CHAPTER 3

RESEARCH METHODOLOGY
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3.1 Introduction

Business research is a systematic inquiry that provides information to guide management decisions (Cooper and Schindler, 2006). It is a process of planning, collecting, interpreting and disseminating relevant data and information to business decision makers which help them in taking proper actions which in turn impacts business performance in a positive way.

Management research encompasses a wide variety of approaches and types. It is perhaps, therefore, problematical to propose an outline or model of the process of management research that fits or reflects all these possible approaches and types. Using a framework proposed by Howard and Sharp (1983), Gill and Johnson (1997) suggest that the stages in the research sequence are as follows:

- identification of broad area of research,
- selection/delineation of specific research topic,
- decisions regarding research approach,
- formulation of research plan,
- information collection,
- data analysis,
- presentation of findings.

After identification of the problem the researcher has to focus down the initial interest in the form of a specific question, which can be reasonably studied. This might also involve formulation of a hypothesis or an assumption. After the formulation of the hypothesis, the researcher engages in “observing” the question of interest. Having gathered the data, it can then be analysed in a variety of ways.

This research attempts to find out the various small and medium enterprises (SMEs) that are operational in the state of Rajasthan. Within those SMEs, the research focuses on the firms which are actively engaged in selling their products to foreign countries. The various internal factors with special reference to SMEs have been identified through past literature review and their relation with export performance have been studied. The study identified the major factors which contributed to the export performance of the Rajasthan SMEs and suggested ways to improve the performance by focusing on the minor factors which might have been overlooked by the firms till recently. The research would be of importance to the policy makers of the state of Rajasthan as they might be able to reinforce and support the weak areas of SMEs and make necessary procedural changes.
3.2 Statement of the Problem

The proposed study highlights on the various internal factors that are contributors to exporting SMEs performance. For a business organisation the external environment is given and is almost same for all members of the industry. At the firm level no member of the industry can change the environmental variables which are imposed by the economy. However, we see in the real world some firms are performing better than their peers operating under the same set of constraints. The question that arises at this juncture is how one firm is more successful than others and what makes it different while operating out of the same canvas. This difference is due to the internal value chain activities and other allied dimensions, and how they are exploited and pursued by the firm. Through a careful articulation of the various dimensions the firms devise strategies which help them bring about superior performance than others. The aim of the present study is to find the firm level internal factors (identified by previous research studies) which lead to export performance of SMEs. The study also aims to find out the relationship between the internal factors and firm’s export performance. The internal firm level factors have been broadly classified as competence activities, entrepreneurial orientation and organisation structure. These factors in the study would enrich the subject knowledge and help in better understanding of the various internal dimensions which finally lead to satisfactory export venture. The study aims at giving the researchers and academicians scope for further research as how to combine the internal factors and make a cohesive strategy. Such a comprehensive strategy which is internally focused and aligned would make the firm sustainable in the hyper competitive environment.

3.3 Scope of the Study

1. The study covers SMEs which come within the preview of Micro, Small & Medium Enterprises Development (MSMED) Act, 2006.
2. SMEs which export a significant portion of their produce have been considered for the research.
3. Firms which are involved in manufacturing and other allied activities have been considered. Firm engaged in services and purely trading organisations have been excluded.
4. The geographical extent of the study covered SMEs in the Rajasthan state only.

3.4 Research Objectives

The purpose of this dissertation is to find out a relationship between the internal firm factors,
namely, distinctive competence activities, managerial/owner characteristics and structural organicity, and the export performance of SMEs in the Rajasthan state. The study intends to discover the significant contributing factors which subscribe to the performance of the firms in the export market.

The objectives of the research can be summarised as follows:
1. To study the export performance of SMEs in Rajasthan region.
2. To study the linkage between export performance and the internal factors of these SMEs.
3. To identify and explore the range of processes, practices, competencies, and activities (related to organisational and managerial) which contribute to overall export capability of SMEs.

3.5 Hypotheses

The study makes an attempt to analyse the following hypotheses —

(i) $H_{01}$: There is no association between education of owner/managers and sales revenue.
$H_{a1}$: Firms whose entrepreneurs and / or managers are highly qualified in terms of education tends to have higher sales revenue.

(ii) $H_{02}$: There is no association between international market experience and sales revenue.
$H_{a2}$: Firms which have more experience in the international market tends to generate higher sales revenue.

(iii) $H_{03}$: There is no association between employee size and sales revenue.
$H_{a3}$: Employee size has a positive relation with sales revenue of the firms.

(iv) $H_{04}$: There is no association between number of exporting country and sales revenue.
$H_{a4}$: More number of countries the firms export, the higher is their sales revenue.

(v) $H_{05}$: There is no association between language proficiency and sales revenue.
$H_{a5}$: Foreign language proficiency of the owners/managers helps in generating increased sales revenue for the organisation.

(vi) $H_{06}$: There is no association between industry type and employee size.
$H_{a6}$: Industry type has a positive relation with the number of employees engaged in the organisation.
(vii) $H_0^7$: There is no association between industry type and number of exporting countries.
$H_a^7$: Industry type has a positive relation with the number of exporting countries.

(viii) $H_0^8$: There is no association between international market experience and employee size.
$H_a^8$: Firms which have more experience in the international market tends to have more number of employees.

(ix) $H_0^9$: There is no association between international market experience and number of exporting countries.
$H_a^9$: Firms which are having more international experience are exporting to more number of countries than firms with less international experience.

(x) $H_{10a}$: Firms with high entrepreneurial orientation will tend to have an organic structure.

(xi) $H_{10b}$: Higher entrepreneurial orientation of firms positively affects its competence activities.

(xii) $H_{10c}$: Higher entrepreneurial orientation of firms tends to have positive effect on their export performance.

(xiii) $H_{11a}$: Firms having an organic structure positively affects their competence activities.

(xiv) $H_{11b}$: Firms having an organic structure tends to have positive effect on their export performance.

(xv) $H_{12}$: Firm’s competence activities positively affect export performance.

