CHAPTER V

5.0 SUMMARY, IMPLICATIONS, AND CONCLUSIONS

This study was undertaken to derive the determinants of the firm's export marketing activities using a set of variables to define the firm's internal and external determinants. This chapter presents a summary of the study and its implications for current managers and public policy makers involved in promoting exports. Finally, the limitations of the study and suggestions for future research are presented.

5.1 Summary

The attempt of this study was to examine how small and medium-sized India firms that are currently involved in exporting decide to continue or expand exporting activities. Specifically, this study was to develop an integrated model that investigates the influence of internal and external factors on the ongoing decision process of India small and medium-sized manufacturing firms. The data used in this study were based on 794 usable responses from a national mail survey of India firms that are currently involved in exporting (net response rate=52.66 percent). Sixteen industries were selected for the study because these industries have been most dependent on and dominating in exporting.

AMOS 16 program was used to test the ten hypotheses and the proposed model presented in Chapter III. The high value of goodness-of-fit index (GFI=0.936; AGFI=0.876) and the small value of the root mean square residual (RMR=0.042) show that the model fits the data well.
The findings indicated that the organizational characteristics (i.e., technology intensiveness, product uniqueness), the decision-maker's characteristic (i.e., foreign language), and environmental factors (i.e., foreign market environment) influenced the attractiveness of exporting. The attractiveness of exporting was not related positively to organizational commitment to export marketing. Finally, the relationship between the level of organizational commitment to export marketing and export decision was found to be positive.

With regard to differential firm advantages, product advantages have a strong insignificant effect on the attractiveness of exporting. As proposed by Cavusgil and Nevin (1981a), technology intensiveness and product uniqueness by themselves are not sufficient to induce firms to enter into or to be excellent at export marketing. However, they are important in preparing the firm and in motivating management to enter into export marketing. Once a firm is involved in exporting as in this study, it is believed that the attractiveness of exporting is affected by other differential advantages such as management expertise. Like product advantages of differential advantages, it seems that management expertise has a positive effect on the attractiveness of exporting. If a firm's management in existing exporters are more knowledgeable with respect to international export procedures and export marketing strategy developments, they tend to be more cautious in their approach to export marketing.

With regard to top management international orientation, foreign language competence has a significant effect on the attractiveness of exporting for India exporting firms while age; frequency of foreign travel, and level of education not much effect but its positive association
with former one. Interestingly, foreign language competence shows a significant positive effect. Recall, however, that nearly three-fourths of respondents in the study could speak one or more foreign languages. It is fair to infer, therefore, that being able to speak another language is a very important determinant for managers to explore foreign markets. With regard to the foreign market environment, the findings indicate that favorable conditions in the foreign market have a significant positive effect on the attractiveness of exporting. Firms are likely to be pulled toward exporting if foreign markets provide opportunities for their product. In this study, the opportunities were measured by if the potential foreign markets are unsaturated, large, and expanding, because such market conditions promise more profits.

This study contributes to the international business literature by simultaneously analysing the managerial, organizational and environmental determinants of export performance as well as by investigating the relationship established between its objective and subjective modes of assessment, in response to recent calls for research (Diamantopoulos & Kakkos, 2007; Katsikeas et al., 2000; Sousa et al., 2008). Moreover, the research was carried out using empirical data from India, a geographical context where export performance related topics have not been widely investigated.

In accordance to our results and concurring with the resources based view of the firm, decision maker’s characteristics, firm differential advantage, domestic and foreign environmental factors, firm’s export market attractiveness and firm’s export commitment constitute company’s most important assets for attaining export success. However, their impact may vary between the objective and subjective export performance dimensions as well as according to the indicators
included in these two categories. Also, a strong positive impact of the objective export performance result on the managerial assessment of firm’s export success was identified.

In summary, such variables as frequency of foreign travel, age, level of education, government export assistance have an insignificant effect, and whereas market barriers have an significant effect on attractiveness of exporting. Other variables including foreign language competence, product advantages, domestic market saturation, and favorable foreign market conditions have a insignificant & positive effect on attractiveness of exporting. The findings also show that top management's perceived attractive of exporting is not an indicator of organizational commitment.

5.2 Implications of the Study
As noted, some factors are clearly associated with the firm's entry into or expanding export marketing activities. Managers and public policy makers can assist firms in their exporting endeavors by paying more attention to these factors. The implications of this study can fall into two categories: managerial and public policy.

