

THE ROLE OF GOVERNMENT IN SMALL-FIRM
INTERNATIONALISATION:
A COMPARATIVE STUDY OF EXPORT PROMOTION IN FINLAND,
IRELAND AND NORWAY, WITH SPECIFIC REFERENCE TO THE
COMPUTER SOFTWARE INDUSTRY.

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ABSTRACT

This thesis involves a comparative study of export promotion systems in Finland, Ireland and Norway. Empirical research was conducted among small firms in the computer software sector. The export behaviour and internationalisation process of these firms are explored. Thereafter, the focus of enquiry is on firms' export problems and on awareness and usage of - and satisfaction with - services provided by the national export promotion organisations (EPO's).

The main findings are that:

- Firms' size and age are not impediments to export initiation.
- Decision-makers' characteristics and attitudes are critical to firms' export development. However - apart from greater prior overseas experience - these are essentially entrepreneurial.
- Domestic market environment and industry/sector factors influence export initiation, as do commercial opportunities at home and abroad. However, EPO stimulation measures do not appear to play a significant part in encouraging firms to start exporting.
- Most problems facing small software exporters are finance-related, they also perceive their market intelligence activities to be weak.
- Awareness of EPO services are high. Usage and satisfaction levels are also high for programmes which provide financial support for export development activities, but are only moderate for services which provide information. The latter are considered to be too general to be useful.
- Export development and training programmes are not utilised as widely as they could be. The inherent human resource limitations of small firms are a major contributory factor.

Based on these results, the main recommendations are that EPO's should:

- Focus on pre-export development which will internationalise firms before they begin exporting.
- Offer training which specifically addresses finance-related and market intelligence gathering limitations.
- Prioritise support programmes, if necessary, at the expense of information services.
- Link export development/training programmes with the opportunity to acquire additional human resources.

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INTRODUCTION

CONTENTS

This section introduces the present research, discusses the empirical nature of the investigations and outlines the structure of the thesis.

RESEARCH AIMS AND OBJECTIVES

The objectives of the present research should be clearly stated at the outset and are as follows:

- **To investigate the export behaviour and international performance of small computer software firms in Finland, Ireland and Norway**
- **To explore barriers and impediments to the internationalisation of such firms and identify specific export problems**
- **To review government export promotion services in these countries with specific reference to software firms' awareness and utilisation of - and satisfaction with - such offerings**
- **To identify any potential gaps between the export support needs of small software firms and export promotion organisation provisions in these countries.**

The initial aim of these enquiries is to assist national Export Promotion Organisations in Finland, Ireland and Norway to formulate and implement appropriate export support measures for small software firms. In addition to providing practical policy guidelines and recommendations, a major research objective is to develop a small-firm internationalisation policy model for the computer software sector. This model, based on existing theories of export behaviour and on the present empirical research, will reflect the nature and needs of such firms and provide a framework for improvements in policy formulation and implementation.

SMALL- FIRM INTERNATIONALISATION IN CONTEXT

Prior to the mid-1970's, international business activity was considered to be the prerogative of large corporations and global markets were regarded as the domain of multinational enterprises (MNE's). Most governments relied extensively on large indigenous or foreign-owned businesses to provide the engine for economic development and trade growth. Smaller firms received scant attention from policy-makers and researchers alike (Mason and Harrison, 1990). It was widely assumed that - due to backward technologies, inadequate management and inferior organisation - they would play an increasingly residual role within advanced economies (Sengenberger and Loveman, 1988).

That the impetus towards internationalisation was driven by the corporate goals of large MNE's is clearly reflected in much of the contemporary literature which focused on the foreign investment strategies of such organisations and on the quasi-monopolistic advantages which influenced their decisions (Hymer, 1960; Kindleberger, 1962, 1969; Aharoni, 1966; Vernon, 1966; Wells, 1969; Buckley and Casson, 1976; Dunning, 1977). With a few notable exceptions (Perkett, 1963; Snavely et al., 1964; Tookey, 1964; Hunt et al., 1967; Pinney, 1968; Simmonds and Smith, 1968) investigations into small-firm export behaviour were not commonplace and their international potential was largely discounted.

These perceptions began to change in the 1970's. World-wide recession in the aftermath of the 1973-4 "oil crisis" led to sluggish demand in saturated domestic markets and to a slump in world trade. Intense global competition emanating from Japan and the newly-industrialised nations aggravated the balance of trade deficits of many advanced economies and provoked severe foreign-debt problems among lesser developed countries. Paradoxically, large western MNE's which had dominated world trade were among those most affected by these developments. As many retrenched and contracted, their declining domestic and international competitiveness contributed to a general economic downturn and exacerbated the trade deficits of "home" and "host" nations alike.

