

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from 50 to 5 per cent; limited testing of non-response; some data analysis weaknesses; and serious doubts about the comparability of the variegated product sectors covered. Table 1.12 (overleaf) presents the results of the assessment in tabular form.

1. 5. 9. Zou et al arrived at mainly tentative findings because of the problems with the literature which they described. (Para 1. 5. 2. et seq). Their limited assessment of the key quality criterion- soundness of methodology- revealed a number of related flaws in their sample; ours unearthed even more shortcomings in the (random) subgroup we assessed. Therefore it appears clear that we must retain reservations about the soundness of the findings from their meta-analysis. And we have already shown that there were methodological weaknesses also in the other 8 studies assessed by the writer (See especially Annex 1).

(d) Methodology: other reviews

1. 5. 10. Consideration was next given to whether the findings reported by the other reviewers considered were any more soundly-based. For several reasons, this did not appear to be the case. First, neither Chetty nor Leonidou had performed a critical assessment of the methodologies employed in the samples of studies they had reviewed. Chetty et al had not performed any such assessment, critical or otherwise; and while Leonidou had 'evaluated' the research methods used in his sample of studies along five dimensions, the outcome was reported largely descriptively, not critically. Thus, it seems fair to say that neither scholar had applied the *litmus-test* for quality to the individual studies they had examined.

1. 5. 11. And, second, the Aaby et al and Gemunden critical assessments plus the Leonidou (neutral) findings, taken together, cast doubt on the quality of the studies they had respectively reviewed. Gemunden criticised especially the extreme diversity of his studies; the

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low quality of their data; lack of theoretical argument; inadequate description of measurement methods; and the exploratory nature of the data analysis used: specifics included: exploratory approach (66%), with stepwise (30%) and no hypotheses (38%) (*Gemunden, H.G., 1991, p 43 et seq*). Aaby et al had highlighted, inter alia, weaknesses in the forms of researchers' use of the exploratory approach and simplistic, bivariate data analyses in the studies they had assessed (*Aaby, N-E., et al, 1989, p22* ). And the weaknesses revealed by Leonidou et al's summary results, based on studies from the 1960s onwards, included: export performance measured by one indicator only (67%); non-probability sampling (31%); response rate less than 30 per cent (39%); and no tests of non-response (69%) (*Leonidou, L.C, 2002, pp54,55* ).

1. 5. 12. Finally, as well as having had some conclusions in common, Chetty, Zou and Aaby et al also reported a number that contrast. Sharing 10 studies with Zou, Chetty et al found firm size positively related to export performance while Zou et al reported, in common with Aaby et al, mixed findings for this relationship; Aaby et al had found the impact of technological intensity uncertain, but Chetty et al recorded a positive effect for it. And Zou et al noted a contrast between their own uncertain findings on pricing and the medium positive effect reported by Chetty. (*Chetty, S.K.,1993, Table II; Zou, S. et al, 1998, p348, 350* ). Also, two of the Zou studies with methodological faults were included in the group reviewed by Chetty (a collection which overlapped substantially with that of Aaby et al) and she also shared 7 studies with Leonidou. And, on a different tack, it might be added that some or all of these reviewers implicitly treated the small, medium, large firm size categories as if they were standardised universally agreed concepts, whereas Table 1.14 shows the meaning of these terms varied markedly between the subsample researchers- and the implications of this.

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1. 5. 13. Overall then, taking account of the methodological flaws reported by Zou et al and Gemunden together with those identified in our subsample assessment (See Table 1.12), in the Leonidou et al results and in the previous paragraph, it seemed clear that the combined effect was to cast considerable doubt on – and thus to unsettle- the soundness of the findings that emerged from our reviews as a whole. As collectively these reviews cover a large segment of completed research work, it appeared clear that we had therefore identified a research problem for resolution. (*Booth, W.C. et al, 1995, p, 107, 237 et seq*). As part of its pursuit of the determinants of effective export performance, our research also aimed to contribute to the resolution of this problem.