3.6 Methodology for the Study

Researches in social science mostly deal with qualitative research. Qualitative research methods are used to address research questions that require explanation or understanding of social phenomena and their contexts. They are particularly well suited to exploring issues that hold some complexity and to studying processes that occur over time (Snape and Spencer, 2003).

To understand the various theoretical stands and antecedents that serve to shape how research is conducted we need to understand in brief the two approaches to research. These two early approaches can be identifies as the epistemological and the ontological schools of thought. An
epistemological approach organises and explains knowledge in the form of theories (Gilbert, 1993). ‘Epistemology’ is concerned with ways of knowing and learning about the social world and focuses on questions such as: how can we know about reality and what is the basis of our knowledge? On the other hand ontological approach to the development of theories is based on suggestions about the ‘nature of phenomena’ (Gilbert, 1993). The main point of difference between epistemological and ontological orientations is that the former represent an empirical approach and the later represents a conceptual approach to theory building and research. The present research uses an empirical approach and hence can be termed as having an epistemological orientation.

The above schools of thought regarding theory development and knowledge building have developed two equally important, but also in their own ways equally contrasting, alternative schools of thought with regard to the methodology of theory and knowledge building namely deductive versus inductive research methods.

3.6.1 Inductive Methodology

In case of inductive research the researcher develops hypotheses and theories with a view to explaining empirical observations of the real world (Lancaster, 2005). When considering management research in general and consultancy-based research in management in particular, the inductive approach has been found to be the most appropriate methodology. The greatest strength of inductive research is its flexibility. Inductive research also enables more flexibility in research design including aspects such as sample size and type of data.

3.6.2 Deductive Methodology

Deductive research develops theories or hypotheses and then tests out these theories or hypotheses through empirical observation (Lancaster, 2005). It is essentially a set of techniques for applying theories in the real world in order to test and assess their validity. Essentially the process of deductive research is as Saunders et al. (2003) point out ‘the development of a theory that is subjected to a rigorous test’. The current study aims at finding out the impact of various internal factors viz., competence activities, entrepreneurial orientation and organisation structure on the export performance of SMEs in the state of Rajasthan. This study would help in determining which dimensions are having a major effect on the export performance of the firms. Thus deductive methodology was considered the appropriate choice as theoretical framework obtained from published works was tested empirically during the research. During the research process appropriate theoretical
framework was chosen for understanding and measuring empirically each of the internal dimensions of the firm and firm’s export performance based on literature survey. The inductive methodology was not chosen for this study because generation of new theory was not the purpose of this study.

3.7 Research Design

These two methods of reasoning have a very different feel when applied in the research settings. Inductive reasoning, by its very nature, is more open-ended and exploratory, especially at the beginning. Deductive reasoning is narrower in nature and is concerned with testing or confirming hypotheses. Even though a particular study may look like its purely deductive, most social research involves both inductive and deductive reasoning processes at some time in the project.

In lines of the above, the present study has elements of exploratory and descriptive research. Experience survey, which is part of exploratory research study, has been used to develop an understanding of the subject knowledge and its applicability in the context of Rajasthan. Moreover, extensive literature review was conducted to arrive at hypotheses and problem statements. The study is descriptive in nature as because this study intended to accomplish its objectives by using descriptive statistics. It also tried to discover association between several variables, including scale and nominal, used in the project.

3.7.1 Exploratory Research

Exploratory research is typically conducted in the interest of “getting to know” or increasing our understanding of a new or little researched setting, group, or phenomenon; it is used to gain insight into a research topic (Zikmund, 2009). Exploratory research often (though not exclusively) produces qualitative data - i.e., evidence presented in words, pictures, or some other narrative form that best captures the research subject’s genuine experiences and understanding.

In this thesis, exploratory research was carried out in the initial stages to obtain adequate information about SMEs. This included the statute that distinguishes SMEs from micro enterprises and large organisations. Through this process a concise definition of SMEs were identified. An online search through internet and an offline search through various business
directories were conducted to know about the detailed profile of SMEs operating out in the state of Rajasthan. The search revealed the industrial sectors where SMEs were dominant, their product categories, details of institutions and associations which are facilitating SME exports, etc. During this phase databases of various trade associations [including Federation of Rajasthan Exporters (FORE), Jewellers Association (Jaipur), Garments Exporters Association of Rajasthan (GEAR) and Centre for Development of Stones (CDOS)] and chamber of commerce [including Rajasthan Chamber of Commerce and Industry (RCCI)] were searched. This search also helped to get the addresses and other contact information about the SMEs. Finally the exporting SMEs were identified by conducting searches the business directories mentioned above. This exploration during the initial and intermediate stage of the research laid the foundation for primary research and analysis.

3.7.2 Descriptive Research

Descriptive research offers a detailed picture or account of some social phenomenon, setting, experience, group, etc. Consequently, descriptive research pays close attention to such issues as measurement and sampling (Ruane, 2006). In effect, descriptive studies try to find out what is going on and who is involved, and the size of the group etc. In the current study, a primary research survey was conducted to understand the various internal dimensions viz. competence activities, entrepreneurial orientation and organisation structure of SMEs operating in Rajasthan state which might have a positive association with their export performance. From the a population of more than 2500 exporting SMEs in the state, a large sample was chosen keeping in view two important considerations. Firstly, the sample represented all the major SME sectors in the state and was without biases. Secondly, the study proposed to use multivariate data analysis technique, for which a large sample was deemed necessary. Structured questionnaires were used to pull together the data from the target respondents. The questionnaire contained many statements which were appropriately adopted from previous academic literature to measure each of the dimensions considered for the study. Furthermore, Likert scale was used to measure each of the statements in the questionnaire. Likert scale was best suited for the research as it generated ordinal data on which descriptive statistics, contingency tables and other multivariate research techniques like confirmatory factor analysis and structural equation modeling could be used for accomplishing research objectives. The research findings were summarised with the help of tables and other graphical representation tools. Hence descriptive study was best suited for the purpose of the present thesis.
3.8 Data Collection Methods

Data is the raw material of problem solving and decision making. Graziano and Rawlin (2004) highlighted the importance of data in research methods suggesting that effective data collection is pivotal in the research process. Data can be collected through secondary research or primary research or through a combination of both (Saunders et al., 2003).