Their demise, together with the impact of new technologies and societal change, led to the economic restructuring of advanced western nations. As large-scale traditional industries decayed, plant closures, down-sizing and the adoption of automated production processes led to widespread redundancies. Rising unemployment, the evolution of micro-electronic based industries, trends towards out-sourcing and a growing demand for consumer and industrial services stimulated new business formation and heralded a rapid expansion of the small-firm sector.

In the United Kingdom, the Bolton Commission (1971) had already focused attention on the vital economic contributions of the small-firm sector. However, it was not until the early 1980's that its' importance was fully recognised, largely as a result of these structural changes and the research undertaken by Birch (1979, 1981) which demonstrated the key role of small business in job-creation and wealth generation in the United States. A subsequent European study by Storey and Johnson (1987) found that small firms accounted for over 20% of manufacturing jobs in the U.K., between 30-45% in Belgium, Denmark, France, Holland, Ireland, Portugal and Spain and over 50% in Greece and Italy. It further noted that small firms provided a substantial majority of all service sector jobs in most European Community (EC) countries and concluded that their relative importance, measured in terms of employment share and net output, had been increasing in virtually all EC nations since the mid-1970's.

Despite their undoubted impact on domestic economic activity, a number of contemporary European and North American studies also identified the unfulfilled export potential of small firms and the sector's less than satisfactory international performance. Bolton (1971) had concluded that the activities of small firms need not, necessarily, be restricted to their domestic market but that the:

"belief that small size is an insuperable disadvantage has, no doubt, inhibited small firms from entering export markets."

Yet Cannon and Willis (1983) observed that while small firms in the United Kingdom accounted for almost 25% of Gross National Product (GNP), their share of exports was estimated less than 10% of all manufactured exports. In the United States, Department of Commerce statistics (1978) indicated that 80% of all U.S. manufactured exports were made by 250 companies, that 92% of all American firms sold only in the domestic market and that some 18,000 - predominantly small - firms had the potential to export but did not. Citing these figures, Czinkota and Johnston (1981), called for an expansion of the export base arguing that the U.S. trade deficit could not be eliminated simply by increasing the activities of existing exporters.

Cognizant of the need to promote exports in order to stimulate economic recovery - and faced with the onset of structural change - policy-makers began to accept Hirsch's (1971) assertion that:

"Failure to generate a sufficient volume of exportable goods and services has been a recurring source of economic crisis in many developing countries as well as in the developed ones. Experience suggests that when a country suffers from a chronic trade deficit, the remedy cannot be left to Adam Smith's 'invisible hand'. Responsibility for corrective measures must rest squarely on the shoulders of government."

In view of the difficulties facing big-business, it was hardly surprising that they should begin to focus on developing the export potential of smaller firms.

Thus, since the mid-1970's, small-firm internationalisation has become an important research topic, not only within small open economies - notably, Scandinavian nations, which due to small-firm bases and limited domestic markets, have been in the vanguard of such enquiry (Luostarinen, 1970; Johanson and Vahlne, 1975; Johanson and Wiedersheim-Paul, 1975) - but also in sizeable economies where the export activities of small firms are not as critical, yet still offer significant incremental contributions to foreign trade (Simpson and Kujawa, 1974; Bilkey and Tesar, 1977; Joynt, 1982; O'Rourke, 1985).

Moreover, issues relating to small-firm exporting and internationalisation have generated considerable policy-maker interest worldwide, not just in terms of the potential macro-economic benefits to be derived from trade growth, but also because - in an increasingly global marketplace - export operations often offer individual firms an attractive alternative strategy for survival and growth (Wiedersheim-Paul et al., 1978; Reid, 1981; Kaynak and Kothari, 1984). Thus, as many smaller firms have competitive product or service offerings but do not export they have - increasingly - become the main targets for government export stimulation programmes (Seringhaus and Rosson, 1990).