1. 5. 14. Summary: This section has discussed the methodological quality of the export performance empirical studies reported in four literature reviews (touching also on a fifth) and for the 8 individual studies, in four steps. It first outlined the main existing problems in the literature as described by Zou et al. Next, it identified several important gaps in the latter's assessment of their own studies' methodologies, also noting a missing key factor and an omitted review. Taken, then, with the various methodological faults found in the other 8 studies, the overall effect was considered to have unsettled the findings from the Zou et al review. Of the other four reviewers, only Aaby et al (in part) and Gemunden had assessed methodological quality, about which both had been critical. The results reported by Leonidou also revealed a number of significant faults in this area, while other evidence suggested the existence of similar defects in the group of studies reviewed by Chetty et al. Overall, it appeared that because a very considerable body of researchers had not taken into account the methodological defects described above, the export performance literature's findings were less trustworthy than had hitherto been believed- thereby identifying a second research problem with

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direct linkage to our main research one, for resolution.

## 1. 6. HOW TO BUILD ON PREVIOUS RESEARCH.

1. 6. 1. Introduction: In the wake of our extensive assessment of the main findings so far, and as a prelude to the detailed design of the project described in Chapter 3, it was timely to show how this work built on previous research, as good research practice requires. To this end, this section seeks first to consolidate the key information that emerged from the literature review and other sources. Next, the main findings on determinants are integrated, after which the theoretical basis for the research is decided and a working model is developed to guide it. Then the second form of consolidation is implemented, through the formulation of a series of hypotheses for testing. After that the dependent variable 'export performance' is operationalised. Finally, the industrial focus for the project is decided.

1. 6. 2. We can usefully begin the consolidation process by revisiting the four questions which we posed at the beginning of this chapter:

- What is the broad rationale for exporting?;
- How important is exporting, overall and for the UK specifically?;
- What are the main determinants of effective export performance- or success?;
- How to build on previous research?

1. 6. 3. Unsurprisingly, our first question was answered simply in terms of the benefits which flow from exporting activity; the second by deploying statistics and other data demonstrating the importance of exporting to world trade and the well-being of the United Kingdom in particular. It was also noted that because of growing international competition, it was very important to have a clear understanding of the determinants of effective or successful

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exporting.

1. 6. 4. In our search for an answer to the third question, the identification of the determinants, we found international trade theory unhelpful and learned that the answer was best sought at firm or enterprise level. While the subsequent literature search/ review did not answer specifically any of the six questions by means of which we had operationalised the research project (Para 1.2. 1 ), it did identify a group of main factors which continue to be associated with effective export performance. These factors were selected from the positive findings reported respectively by: Gemunden (Table 1. 8 ); Chetty et al (Table 1.7 ); Zou et al (Table 1.6); Leonidou (Table 1.9 ) and the four systematic individual studies (Table 1. 13). They were readily classified into the three below categories. Within categories the listed factors are largely based on reports from two or more of the sources indicated- though a small number on one. Starred factors are those for which there was most general support in review findings.

Table 1. 11: Potential Export Performance Determinants

The Firm:

(i) Main Characteristics:

Management commitment & Perceptions\*  
Firm size \*  
Distribution (including Sales channels)\*  
Export organization  
Sector, product type, life cycle

(ii) Main Skills & Competencies

General & Int'l business competence  
R &D \*  
Export planning  
Market exploration  
Information gathering and usage.  
Communication skills.