While secondary research involves the collection of useful information from already available sources, primary research involves the original collection of data for the current study through techniques such as experimentation, interviewing, observation and surveys. It is very important to be able to separate the ‘unwanted’ information from the required and effectual information. Often a huge amount of interesting data is available that tempts the researcher to use them. However, such data may not be required at all for the research and thus may make the research work even more complicated. Thus the researcher should guard against paralysis by analysis (Cooper and Schindler, 2006). The collection of primary data takes both more time and effort. In this research study, information was collected from both primary and secondary sources. Both data sources were deemed important for the purpose of the present study. In this research secondary data and information facilitated collection of primary data.

3.8.1 Secondary Data Collection

For the purpose of the study relevant secondary data relating to status was collected by study of the MSMED Act, 2006. Also the Final SME Census report for the year 2006-07 gave insight into important statistical data related to SMEs in the state of Rajasthan and the whole of India. In addition to the data from MSME Census, current statistical data related to SME growth trends were collected from Entrepreneurs Memorandum (Part-II) filed by MSME at District Industry Centres (DIC) till March 2012. This data revealed the growing trends of MSME by type of enterprise and industry sub-sectors for the five year period from April 2007. Annual reports of MSME-Development Institute, Jaipur, were studied to find out the various schemes floated and activities undertaken for the promotion of the SME sector specifically for the state of Rajasthan. Secondary research helped in identifying the industrial sectors where SMEs were dominant, growth trend of the sector, SME export trends, geographical areas where these firms are concentrated, contact details of exporting SMEs, and government initiatives undertaken for promotion of SMEs. After gaining a thorough knowledge about the SMEs in the state, websites and business directories of trade association
and specific institutions were scanned to prepare a sample framework. Data were collected from the following sources for the purpose of the study.

1. Federation of Rajasthan Exporters (FORE),
2. Jewellers Association (Jaipur),
3. Garments Exporters Association of Rajasthan (GEAR),
4. Centre for Development of Stones (CDOS),
5. NIIR Project Consultancy Services (NPCS), and
6. Rajasthan Chamber of Commerce and Industry (RCCI).

The above mentioned sources provided reliable data for the study. Data extracted from Jewellers Association, Garments Exporters Association of Rajasthan and Centre for Development of Stones provided information about specific industry sub-sectors, whereas the other sources provided information about exporting SMEs in general.

Moreover, the websites of UNIDO was scanned and SME clusters in the state of Rajasthan were identified. This helped in categorising the SMEs in to various sub divisions. UNIDO website revealed that there were twenty SME clusters spread throughout the state, out of which the significant were:

1. Oil mills (Alwar, Bharatpur, and Madhopur)
2. Marble slabs and sandstones (Ajmer, Dausa, Jhalawar, Sirohi, and Udaipur)
3. Chemicals (Alwar)
4. Powerloom and garments (Ajmer and Jaipur)
5. Food processing and food products (Bikaner, Ganganagar and Jaipur)
6. Gems and jewellery (Jaipur)
7. Mechanical, engineering and electrical products (Jaipur)
8. Hand tools (Nagaur)

Here all the data and information that was collected were from secondary sources, which helped build an understanding about SMEs and the initiatives taken by various government and non-government agencies for promoting SME export. The secondary data facilitated in gathering primary data which was then analysed through advanced statistical tools to test the hypotheses of the present study.

3.8.2 Primary Data Collection

Primary data are originated by the researcher for the specific purpose of addressing the
problem at hand. Primary data may be either qualitative or quantitative in nature. Qualitative research techniques are classified as either direct or indirect based on whether the true purpose of the project is known to the participants (Bryman and Bell, 2007). For the purpose of the current research, qualitative data collection technique was not found appropriate. Hence quantitative technique was chosen.

Quantitative research uses quantitative observation techniques and survey methods. Under quantitative observation technique can be of four types (Malhotra and Birks, 2007): Personal Observation, Electronic Observation, Audit, and Trace Analysis. For the purpose of the present research quantitative observation techniques was not found suitable as the aim of the research was to collection primary data through face-to-face interaction or otherwise with the help of a structured instrument.

Survey method is based upon the use of structured questionnaire given to a sample of a population. Moreover, in this structured data collection a formal questionnaire, with fixed-response alternative questions, is prepared and the questions are asked in a prearranged order (Beri, 2008). Most of the respondents could not be contacted through electronic mode (email, etc.) because of a lack of database containing the correct email addresses of the SME exporters. Also it has been seen historically that response rate in case of an electronic survey method was less (at best 25 per cent) and time consuming as the respondents have to be contacted more than once to expedite responses from them. To circumvent the problem, data collection through direct interaction was chosen. For the purpose of the present study, survey technique was found to be appropriate as responses was needed from relatively large number of respondent. A structured questionnaire was prepared for the purpose of primary data collection. Most of the questions in the instrument were of fixed-response alternative type. A pilot study was conducted during the initial phase of data collection, where 32 questionnaires were administered through personal interaction. The researcher met the respondents and had a face-to-face direct interaction which facilitated in getting the responses and understanding the functioning of the SMEs first-hand. The pilot survey was conducted in Ajmer, Bhilwara, Jaipur, and Udaipur regions and all the identified SME sub-sectors formed part of the study. The pilot study helped in validating the variables / statements included in the questionnaire. Few of the statements were omitted and new statements were introduced as a result of this exercise, and final questionnaire was ready for data collection. Once final questionnaire was ready, field investigators were engaged to facilitate the survey because of the reasons mentioned above. Although this technique was not as cost effective as electronic survey
technique the circumstances was not suitable for an electronic administration of the survey questionnaire. This method however had its own benefits as the response rate (number of useable responses) was very high. Also the number of useable questionnaires was on the higher side. Each of the field investigators were trained for this purpose and the researcher accompanied them for few interactions to check their seriousness and way of handling the sessions.