FOCUS OF THIS RESEARCH

Despite significant research enquiry into small-firm export behaviour and internationalisation (see Chapter 2, p. 67), widespread policy enthusiasm for the topic and considerable national government involvement in export promotion activity (see Chapter 3, p. 144), evidence suggests that small firms continue to underperform in international markets. Indeed, a recent report by the European Network for SME Research (1993)¹ confirms that small and medium-sized enterprises provide 50% of all jobs in the European Community yet account for less than 10% of exports. According to the U.S Department of Commerce (1993), small American firms have an even lower export share, yet employ some 50% of the total workforce and account for over 40% of GDP. It is, therefore, hardly surprising that implicit and explicit criticism of government export services is commonplace, notably, in respect of the provision of assistance for small firms. (Pointon, 1978; Czinkota and Ricks, 1981; Seringhaus, 1991).

¹ This report was commissioned by the EC Directorate-General XXIII which has recently established a European Observatory for SME's. The European Network for SME Research is a consortia of 12 organisations specialising in SME research, including the Economisch Instituut vor het Midden-en Kleinbedrijf (EIM) in the Netherlands who coordinated the study.

In truth, these views reflect widespread concern regarding support for small business in general, with many researchers concluding that previous apathy towards the sector has been replaced by a rapid introduction of policy measures in the absence of an adequate understanding of small firms (Storey et al., 1987). However, it also argued that - as a result of the fragmented and ethnocentric nature of export research - coherent theories remain elusive and knowledge on how to make firms effective exporters is still underdeveloped. (Cavusgil, 1980; Reid, 1983; Kaynak, 1984; Thomas and Araujo, 1986; Aaby and Slater, 1989; Chetty and Hamilton, 1993).

Thus, numerous enquiries into small-firm export behaviour have provided useful insights on the determinants of export initiation and difficulties encountered by active firms but - with few exceptions - have failed to offer substantive recommendations to aid policy-formulation. Moreover, limited research into national export promotion activities has tended to centre on the rationale for government involvement and sought to measure the general impact of services, rather than assess the utility of specific offerings or their suitability for small firms. Given the critical importance of stimulating international activity at both micro- and macro-economic level and the pervasive influence of globalisation on corporate strategies - regardless of firm size or market orientation - further enquiry designed to provide new policy perspectives is both desirable and necessary.

In consequence, the research undertaken towards this thesis is empirical in nature rather than theoretical. It focuses on the export support needs of small computer software firms in Finland, Ireland and Norway and evaluates the provision of - and usage and satisfaction with government export services in these small open economies. The bases for country and sector selection are outlined in Section 1.4.1 (p. 31) and are further elaborated in Chapter 5 (p. 253). However, at this point it is pertinent to highlight two key factors that influenced these decisions; Firstly, the widely recognised small-firm expertise of Export Promotion Organisations (EPO's) in these countries. Secondly, the growing global demand for software as an integral part of the "information technology revolution".

As stated at the outset, the aims and objectives of the present research are specific to the aforementioned countries and sector. However, in view of the comparable nature - if not size - of the computer software industry in other countries, it is postulated that pertinent findings, conclusions and recommendations will offer valuable insights to national policy-makers elsewhere and that the policy model proposed in Section 1.8 (p. 63) and elaborated in Chapter 8 (p. 414) will be of value vis-a-vis export policy formulation for this sector. Moreover, although this study is restricted to software firms - thus, limiting its general validity - it is argued that, as prior research has tended to focus on traditional industries, it will also contribute to the body of knowledge on small-firm internationalisation and lead to a greater understanding of small firms' export support needs and the nature and scope of government export assistance.

ORGANISATION OF THIS THESIS

The structure of this thesis is presented schematically in Figure 1. Chapter 1 sets research into small-firm internationalisation in context and outlines the rationale, objectives and methodologies adopted in the present study. The propositions and hypotheses and a proposed policy model for small-firm internationalisation offered in this chapter emanate from a review of the literature on export behaviour and government export promotion policy (Chapters 2 and 3). Key background information on the selected countries and the computer software sector is contained in Chapter 4. The remit, activities and specific small-firm initiatives of the respective national Export Promotion Organisations are also discussed.

An in-depth discussion and justification of the research methodology (Chapter 5) precedes the presentation of findings in Chapter 6. The conclusions drawn in Chapter 7 link back into the earlier literature review (Chapters 2 and 3) and support or refute previous investigations. These conclusions form the basis for the policy recommendations proposed in Chapter 8 and for an elaboration of the proposed policy model. This chapter also discusses the limitations of the present study and identifies a number of areas for future research.