(iii) Export marketing strategy

Export market selection;  
Number of markets;  
Marketing mix: Product\*; Pricing\*; Place (distribution); and Promotion\*.  
Staffing

1. 6. 5. There is, however, an obvious dilemma here. On the one hand, we have a collection of variables with much commonality that have a claim to be regarded as the best

- candidates for inclusion/ testing in our search for the determinants of effective exporting. On the other, and as we have seen above, because of methodological flaws there are serious doubts about how reliably they have been identified. Cooper has suggested that when the results for different studies are consistent, flaws in their various designs tend to offset each other. (*Cooper, H., 1998, op cit., p83* ). This is not quite the situation here- and it is not clear how serious multiple weaknesses such as lower than 50 per cent response rates brute facts can be ignored. There are, however, three other factors which tends to justify our use of them in the research: first, they all fall within the ambit of the authoritative General Model proposed by the modern `fathers' of this field of research Aaby et al (1989); second, in a confirmatory study such as ours it is legitimate to seek to confirm their status; and, third, all lie within one or other of the 33 categories into which, in the interests of standardisation, Zou et al suggested IVs for this kind of research be slotted.

1. 6. 6. Against this background, it appeared that the best way forward was to adopt a twin-sided approach. This would involve, first, a study design which would remedy/avoid the main methodological flaws identified above; and, second, to base it chiefly upon a selection of the variables which were the most plausible candidates for the role (i.e.those shown in Table 1.11). A confirmatory study of this kind, rigorously conducted, might well help to remove part of the miasma shrouding these IVs, and thus to contribute to improving the quality of the literature while possibly also locating persuasive determinants of export performance. One step in this direction, taken below, is to avoid the problem of inter-sector variability.

1. 6. 7. We must now seek to integrate these findings further, so as to facilitate the taking

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of more necessary sequential steps on the road to the research project. Initially, these will consist in the selection of a theoretical basis for the work; the development of a working model to guide it; and the formulation of hypotheses for later testing.

1. 6. 8. Integration: Turning next to the integration of findings, we find that, looked at from a slightly different perspective, the main findings do slot together structurally and logically. And this is shown by going up one level. First, Chetty et al's results are seen to lie within the three categories: Firm characteristics, firm competencies, and export strategy, all of which can be seen to 'cluster' closely to the firm itself. Second, it is useful to recall Zou et al's finding (echoing Aaby et al) that the main determinants of effective export performance, (predominantly management characteristics, the firm's other internal assets and its export strategy), were all factors internal to the firm and controllable by it (at least in principle). It is also the case that Gemunden's main findings fall within this area, as do almost all of those from the 4 systematic studies. Fourth, it will be recalled that Leonidou et al, in their review, link effective exporting with export marketing strategy variables – and thus again close to the firm. Finally, by parity of reasoning, O'Keefe's conclusion that the firm itself is 4 to 5 times as important as its environment can be taken to include also export performance (See Para 1.1.6).

We have thus now corralled all of the IVs with the best claims to being the determinant into the three corporate categories of firm characteristics, competencies and export marketing strategy- all of them internal controllable factors.

1. 6. 9. Theoretical basis: A sound theory also has an integrating effect. By showing, inter

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alia, which variables are included and how they are related, a theory in the present context, will assist us with the choice of hypotheses for testing and in selecting only the most relevant variables for investigation. It will also minimise the diversity which stems from adopting, for example, an exploratory non-theory based approach. We therefore now consider briefly the suitability of the main available and relevant theories.

1. 6. 10. Resource-Based Theory, one of the two dominant theories in the field, sees the firm as a unique collection of internal resources, including its assets, competencies, processes, knowledge and management characteristics, that enable it to develop and apply strategies designed to improve its effectiveness; and that, stemming from this, the main determinants of its export strategy and performance are the firm's own internal resources. In contrast, Industry Organisational theory, argues that the external environment imposes on the firm pressures and demands to which it must adapt if it is to survive and thrive. These external pressures determine the form of its export strategy which then determines its economic performance. Thus the primary determinants of export performance are claimed to be these external factors and the export strategy which they shape. (Zou, S. et al, 1998, p342,344, quoting Barney, J. 1991 and others).