3.9 Sampling

“The process of sampling involves any procedure using a small number of items or parts of the whole population to make conclusion regarding the whole population. A sample is a subset of a large population. The purpose of sampling is to enable researchers to estimate some unknown characteristic of the population.” (Zikmund, 2009)

3.9.1 Population and Sampling Frame

A population is any complete group of people or any entities that share same set of characteristics. And population element refers to the individual member of the population (Zikmund, 2009). For the purpose of the study the SMEs which were operating in the manufacturing sector in the geographical area of Rajasthan and were involved in exporting their products to foreign land constituted the population. For the purpose of the research the organisations which were SMEs as per the MSMED Act, 2006, formed the population. SMEs which were involved in exporting belonged both to the organised and unorganised sector.

A sampling frame is the list of element from which the sample may be drawn. In other words, it refers to an exhaustive listing of all the elements that make up a research population. For the research purpose a database was accumulated of the SMEs which were involved in export activities. Although there was an effort to make the sampling frame as exhaustive as possible but as many of the units were not registered with any chamber of commerce or other trade associations tracing them down for the purpose of data collection was a difficult task. Based on convenience and suitability of the study an appropriate sampling frame was prepared from records available with Federation of Rajasthan Exporters (FORE), Jewellers Association (Jaipur), Garments Exporters Association of Rajasthan (GEAR), Centre for Development of Stones (CDOS), and Rajasthan Chamber of Commerce and Industry (RCCI).

The selection of a sample requires a great deal of discipline and focus. It should have those
characteristics, which can be estimated, enumerated and classified according to the aims of the survey (Bryman and Bell, 2007). As the research aimed at knowing the internal organisation factors which influenced the export performance of the firm, only the firms which were in the export business were taken into consideration. Firms in the service sector (including trading organisations) were left out and were not part of the present research. Those were not considered in the population as well as the sampling frame. This was done as many of the organisation activities like production and operation, research and development, human resource related activities were not performed in a service and trading organisations. Hence only firms involved in manufacturing were part of the research. Also organisation structure and entrepreneurial orientation may be difficult to decipher in an organisation engaged in trading only.

3.9.2 Sample Size

The core principles that influence sample size include the dispersion of the population, desired precision of the estimate, the number of subgroups of interest, error range, etc (Cooper and Schindler, 2006). The study aimed to examine the data through sophisticated multivariate data analysis techniques like confirmatory factor analysis (CFA) and structural equation modeling (SEM). A large sample is generally required to justify the number of variables which are considered for the study. On an approximation ten times data is required to the number of variable proposed in the model which uses SEM so as to get a satisfactory model (Hair et al., 2006). The total population which formed part of the sample frame was more than 2500 exporting SMEs from various industry sub-sectors. About 18 per cent of the target population was chosen for the sample survey. Taking these factors into consideration a sample of 450 exporting SMEs was deemed fit for the thesis.

3.9.3 Probability and Non-Probability Sampling

There are several alternative ways of taking a sample. Probability and non-probability sampling are the two methods that are used for social researches. Stratified random sampling technique was chosen as an appropriate sampling method for the study. During sampling design the entire population was divided into subgroups or strata based on industry type. The different industry segments identified were gems and jewellery, textiles, carpets and rugs, handicrafts, natural stones and marble blocks, food and agro products, and engineering and chemical products. Thus the stratifications increased homogeneity within each stratum and increased heterogeneity between each strata. Next in each of the subgroups a simple random
sampling was conducted and the final sample was selected. This helped reduce biases in the sample selection. The detail of the sample is shown in table 3.1. Stratification was also thought of on the basis of annual sales of the firm as well as the number of foreign countries firms were serving. However, due to lack of reliable secondary data on the firms this could not be planned in the sampling design phase and was collected from the respondents as a part of the questionnaire. Hence segregation was done on the basis of industry type only.

During data screening, after the responses were loaded in the SPSS 19 software package, some of the responses were found to be incomplete and hence not suitable for further analysis. While entering data into the software it was noticed that in 34 questionnaires few responses were left unanswered. These responses were omitted from further analysis as dealing with missing value would complicate the data analysis. Upon further screen of the data, it was revealed that some of the questionnaires were having responses consistently on the higher side or on the lower side of the scale. These responses were identified as outliers which may hinder proper interpretation of results and hence omitted from the analysis. Total of 19 questionnaires were left out as outliers. A total of 53 responses were omitted as a result from the study. So the workable sample was reduced to 397 which were about 88 per cent of the anticipated sample. The detail of the workable sample is shown in table 3.1.

Table: 3.1 Detail of the Sample

<table>
<thead>
<tr>
<th>Industry Type</th>
<th>Original Sample</th>
<th>Workable Sample</th>
<th>% Workable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gems and jewellery</td>
<td>75</td>
<td>68</td>
<td>90.66</td>
</tr>
<tr>
<td>Textiles</td>
<td>65</td>
<td>53</td>
<td>81.53</td>
</tr>
<tr>
<td>Carpets and rugs</td>
<td>75</td>
<td>62</td>
<td>82.66</td>
</tr>
<tr>
<td>Handicrafts</td>
<td>75</td>
<td>69</td>
<td>92.00</td>
</tr>
<tr>
<td>Natural stones and marble blocks</td>
<td>60</td>
<td>53</td>
<td>88.33</td>
</tr>
<tr>
<td>Food and agro products</td>
<td>60</td>
<td>56</td>
<td>93.33</td>
</tr>
<tr>
<td>Engineering and Chemical products</td>
<td>40</td>
<td>36</td>
<td>90.00</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>450</strong></td>
<td><strong>397</strong></td>
<td><strong>88.22</strong></td>
</tr>
</tbody>
</table>

3.10 Research Instrument

Instrument: Survey is considered as the primary data collection tool used in social science research. In general, one of two paths is followed in survey research. Questions are asked via an interview or via a questionnaire. While the questionnaire lacks the personal touch of the interview, it can nonetheless be an extremely efficient data collection tool (Malhotra and Birks, 2007).