5.2.1 Managerial Implications
As in the prior studies of Pak (1991) and Clark, J(2004), the determinants of the firm's export performance were found to be mostly under the control of the firm's management. Thus, management needs to adapt the firm's operations to take advantage of these factors. The major managerial implications derived can be linked to the determinants of the firm's export performance as identified in the hypothesis testing.
Although Nguyen (2000) found in her study that age, education, frequency of foreign travel, and foreign language competence are determinants of export performance, the most important management-related factor in this study was language competence. From this, it seems that firms, in order to become more competitive at export marketing activities, need to have personnel that are able to speak another language other than English. Firms wishing to become involved in exporting should look to this particular characteristic in hiring personnel, or in having present employees trained to develop this characteristic.

Once firms are actively engaged in export activities, differential advantages in product advantages were found to be an important determinant of the attractiveness of exporting. Firms need to have products that are superior to their competitors. A key implication is that decision makers should understand which are the significant determinants associated with their selected measure/indicator of export performance, thus, assuring a correct evaluation of firm’s export success. They should also be conscious that a central role in improving objective export performance is played by their own foreign language skills, international business knowledge and firm’s commitment to exporting, hence, efforts should be directed towards acquiring these abilities as well as devoting resources to the export operations, in a systematic and organised manner. Besides, the lack of significance in the relationship between firm size and all five export performance indicators points to the idea that rather small firms should not consider their size as a possible hindrance for being a successful exporter.
Results indicated that a firm's attractiveness of exporting was found to be significantly related to technology intensiveness and product uniqueness. There is a large body of empirical evidence that has consistently found a significant relationship between the intensity of technological effort exerted by an industry and the proportion of its output that is exported (McGillem & Little, 1981). Also, Tesar (1975) reported that unique product qualities are cited as key motivators in firms that began exporting. Once firms began to export, based upon these differential advantages, international competitive forces will demand that firm managers become more effective and efficient. However, despite the manager's level of efficiency, with new foreign market opportunities come new and difficult challenges. To take full advantage of these differential advantages in the foreign market, the firm's manager should also consider formalizing the internal structure, developing better administrative procedures and techniques, and rationalizing the decision-making process (Karagozoglu and Lindell, 1998). Resource constraints and limited capabilities common to small and medium-sized firms, may very well make the implementation of these challenges relatively more difficult. However, implementation would not only enhance the effectiveness of the manager but would also offer the following advantages to the small and medium-sized firms: (1) greater viability and (2) increased growth and expansion.

5.2.2 Public Policy Implications

A direct implication of the findings of this study for public policy is that aggregate measures to stimulate exports should be aimed at factors external to and mostly uncontrollable by the business firm.
The need for information about foreign markets is evidenced by the result that favorable conditions in foreign markets were only marginally related to the attractiveness of exporting. Since awareness of the prevailing conditions in the export market is critical for the export decision, efforts must be made to provide up-to-date information on export markets. In addition to general information such as economic data and trade statistics (i.e., monthly or yearly trade balance, GNP, population, and so on), more specific information must be provided to stimulate existing exporting firms to continue or expand exports. This information should include cultural environment in foreign markets, English speaking ability of an international customer, foreign government regulations and restrictions on imports, foreign government exchange rate policy, and multiple channels of distribution in foreign markets. The policy initiatives should aim to enhance the development of decision maker’s international outlook with a view to successfully formulating and putting into practice internationalisation strategies. Therefore, the promotion of foreign languages as well as of international business education and training programmes which are already pursued, in both schools/universities and workplaces, should receive increased and continuous policy support, in order to get the future decision makers in firms more familiarised with different languages and cultures, thus, augmenting their international propensity.

A further implication relates to utilizing export assistance programs as an attractiveness of exporting (Cavusgil, 1984b). Since export assistance did not appear to be significantly related to attractiveness of exporting, it seems that it has limited usefulness in this respect. However, given that India is embarking on a new economic strategy, it is important to understand that government
export promotion policies will have a major impact on the small and medium-sized firm's competitive position abroad.

Promotion includes structural measures, such as tax incentives, technology innovation support, export financing and insurance, trade-aid linkage through multilateral and bilateral channels, and last but not least, marketing assistance. Marketing assistance is focused upon because of its direct role in a firm's relation with its markets. Government export marketing assistance can link the firm to public policy measures, which impact its competitive position. Such direct export marketing support includes standardized and customized market information and guidance on exporting and export marketing; assistance to firms ranging from researching specific foreign markets, individual or trade mission market visits, trade fairs, to actual market entry.

The role of export marketing assistance is threefold. First, it aims to place risks and opportunities of foreign market involvement into perspective. Second, it seeks to stimulate a firm's interest in, and further its commitment to exporting. Third, it acts as an external resource to build knowledge and experience vital for successful foreign market expansion.