1. 6. 10. 1. These two theories have different conceptual underpinnings which do much to explain their respective emphases: RB is based on imperfect competition; I/O on perfect competition ( O'Keefe, M. et al, 1998, P6: Fahy and Smithee, 1999, p2,3 ). Both accept that performance is influenced by the firm and its environment. But RB places the main emphasis on the former; I/O on the latter. The two theories are thus seen to be complementary ( O'Keefe,

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*M., et al, op.cit., P3 ).*

1. 6. 11. Pending their reconciliation and integration, we had of course to choose one or the other. Of the two, the Resource-Based Theory appeared to resonate better with our internal controllable potential export performance determinants (Para 1. 6. 8). And we have already taken note of the shortcomings of the perfect competition model (Para 1. 1. 3). Mainly for these reasons the Resource Based theory was chosen. But this was not a clearcut decision; the importance of external forces on firms in this sector were very clear to us (See Chapter 2).

1. 6. 12. Export Performance Model. Having shown that the potential IV (independent variables) determinants of effective export performance fall into the region occupied by internal controllable factors and selected the Resource based theory, we largely specified the shape of the working model needed to guide the work. That exhibited in Figure 1.1, constructed by combining main elements of those presented by two scholars, is considered to be suitable for this purpose. In particular, it shows the main sources of the predictor variables that are believed to explain export performance. The three sets of factors on the left are assumed (without claiming causality) to affect export performance through the firm's export marketing strategy. While the environmental factors are not 'internal controllable'

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*Figure 1.1: Export Performance Model*

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### Managerial Factors

- *Experience*
- *Attitudes*
- *Behaviour*

### Organisational Factors.

- *Firm characteristics*
- *Operating elements*
- *Resources*
- *Corporate objectives.*

### Export marketing strategy

- *Export market selection*
- *Marketing mix:* Export performance
- *Product* - *Economic/Noneconomic*
- *Price*
- *Place (Distribution)*
- *Promotion*

### Environmental Factors

- *Task environment*
- *Macro environment*

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Adapted from Katsikeas et al, 1996,p13: Leonidou et al 2000, p496

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While the environmental factors are not 'internal controllable' they were left in the model, for two reasons: against the possibility that such factors might prove important in the research; and because our guiding theory accepts that they do play at least a minor part in performance. Otherwise, this model incorporates readily the three categories of IVs exhibited above (Para 1. 6. 4.).

1. 6. 13. It is also now timely to state explicitly the type of sample-based research we conducted. Of the two main categories of quantitative techniques available: To: (i) Make a point or sample estimate of a population parameter, or; (ii) Attempt to refute specific claims about population parameters by testing hypotheses. ( *Section 1.3.5, Quantitative Techniques: Undated: D/L 03 August 08*); the second was adopted as being best suited to the research objective and the context provided by the earlier research. The next section describes the hypotheses which we formulated to test specific claims about population parameters relating to knitted apparel exports.

### 1. 6. 14. Hypotheses For Investigation

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In developing hypotheses for testing, fortified by the selected theory, we needed to ensure that these were based on sound principles. and here we considered appropriate criteria laid down by the Open University in 1973: *hypotheses should be limited in scope; be stated clearly, in terms of relationships between variables; be testable or resolvable; and be not inconsistent with most known facts.* (Quoted in Black, T.R., 1993, p30, 31)

1. 6. 15. Following-on from the above, it seemed appropriate to state our main hypothesis for this research as:

*The chief determinants of effective export performance are individual knitted apparel exporting firm's internal resources including their export strategies.*

and its subsidiaries, deriving from the literature search and discussion, as these 11 hypotheses:

H : Exporting firm size is positively related to export performance;  
(Gemunden, 1991; Chetty, 1993; Thirkell, 1998 ; Dharanaj 2003 )

H1: Managements' outlook, manifested as export commitment, positive attitudes and perceptions, is positively related to export performance  
( Gemunden, 1991; Chetty, 1993; Baldauf, 2000 ; Zou, 1998; Ogunmokun, 2004)

H2: A good export organisation is positively related to export performance;  
(Gemunden, 1991; Chetty, 1993, Zou et al, 1998).