For the purpose of the present study a detailed questionnaire containing 71 questions covering all the aspects of the internal firm activities, entrepreneurial orientation, organisation structure
and export performance measures were developed and administered to the selected sample of the target population. Main emphasis was given on designing the survey instrument (questionnaire in this case) in such a way so that it brought out the answers as desired for proper interpretation of the research objectives. Most responses were structured (closed response) and very few question related to basic firm level information was also incorporated. The questions in the survey instrument were taken from previous researches. The structured questionnaire along with the source is showed in table 3.2. The language of the questions were kept simple as possible so that the respondents could understand the meaning of the sentences and could give their response as desired by the researcher. This helped in collecting the data in a smooth fashion as barring a few personally administered questionnaires the rest of the questionnaires were administered through field investigators. Careful attention was paid to the drafting, layout, terminology and sequencing of questions. Before the actual survey a ‘pilot survey’ was conducted on a group of 32 respondents to pre-test the questionnaire. This was about 7 per cent of the sample. Pilot survey was undertaken in Ajmer, Bhilwara, Jaipur and Udaipur regions. To make the sample survey representative of the population, all industry sub-segments formed part of the survey. Five samples each from gems and jewellery, textiles, carpets and rugs, and handicrafts, whereas four samples each from natural stones and marble, food and agro products, and engineering and chemical products formed part of the pilot study.

During the pilot study some of the questionnaire items were found unsuitable from the view point of SMEs and also from the point of respondent’s understanding of the statements. These statements were subsequently omitted.

The statements in the questionnaire which were omitted include:

- Increased automation of production processes.
- Improvement in research and new product development capabilities.
- Improved process engineering with an added emphasis on energy efficiency.
- More efficient and reliable multiple-source material procurement.
- Effective capital expenditure evaluation procedures that would encourage taking risks with commensurate returns for new business opportunities in order to attain growth objectives.

The pilot survey revealed that most of the SMEs were operating with low end technology with more labour intensive production process which initiated deletion of couple of statement related to automation and production process used in the survey. Moreover the interaction revealed that SMEs were relying on very few dedicated sources for material procurement, instead of going for multiple sourcing. Also most of the entrepreneurs relied on intuition for capital budgeting decision making. Thus feedback received during the face-to-face interaction
resulted in deletion of five statements from the questionnaire.

Instead some new variables were introduced in the questionnaire in consultation with academic literature and the respondents. The new additions which were introduced include:

- Production capacity availability for foreign venture.
- Use of modern equipment and technology.
- Adoption of new methods and ideas in the manufacturing process.
- Developing product with a high degree of newness at reduced cost and development time.
- Availability of financial resources to be devoted to export activities.
- Team orientation.
- Acquiring export market-related information quickly.
- Brand image of company's products.

The scale related to annual sales turnover and number of foreign markets served was modified after taking into account the suggestions of the respondents. The above mentioned suggestions and comments thereof were noted and appropriate changes were included in the draft. Hence the questionnaire was finalised for final survey. A covering letter was attached to the questionnaire which contained the contact details of the researcher and also tried to communicate to the respondents the purpose of the survey. The letter also mentioned the benefit which would accrue to the firms as an outcome of such an academic activity. Six field investigators are appointed for undertaking the survey. They were explained the purpose of the survey and guidelines were issued to them to complete the questionnaire. The letter to respondents (Appendix E) along with the survey instrument (Appendix F) used for the study is shown in appendix.

### Table: 3.2 Questionnaire Items

<table>
<thead>
<tr>
<th>Questions</th>
<th>Source (adapted from)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ORGANISATION STRUCTURE</strong></td>
<td>Burns and Stalker (1961); Khandwalla (1976/1977)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Mechanistic Structure</th>
<th>Burns and Stalker (1961); Khandwalla (1976/1977)</th>
</tr>
</thead>
<tbody>
<tr>
<td>There is extensive vertical communication and limited horizontal communication within the organisational hierarchy</td>
<td>Burns and Stalker (1961); Khandwalla (1976/1977)</td>
</tr>
<tr>
<td>Management places greater importance on line authority than on individual experience and capability</td>
<td>Burns and Stalker (1961); Khandwalla (1976/1977)</td>
</tr>
<tr>
<td>Employees adherence to formal job descriptions</td>
<td>Burns and Stalker (1961); Khandwalla (1976/1977)</td>
</tr>
<tr>
<td>There is formalized operational processes</td>
<td>Burns and Stalker (1961); Khandwalla (1976/1977)</td>
</tr>
</tbody>
</table>

|-------------------|--------------------------------------------------|
Management emphasises on open lines of communication vertically and horizontally across the organisational hierarchy  
Organisation places greater importance on experience and broad-based knowledge  
Employees adhere to loose, informal job descriptions  
Management focuses on broad organisational outcomes as opposed to specific, regimented tasks

### DISTINCTIVE COMPETENCE ACTIVITIES

#### General Administration
- Attracting and retaining well-trained and competent top managers.
- Ability to perceive new business opportunities and potential threats.
- Developing and communicating a corporate identity, corporate mission and objectives, a corporate creed and a grand strategy ... a unified sense of direction and a sense of common purpose to which all members of the organisation can relate.
- Ability to unify conflicting opinions, improve co-ordination and enhance effective collaboration between key executives, generate enthusiasm and motivate sufficient managerial drive for growth and profits.
- Developing an effective company-wide strategic planning system for planned overall corporate development.