This conception of export marketing assistance holds particular relevance for small and medium-sized firms (which are structurally important in both industrial and developing economic systems) because they do not have the relative resource abundance of large firms. Stimulating the small and medium-sized firm's interest and broadening their international scope and competitive competence seems to be the single most important objective for public policy-makers.
The basic challenge for public policy-makers is to understand the needs of the firm relative to export expansion and to meet them effectively with assistance programs. This understanding means providing the right information to the right firms at the right time. Additionally, what is needed is a better understanding of firm's awareness of public assistance services and, perhaps more critically, their actual or perceived impact on firm's export marketing activities. This increased understanding would assist public policy-makers in matching programs to specific firm needs. Showing that external resources can positively contribute to export expansion would also establish pragmatic credibility with management (Seringhaus, 1986)
5.3 Limitations of the Study

This study is cross-sectional in nature, and a time dimension is not incorporated in the research design. The findings have no implications regarding the dynamics of export market entry decision making behavior. This shortcoming limits the degree to which results could be generalized beyond the specific population from which the data was gathered. In this way, complex constructs such as export market entry performance could be analysed from a temporal perspective, allowing for the investigation of composite cause–effect relationships between its objective and subjective dimensions.

This study deals with small and medium-sized Indian manufacturing firms in sixteen industries. Given that the findings of this study are drawn from manufacturing firms, generalization to other types of firms and industries cannot be made. The limitations of the study should be considered when the results are interpreted. Firstly, although the empirical data focused on a sample of Indian SMEs, the findings could be of interest to firms in other world countries. However, the readers should exercise caution in attempting to generalise this study’s findings to considerably different economic settings. As future research directions it would be interesting to replicate similar studies in distinct geographical contexts, so, the results could be generalised to larger populations.

Limitations may also arise from possible biases associated with the particular sample. This study is based on India existing exporting firms with a reasonable amount of time in exporting
experience. Thus, it may be difficult in inferring export behavior of less experienced India firms with the findings in this study.

**5.4 Directions for Future Study**

The present study was an attempt to develop an integrated model of influences of internal and external factors on the ongoing decision process. From a methodological point of view, additional variables may be included in measuring top management international orientation.

It may also be advisable to carry out similar investigations within various industries, as well as to differentiate the results obtained according to the specific overseas markets served. Consequently, the formulation of pertinent comparisons would be possible, highlighting the differences identified regarding the impact of the managerial, organisational and environmental determinants on export performance or the relationship between the objective and subjective export performance assessment modes in distinct manufacturing and service sectors and/or socio-economic settings. In addition to objective managerial characteristics used in this study, other meaningful measures such as those relating to psychic distance, subjective managerial characteristics, and attitudes toward export may be included as indicators of top management international orientation (Dichtl et al., 1984)

Other studies need to include explanatory variables of external determinants of export activities, along with organizational and managerial (internal) characteristics. Among the more important variables to be included are attitude toward exporting, tax incentives for exporters, customized foreign market information, prior exporting performance, and perceived export risks. From a
conceptual point of view, future research efforts are needed in other country environments, which replicates and extends this study. The importance of managerial, organizational, and environmental variables with regard to their effect on a firm's export decision process may exhibit substantial differences among firms in other country's environments. Also, studies conducted in a number of different environments are necessary to determine how far the findings from this study can be extended to the export performance of manufacturing firms in general. For example, investigate export behavior between other African nations, or between selected Asian countries and African countries.

An additional path for future research would be a longitudinal study that investigates the changes of firms would seem useful in more clearly identifying significant determinants to decision making. Such an investigation would more likely reveal causality between selected factors and establish time thresholds for alterations in a firm's export behavior.

Also, attention should be given to investigating the universal applicability of findings in this study. Interesting insight could be gained by looking into comparative studies by replicating the research design with other samples of firms such as agricultural commodities and services. The export behavior of such industries may be different from that of manufacturing especially in terms of determinants and decision-making. As such, cross-industry comparisons would enhance the generalizability of the findings reported in this study.

Finally, the subjects of this research were export decision makers, and a short questionnaire was used as the measuring instrument. Decision makers of many small-sized firms often wear many
hats and are extremely busy, making the use of a long questionnaire difficult because of time required to complete it. Another direction to pursue in order to obtain additional data on the decision-making process, is to employ some qualitative research techniques such as in-person interviews. In addition, qualitative research would allow for a more micro approach to be taken, yielding details such as personal opinions and additional, unforeseen insights that a questionnaire could not elicit.