H3: Export planning is positively related to export performance;  
(Chetty, 1993; Katsikeas, 1996; Zou, 1998);

H4: The use of international marketing research information is positively related to export performance ( Zou, 1998; Souchon, 2000; Leonidou, 2002),

H5. Formal export market selection methods are positively related to export performance;  
(Chetty 1993; Koch, 2001; Rachman, 2003);

H6: Product adaptation is positively related to export performance  
(Zou, 1998; Leonidou, 2002);

H7: Export performance is positively related to the number of markets served;  
(BETRO, 1976 ; Crick, 2002 ; Leonidou, 2002)

H8 Promotional intensity is positively related to export performance

(Zou, 1998; Leonidou, 2002);

H9 How price is determined is not related to export performance  
(Diamantopoulos, 1991; Doyle 1994; Kotler, 1996:);

H10: The type of export channel used is not related to export performance  
(Zou, 1998; Leonidou, 2002; Chan, 1992).

## 1. 7. OPERATIONALISING PERFORMANCE AND FOCUSING THE RESEARCH

1. 7. 1. To complete, in this introductory chapter, the broad shape of the research project two other steps were necessary.

(a) Operationalising export performance; and,

(b) Deciding the precise focus for the research.

These two are discussed in turn below.

### (a) Operationalising Export Performance

1. 7. 2 . In line with the requirements of social science research, all of the variables to be used in our research project needed to be defined both conceptually and operationally (*Cooper, H., 1998, p12,13*). The independent variables are chiefly those identified by the literature review whose operationalisation was effected via the survey instrument (See Chapter 3). This section is concerned with how best to operationalise/ measure export performance.

1. 7. 3. . The continuing lack of agreement on how this should be done and the use of dozens of labels for the variables used by researchers have made it very hard to compare and contrast studies' findings and are important causes of the continuing confusion in the field (*Zou, S. et al, 1998, p341: Katsikeas, C.S., 2000, p494*) In operationalising the concept, one aim therefore is to avoid adding to this confusion.

1. 7. 4. Two aspects of the variety problem/ measurement issue are of special relevance: first, whether to employ one or more than one variables as the measuring rod ; and, second,

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whether to use objective or subjective measures, or some of each. Many earlier export performance studies have employed a single variable, often export intensity; and one scholar found the latter to be the most common measure (*Katsikeas, C.S. op.cit., p498*). There are, however, major criticisms of single item measures, including their inability to capture complex concepts *in toto*, and their greater susceptibility to random error. (*Diamantopoulos, A., 1999, pp454: Note 1.*) Because of these difficulties, there is now general support for the use of multi-dimensional measures, but as yet no agreement on what these measures should be (*Matthyssens, and Pauwels, 1996, p103*).

1. 7. 5. . Multiple measures, now widely regarded as being crucial to the capture of the export performance concept's underlying strategic and operational aspects, have been classified by Zou et al as falling into the three categories: financial, non-financial and composite (*Zou. S. at al, op.cit. p336*). Often researchers combine items from the first and second of these categories. Thus Cavusgil used 4 items: achievement of initial strategic goals, perceived success; and 5 year averages of sales growth and profitability (*Cavusgil, S.T. et al, 1994, p6*) There can also be in this field a not always well founded belief that numerical variables may be the more accurate (*noted by Leonidou, L.C., 2002, p56* ). But, some of the suggested items eg market share- are generally difficult or impossible to measure; while the allegedly most objective measure- financial data is often non-existent, not accessible, or not uniform in format between firms and sectors. (*op cit., p56* ).