#### Production, Operations and R/D
- Production capacity availability for foreign venture
- Use of modern equipment and technology
- Preferential access to valuable source of supply
- Improved materials and inventory control.
- Adoption of new methods and ideas in the manufacturing process
- Developing product with a high degree of newness at reduced cost and development time
- Using multi-disciplinary project teams for effective co-ordination between R&D, operation and marketing (research).
- Balancing quality and cost requirements

#### Finance
- Sound capital structure allowing flexibility to raise additional capital for growth and expansion.
- Strong working capital position allowing flexibility to raise short-term capital at low cost.
- Effective tax management.
- Ability to manage risks of inflation and foreign exchange fluctuation.
- Availability of financial resources to be devoted to export activities
- Extensive application of ROI techniques and periodic monitoring of product-cum-market profitability.

#### Human Resource

Khandwalla (1976/1977)
Hitt and Ireland (1985);
Bove, Harmsen and Grunert (2000);
Bove, Harmsen and Grunert (2000);
Hitt and Ireland (1985)
Bove, Harmsen and Grunert (2000);
Effective and efficient personnel policies for hiring, training, promotion, compensation and employee services.  
Optimizing employee turnover (neither too high nor too low), through the corporate image of a model employer.  
Improved employee motivation, job satisfaction and morale.  
Stimulating and rewarding creativity in employees and installing incentive performance reward systems.  
Effective grievance procedures.  
Stimulating employees at all levels to continue to educate themselves to remain abreast of developments in their fields.  
Team orientation

<table>
<thead>
<tr>
<th><strong>Marketing</strong></th>
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<tbody>
<tr>
<td>Acquiring export market-related information quickly</td>
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<tr>
<td>Maintaining a highly trained, motivated, vigorous and dynamic sales organisation.</td>
</tr>
<tr>
<td>Brand image of company's products.</td>
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<table>
<thead>
<tr>
<th><strong>ENTREPRENEURIAL ORIENTATION</strong></th>
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<tr>
<td><strong>Market Proactiveness</strong></td>
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<tr>
<td>In general, the top managers of our organisation favor a strong emphasis on Research &amp; Development, technological leadership, and innovations.</td>
</tr>
<tr>
<td>In the past 5 years, our organisation has marketed a large variety of new lines of products or services.</td>
</tr>
<tr>
<td>In the past 5 years, changes in our products or service lines have been mostly of a minor nature. (Reverse coded)</td>
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<tr>
<th><strong>Firm Risk Taking</strong></th>
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<tr>
<td>In general, the top managers of my organisation have a strong propensity for high-risk projects (with chances of very high return).</td>
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<td>The top managers believe, owing to the nature of the environment, that bold, wide-ranging acts are necessary to achieve our organisation objectives.</td>
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<td>When there is uncertainty, our organisation typically adopts a “wait-and-see” posture in order to minimize the probability of making costly decisions.</td>
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<tr>
<th><strong>Firm Innovativeness</strong></th>
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<tr>
<td>Naman and Slevin (1993)</td>
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<td>Hurt et al. (1977);</td>
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</table>
Management actively responds to the adoption of “new ways of doing things” by main competitors.

We are willing to try new ways of doing things and seek unusual, novel solutions.

We encourage people to think and behave in original and novel ways.

**EXPORT PERFORMANCE**

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Shoham (1998)</th>
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<tbody>
<tr>
<td>Export Intensity [Ratio of firm's export to its total sales]</td>
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<td>Export sales</td>
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<td>Export profit margin</td>
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<td>Satisfaction with export intensity</td>
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<td>Satisfaction with export profit margin</td>
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<td>Five-year change in export intensity</td>
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<td>Satisfaction with five-year change in export intensity</td>
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<td>Satisfaction with five-year change in export sales</td>
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<tr>
<td>Satisfaction with five-year change in export profit margin</td>
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</table>

Scale: The study used a variety of questions to find out the complete information about the topic under research. Opinion questions often make a statement and invite the respondent to rate the level of agreement, usually by ticking a box or circling a coded reply which is measured on a verbal scale, known as a Likert scale. Five point Likert scale was used as in the questionnaire keeping in mind its popularity and appropriateness for the study. Apart from this very few open-ended questions were also part of the survey.

### 3.11 Respondents

The respondents identified for the study were ideally owner / manager or export managers of small and medium scale enterprises. A mono-method single-informant approach was used for the purpose of the study as these respondents were expected to possess the best overview of the firm and the competitive strategy pursued by the unit. The mono-method single-informant approach is based on the assumption that key informants are true representatives of the organisation and that their responses can be used as valid representations or indicators of the organisational properties of interest (Phillips, 1981).

### 3.12 Data Analysis and Interpretation

The research findings were illustrated with the help of tables and diagrams and other suitable tools. Descriptive statistics was used for data screening and testing the suitability of the data
for advanced statistical analysis. Multivariate analysis was used for analysing the data. A two-step approach for SEM technique was adopted for analysing the data as recommended by Anderson and Gerbing (1988). The purpose of the CFA (first step) is to specify the relationship between observed variables and latent variables. This is followed by structural equation modeling (second step) which specifies the relationships among latent variables. The reasons for using SEM instead of similar multivariate statistical techniques are threefold. First, SEM programs provide an overall test of model fit and test of individual parameter estimates. Second, regression coefficients, means and variances may be computed and tested simultaneously. Third, multiple dependent and independent variables are permitted and therefore, mediating variables can be included in a single model unlike in regression analysis.

For a smooth and accurate analysis of the data, advanced statistical analysis software like Statistical Package for Social Science (IBM SPSS 19) and Analysis of Moment Structures (IBM AMOS 19) were used for multivariate data analysis. Also the categorical variables were tested for associations using contingency tables. Finally, an overall analysis was done to draw inferences about the various responses and the results of the analysis were then methodically juxtaposed to draw an effective conclusion about the objectives of the research study.

### 3.13 Limitations of the Study

1. The study intends to cover SMEs from Rajasthan state only. This study might not be generalised for other provinces. Most of the products being manufactured by the Rajasthan SMEs are having uniqueness particularly to the geographic region. This type of unique settings might not be found in other states of India. Hence policy decisions at the government levels, based on the present research, have to be suitably altered to differed demographic and geographic settings.