1. 7. 6. As multi-dimensionalism is essential, research resources are limited, and given there is no one group of variables that seems clearly better suited than others, export performance was here operationalised through the selection of variables that are conceptually and logically

- related, have been used before (alone or together) and fit into the first and second of Zou's 3 categories. The first item is the widely used 'export intensity', to be measured as 'share of total sales exported'. It is augmented by two other related measures: '5 year trend in export intensity' and '5-year trend in turnover' - both measured on 11 point Likert scales. It will be seen that together these three variables provide a finer measure of export performance (i.e better performance when all 3 are moving positively and worse when all three are moving negatively). Measured on a 5-point Likert scale, the final variable is profitability whose inclusion helps to counter *Matthyssens and Pauwel's* criticism of export intensity – that, alone, it is no guarantee of profitability (*op cit, 1996, p103*). Therefore we have operationalised export performance<sup>4</sup> on what appears to be a sound multi-dimensional, logical and rational basis<sup>5</sup>

#### (b) Deciding The Precise Focus For The Research

1. 7. 7. The decision to conduct a single-sector study was motivated largely by the writer's determination to avoid exposure to unknown and unquantifiable inter-sector variability, identified above as one of the key methodological problems arising in multi-sector research. Focusing on one sector would do much to ensure that firms investigated had similar cost structures and faced broadly equal competitive conditions. - thus helping to avoid the inter-industry variances that obstruct the making of accurate and reliable comparisons between firms.

1. 7. 8. For a variety of reasons it was decided to conduct this empirical research project in the United Kingdom's knitted apparel sector among exporting manufacturers of one or more of

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<sup>4</sup> For reasons of one or more of project scope, orientation and resources, both the EXPERF Scale and the Diamantopoulos Formative Indicator approaches to performance measurement were excluded. (*Zou, S. et al, 1998b(all); Diamantopoulos, A., op.cit. 1999, all*). Both may also still be too theoretical for ready use.

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outerwear, underwear and hosiery. The focus was upon consumer apparel and the research thus excluded the manufacture of knitted fabric, geo and technical textiles. Main reasons for selecting this sector follow:

1. 7. 9. The main characteristics of the sector differentiate it fairly clearly from the manufacture of woven clothing where fabric is bought in. By contrast, the knitting sector is both capital intensive and largely vertically integrated, from yarn purchase to finished garment.

1. 7. 10. With the last known major work that of D.Tooley ( 1975), and a minor unpublished study by the writer (1989), there had been to our knowledge no recent research on exporting performance in UK knitted apparel (though there had been some on clothing in general eg *Crick D. et al, 1995*). New research on the industry and its exporting practices was therefore seen to be desirable.

1. 7. 11. The researcher's extensive experience and knowledge of the UK knitting sector, its personalities and his past work on its behalf were considered to contribute to the value of the research in several ways, especially in securing the cooperation of selected firms, assisting the dialogue with their management, strengthening the interpretation of responses; and enhancing the response rates achieved.

1. 7. 12. A knitted apparel sector focus would bound the research within the limits of feasibility imposed by the researcher's very limited financial and other resources.

END Of Chapter 1-

Structure Of The Report.

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This report on an investigation into the determinants of effective export performance by the United Kingdom's knitted apparel manufacturers is presented in six chapters, as follows:

Chapter 2: The UK's knitted apparel industry and its markets

Chapter 3. Research methodology employed in the study;

Chapter 4. The shape of UK knitted apparel exporting ;

Chapter 5. Bivariate correlates of exporting performance;

Chapter 6. Multivariate Data Analysis.

Chapter 7. Main Findings and Conclusions from the research project.

CH 1: Semi –Annex : Tables 1.13, 1.14.

As will be seen, Table 1.14 demonstrates the wide variety of, and in some cases conflicting, measures used by the researchers to indicate the sizes of the firms they surveyed.

Table 1.14 Subsample Of 18 Studies: Disparate Company Size Data Provided

<u>Study No.</u>	<u>Company size data</u>
5, 12	None -
13	Non-specific: Small & m/sized firms chosen to be as variable as possible.
<u>Turnover Data:</u>	
1	From less than \$1m to \$401m in 9 categories
4	Small and medium only: Canada, under \$25m; in UK, under £12.5m.
11	Small \$50k-500k; medium \$500k-2,500k; large \$2,500k-5,000k; v.large \$5,000k+
16	Austrian Sch 20m+ (about E1.5m). Most of sample E7.3m - E36.3m. No small firms.
15	Small <NZ\$ 10m (41%); Med: NZ\$10-50m (30%);Larger >NZ\$50m (29%).
<u>Employee Numbers Data</u>	
2.	Small and medium firms from 50 to 1000 employees
3.	Small and medium firms with up to 500 employees
6	Aimed to include small and medium and selected firms with 5 to 200 employees
7	Small exporters with fewer than 500 employees
8	Employees: <100 (52%); 101-300 (27%); 300+ (22%)
9	Fewer than 500 employees; only 2.3% of sample exceeded 250 employees
10	550 exporting firms, each with 250 or more employees.
14	All but one of the firms had < 100 employees and a single line of business
<u>Employee and Turnover Data</u>	
17	Employees: 1-500; Sales : <\$1m to <\$50m.
18	Employees: <20 =38%; 20 to 50= 20%; >50 =42% (of which 12% >200Es) Sales: A\$5m or more =51%; <A\$5m = 49%

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**Source:** 18 empirical study reports. Compiled by the writer

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In Table 1.13 data from the systematic reviews of four studies are presented in the nearest possible approach to a synthesis that is feasible given the differences between the studies featuring.

Table 1.13: Literature Review: Synthesis: Systematic Reviews of 4 individual firms.

General: It is judged that in terms of methodological quality (net of main shortcomings) as shown by the extracted data, these studies rank, in descending order, thus: Thirkell, Baldauf, Ogunmokun and Dhanaraj et al. They are summarised and integrated below, structuring in line with the data extraction criteria used.

Aims: All 4 studies were based on empirical sample surveys of exporting manufacturers. Thirkell aimed to improve holistic understanding of factors that impact on observed export performance in order empirically to test and validate the 1989 Aaby & Slater model. Baldauf sought to examine decision-makers' experience in managing their companies in respect of the firm characteristics, business strategies, and environmental factors that have an impact on export performance. The aim of Ogunmokun was to explore in terms of a range of factors, including motivation to export, management characteristics/ attitudes, and marketing strategies/

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expertise, why some Australian firms had better export performances than others. Via a comparative, cross-national study of exporters, using 3 sets of resources- firm size, enterprise, technological intensity- Dhanaraj's objective was to predict firms' export strategy and thus overall export performance.

Theory/Hypotheses: The Thirkell, Baldauf and Dhanaraj studies all referred to guiding theory and each developed hypotheses for testing. The first two of these are based on the 1989 Aaby & Slater export model; the third study is set in Resource-Based theory. Ogunmokun made no explicit reference to either theory or hypotheses.

Focus: These studies ranged internationally, from New Zealand (Thirkell), Austria (Baldauf), Australia (Ogunmokun) to North America (Dhanaraj). Only the latter was a multi-country study. Within all four samples the Unit of Analysis was the firm; export ventures did not feature.

Sectors/Products: Overall, little information was divulged about the sectors/ products covered. Three studies were multi-sectoral, but only Thirkell gave minimum necessary details of sectors and products. Dhanaraj revealed nothing of either.

Sampling Frame: Only one of the studies identified precisely its sampling frame – a named directory- (Ogunmokun) and a second (Baldauf) went part of the way (generic reference?). A third outlined the broad source and content of its frame but it clearly could not be accessed directly (Thirkell); and the last (Dhanaraj) provided no information whatsoever.

Sample size/ Selection method: Samples sizes underlying the four studies ranged downwards from 885 (Dhanaraj) through 800 (Ogunmokun) and 694 (Thirkell) to 350 (Baldauf), so all of them ought to have been large enough. In the crucial area of selection methods, however, only two are known to have used random sampling (Baldauf, Ogunmokun). One sample (Thirkell) seems clearly to have been judgemental (and would thus lack external validity). There is no information about how Dhanaraj chose his sample (in his parsimonious 31 related words).