2. The study identified seven subcategories of SMEs in the state. Almost representative weightage (based on population) had been given to all the categories in the sample that was finally used for the research. However, the research findings are at best a generalisation. To know what are internal factors which are affecting the export performance of each of the SME segment separate study needs to be undertaken for each of them. This would bring to light industry specific factors which might be very useful to the business community.

3. The results of the study are applicable to the SMEs only and not to large organisations. Large firms are governed by different set of rules and policy. They are much system and procedure driven organisation and thus the internal factors which drive large firms and
SMEs cannot be identical.

4. The current research only tries to relate export performance with internal firm factors and resources and does not anyway link to the external firm environment. Although in the study it has been assumed that the environmental factors are given and individual firms are unable to alter the factors. However, in some of the cases influential entrepreneurs might be able to extract from the environment some benefits for themselves. This exceptional criterion is outside the scope of the present research.

5. The SMEs considered for the purpose of the study were from the manufacturing sector only. Service sectors like Business Process Outsourcing (BPO) Knowledge Process Outsourcing (KPO), Software development and trading firms were deliberately kept outside the preview as these firms were reluctant to share proprietary information. Moreover service sector SMEs formed a very small part of the total SMEs in Rajasthan state and they were not very significant from the economy view point. Hence their exclusion may not be a major cause of concern. However, a separate study covering the service sector SMEs could be conceptualized in the future once the sector gains considerable importance in the Rajasthan state economy.

6. The information about the SMEs was assimilated from the owner / managers of the firms. The data mentioned in the questionnaire was filled up by the field investigators as was mentioned to them during the interview process. Thus reliability and the precision of the findings are thus based on the information that was made available by these persons.

3.14 References

Boston: Allyn and Bacon.


Appendix E: Letter to Respondents

Dear Madam/Sir,

I am undertaking a research project as a part of my PhD requirement at Banasthali Vidyapith (WISDOM). The project aims to find out the relationship between internal firm level factors and export performance of the small and medium enterprises (SMEs) in the state of Rajasthan. It is a significant project in that it will help understand the different firm level factors like mind set of the entrepreneur, organisation structure and different activities a firm undertakes which justify their performance in the international market.

On the following pages you will be presented with a series of questions about the different aspects of your organisation. Your answers will remain completely confidential. All data will be anonymous and no inferences regarding any individual firm will be made. Please answer each question as accurately as you can. The questionnaire should not take you more than 20 minutes to complete. The survey data will be used for analysis only, and the final overall results will be used for academic research purposes.

The field investigator would assist you to complete the questionnaire. You may hand over your business card to the investigator so that you could be contacted later on for any clarification if necessary.

Your participation in this research project would be greatly appreciated. Any queries about your participation in this project may be directly communicated to me (Email: roy.ankur@gmail.com or Phone: 9950591495).

Thank you in anticipation for your assistance in this project.

Yours sincerely,

Researcher: Mr. Ankur Roy
Enclosures: Questionnaire
## Appendix F: Survey Questionnaire

1. The year of incorporation of the firm

2. Number of years the firm is doing international business

3. Number of employees

4. Annual sales turnover of the firm

5. Type of Products your firm deals with:
   - Gems and jewellery
   - Carpets and rugs
   - Handicrafts (incl. blue pottery, handmade paper, etc.)
   - Natural stones and marble
   - Textile
   - Food and Agro products
   - Engineering and Chemical products

6. The owner / marketing manager can speak in how many foreign language other than English

7. The Education level of the owner / top management personnel (indicate the highest)

8. Number of country markets served by the firm

9. Please indicate how these statements suit your organisation
   - There is extensive vertical communication and limited horizontal communication within the organisational hierarchy
   - Management places greater importance on line authority than on individual experience and capability
   - Employees adherence to formal job descriptions
   - There is formalized operational processes
   - Management emphasises on open lines of communication vertically and horizontally across the organisational hierarchy
   - Organisation places greater importance on experience and broad-based knowledge

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<tr>
<th>High School</th>
<th>Higher Secondary</th>
<th>Graduation</th>
<th>Post-Graduation</th>
<th>Professional/Others</th>
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</tbody>
</table>
Employees adhere to loose, informal job descriptions
Management focuses on broad organisational outcomes as opposed to specific, regimented tasks

Please indicate the importance of the following element for achieving overall company goals.

**General Administration**
17 Attracting and retaining well-trained and competent top managers. 5 4 3 2 1
18 Ability to perceive new business opportunities and potential threats. 5 4 3 2 1
19 Developing and communicating a corporate identity, corporate mission and objectives, a corporate creed and a grand strategy ... a unified sense of direction and a sense of common purpose to which all members of the organisation can relate. 5 4 3 2 1
20 Ability to unify conflicting opinions, improve co-ordination and enhance effective collaboration between key executives, generate enthusiasm and motivate sufficient managerial drive for growth and profits. 5 4 3 2 1
21 Developing an effective company-wide strategic planning system for planned overall corporate development. 5 4 3 2 1

**Production, operations and R/D**
22 Production capacity availability for foreign venture 5 4 3 2 1
23 Use of modern equipment and technology 5 4 3 2 1
24 Preferential access to valuable source of supply 5 4 3 2 1
25 Improved materials and inventory control. 5 4 3 2 1
26 Adoption of new methods and ideas in the manufacturing process Developing product with a high degree of newness at reduced cost and development time 5 4 3 2 1
27 Using multi-disciplinary project teams for effective co-ordination between R&D, operation and marketing (research). 5 4 3 2 1
28 Balancing quality and cost requirements 5 4 3 2 1