Targeted Firm Types: The sizes of sample firms targeted or realised were not expressed in any standard measure but in a variety of metrics. Three studies wholly or partly indicated size in terms of turnover, variously in NZ\$ (Thirkell) , Euros (Baldauf), and US\$ and employee numbers (Dhanaraj); while the fourth reported it solely in employment terms. Little if any argument was offered in justification for the firm size ranges targeted or realised. Because of the varieties of currencies and size ranges represented by these four studies it seems clear that they are not readily comparable in this respect.

Measurement & Operationalisation of Export Performance: All four studies used multiple items to measure and operationalise export performance. Three employed both objective and subjective measures, with Ogunmokun the exception (all financial: export intensity, growth and profitability). Thirkell and Baldauf's objective measures were financial, had similar objective /financial measures; two items each, comprising export sales and growth features. Their subjective measures both included management assessment of export performance. There was overlap with some of Dhanaraj's 5 criteria: Firm size (turnover & no of employees); Firm

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performance (including profitability, market share, growth); Technological intensity (R&D spend/sales ratio); Enterprise (as risk-taking disposition); Degree of Internationalisation (export intensity and number of export markets). Purely financial measures apart, Likert and similar scales were widely used for self-reports.

Questionnaire and survey: Only one study described adequately the provenance of its mail survey questionnaire (Ogunmokun) though a second (Thirkell) provided considerable information about both the scales used and the independent variables. One study only gave some details of the important testing and piloting of the document (Baldauf). Dhanaraj said nothing whatsoever about his survey instrument. And, with one exception (Thirkell), no details were supplied on the important aspect of the timing and duration of the various surveys.

Survey Response rates: With the top score at just over 50 per cent, none of the four studies achieved a high response rate in their surveys. Marginally best was 53 per cent (Baldauf), followed by 50.3 per cent (Thirkell), 37.5 per cent (Ogunmokun); and the lowest 24.1 and 15 per cent (Dhanaraj). Only one researcher reported following up his mailing (Baldauf: by phone). Such follow-up has of course a key role to play in securing a good response rate (See below). None of the four reported conducting any tests for non-response bias. Dhanaraj appeared to be unconcerned about his low response rate.

Data analysis: The methods employed for data analysis by the four studies differed considerably. One relied entirely on Multiple Regression (Baldauf); a second combined this with Factor Analysis (Thirkell). SEM and LISREL were used by a third (Dhanaraj) while Ogunmokun employed Linear Discriminant Analysis. Again, the variety of approaches inhibits integration.

Main findings: Findings from the studies have similar or related positive significant results in four areas, with remaining results being unique to each. Firm size is a significant factor in one study (Dhanaraj) receives part support in a second (Baldauf) and also features in a third (Thirkell). Product differentiation or uniqueness is found to be a determinant by two studies (Ogunmokun, Thirkwell) and likewise but weakly so by a third (Baldauf). Export market knowledge (Thirkell) and expertise (Ogunmokun) were also found important; as were Management characteristics, with Ogunmokun highlighting effective managers' personal attributes, including a disposition to perceive exports as more profitable, and Baldauf stressing their pro-active motivation.

Other main findings that were specific to the individual studies were: marketing orientation, quality & service, cultural affinity, channel support, and (inversely significant) proportion of exports denominated in home currency (Thirkell). Baldauf found a weak inverse link between performance and extent of export experience. Technological intensity and enterprise were (with firm size) reported by Dhanaraj to be good predictors of export strategy which was itself positively linked to export performance. Pricing, in the form of market skimming, the use of external assistance, and the exporter's strong wish to reduce his dependence on specific markets were Ogunmokun's remaining determinants. Baldauf's results are somewhat difficult to evaluate because he had set his *alpha* at 0.1 and did not provide actual values for his regression outcomes.

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(See Annex 4 for full systematic analysis plus summary report on the 4 other non-Zou studies).