**Finance**
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<td>30</td>
<td>Sound capital structure allowing flexibility to raise additional capital for growth and expansion.</td>
<td>5</td>
<td>4</td>
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<td>2</td>
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<td>31</td>
<td>Strong working capital position allowing flexibility to raise short-term capital at low cost.</td>
<td>5</td>
<td>4</td>
<td>3</td>
<td>2</td>
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<td>32</td>
<td>Effective tax management.</td>
<td>5</td>
<td>4</td>
<td>3</td>
<td>2</td>
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<tr>
<td>33</td>
<td>Ability to manage risks of inflation and foreign exchange fluctuation.</td>
<td>5</td>
<td>4</td>
<td>3</td>
<td>2</td>
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<tr>
<td>34</td>
<td>Availability of financial resources to be devoted to export activities</td>
<td>5</td>
<td>4</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>35</td>
<td>Extensive application of ROI techniques and periodic monitoring of product-cum-market profitability.</td>
<td>5</td>
<td>4</td>
<td>3</td>
<td>2</td>
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<td></td>
<td><strong>Personnel</strong></td>
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<tr>
<td>36</td>
<td>Effective and efficient personnel policies for hiring, training, promotion, compensation and employee services.</td>
<td>5</td>
<td>4</td>
<td>3</td>
<td>2</td>
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<td>37</td>
<td>Optimizing employee turnover (neither too high nor too low), through the corporate image of a model employer.</td>
<td>5</td>
<td>4</td>
<td>3</td>
<td>2</td>
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<td>38</td>
<td>Improved employee motivation, job satisfaction and morale.</td>
<td>5</td>
<td>4</td>
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<tr>
<td>39</td>
<td>Stimulating and rewarding creativity in employees and installing incentive performance reward systems.</td>
<td>5</td>
<td>4</td>
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<td>40</td>
<td>Effective grievance procedures.</td>
<td>5</td>
<td>4</td>
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<td>41</td>
<td>Stimulating employees at all levels to continue to educate themselves to remain abreast of developments in their fields.</td>
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<td>Team orientation</td>
<td>5</td>
<td>4</td>
<td>3</td>
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<td></td>
<td><strong>Marketing</strong></td>
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<tr>
<td>43</td>
<td>Acquiring export market-related information quickly</td>
<td>5</td>
<td>4</td>
<td>3</td>
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<tr>
<td>44</td>
<td>Widening the customer base by intensive market penetration and development.</td>
<td>5</td>
<td>4</td>
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<td>45</td>
<td>Effective use of different pricing strategies.</td>
<td>5</td>
<td>4</td>
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<td>46</td>
<td>Novel and effective sales promotion and advertising campaigns.</td>
<td>5</td>
<td>4</td>
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<td>47</td>
<td>Establishing and maintaining close overseas distributor relationships.</td>
<td>5</td>
<td>4</td>
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<td>Developing more efficient and effective product-line policy for product additions and deletions.</td>
<td>5</td>
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<td>49</td>
<td>Maintaining a highly trained, motivated, vigorous and dynamic sales organisation.</td>
<td>5</td>
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</table>
50 Brand image of company's products.

51 Please indicate to what extent you agree or disagree with the following statements. | Strongly Agree | Agree | Neither Agree nor Disagree | Disagree | Strongly Disagree |
---|---|---|---|---|---|
Market proactivity | In general, the top managers of our organisation favor a strong emphasis on Research & Development, technological leadership, and innovations. | 5 | 4 | 3 | 2 | 1 |
In the past 5 years, our organisation has marketed a large variety of new lines of products or services. | 5 | 4 | 3 | 2 | 1 |
In the past 5 years, changes in our products or service lines have been mostly of a minor nature. | 1 | 2 | 3 | 4 | 5 |
Firm risk taking | In general, the top managers of my organisation have a strong propensity for high-risk projects (with chances of very high return). | 5 | 4 | 3 | 2 | 1 |
The top managers believe, owing to the nature of the environment, that bold, wide-ranging acts are necessary to achieve our organisation objectives. | 5 | 4 | 3 | 2 | 1 |
When there is uncertainty, our organisation typically adopts a “wait-and-see” posture in order to minimize the probability of making costly decisions. | 1 | 2 | 3 | 4 | 5 |
Firm innovativeness | Management actively responds to the adoption of “new ways of doing things” by main competitors. | 5 | 4 | 3 | 2 | 1 |
We are willing to try new ways of doing things and seek unusual, novel solutions. | 5 | 4 | 3 | 2 | 1 |
We encourage people to think and behave in original and novel ways. | 5 | 4 | 3 | 2 | 1 |
Performance of your firm | Export Intensity [Ratio of firm's export to its total sales] | | | | | |
Export sales | | | | | |
Export profit margin | | | | | |

Export Intensity [Ratio of firm's export to its total sales] | 0% - 20% | 21% - 40% | 41% - 60% | 61% - 80% | 81% - 100% |
---|---|---|---|---|---|
Less than Rs 10 Lakhs | Between Rs 10 - Rs 50 Lakhs | Between Rs 50 - Rs 100 Lakhs | Between Rs 100 - Rs 200 Lakhs | Above Rs 200 Lakhs |
Loss | Between 1% - 5.9% | Between 6% - 10.9% | Between 11% - 15.9% | Above 16% |
### Satisfaction with Performance

<table>
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<th>63</th>
<th>Satisfaction with export intensity</th>
<th>Very Satisfied</th>
<th>Satisfied</th>
<th>Neutral</th>
<th>Unsatisfied</th>
<th>Very Unsatisfied</th>
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<td>Satisfaction with export sales</td>
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<td>65</td>
<td>Satisfaction with export profit margin</td>
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### Change in Performance

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<th>Large Increase</th>
<th>Small Increase</th>
<th>No Change</th>
<th>Small Decrease</th>
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<td>67</td>
<td>Five-year change in export sales</td>
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<td>68</td>
<td>Five-year change in export profit margin</td>
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### Satisfaction with Change in Performance

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<th>Satisfaction with five-year change in export intensity</th>
<th>Very Satisfied</th>
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| 70 | Satisfaction with five-year change in export sales   |                |          |         |            |                 |
|    |                                                       | 5              | 4        | 3       | 2          | 1               |

| 71 | Satisfaction with five-year change in export profit margin |                |          |         |            |                 |
|    |                                                               | 5              | 4        | 3       | 2          | 1               |