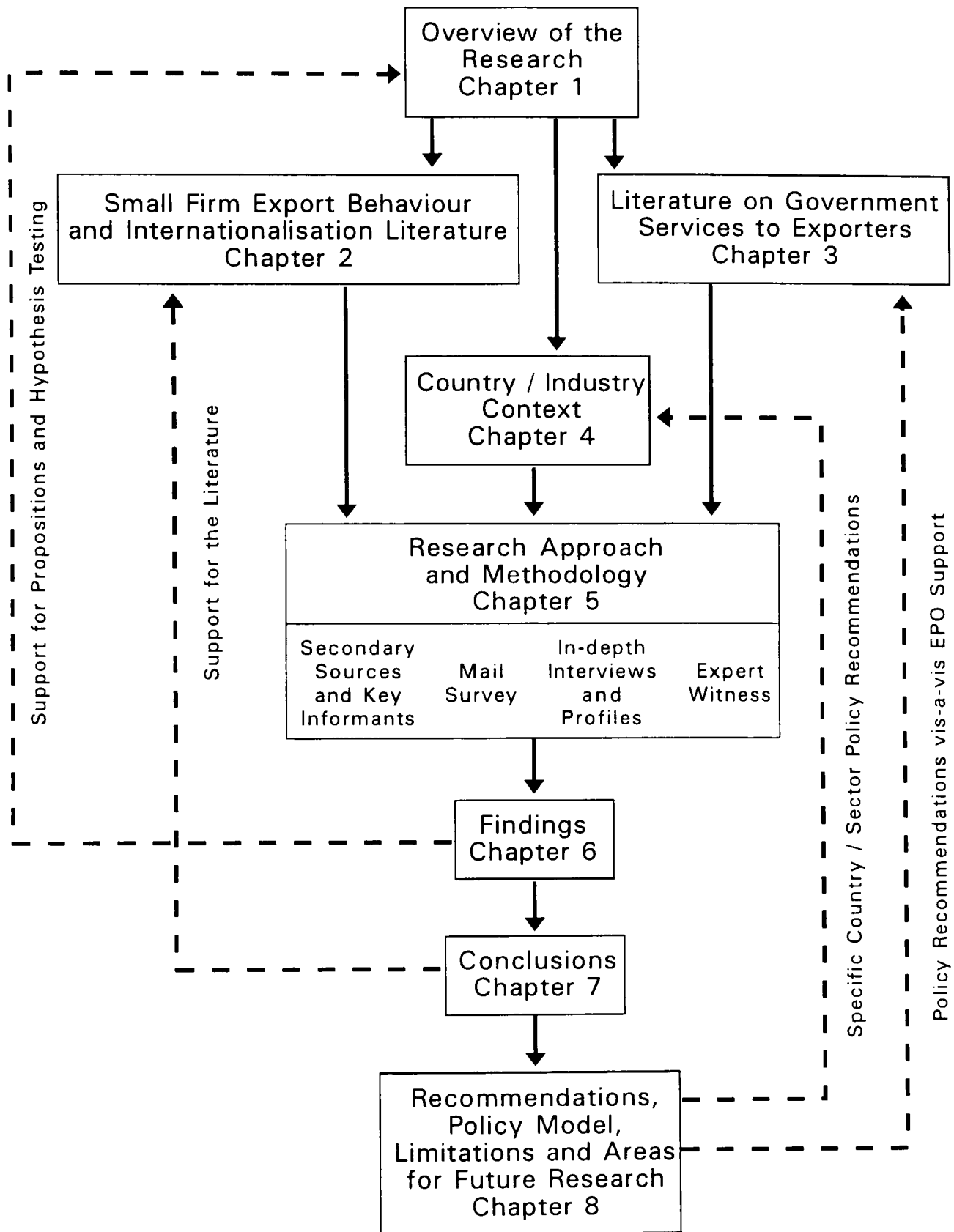


Figure 1: Organisation of the Thesis

Having outlined the structure of the thesis, the content of each chapter is briefly discussed hereafter and summarised in Figure 2. Chapter 1 traces the post-war evolution of world trade which has stimulated policy and research enthusiasm for small-firm internationalisation and highlights the need for further enquiry in view of recent developments. The rationale and main objectives of the research are discussed, terminology is defined, concepts are introduced and propositions and hypotheses stated. A brief overview of the selected countries and sector together with changes which occurred during the course of research and impact, directly, on the study are contained and a policy model relating to the internationalisation of small computer software firms is proposed.

Before reviewing the literature relating to small-firm export behaviour and internationalisation, Chapter 2 examines small-business characteristics and decision-maker attributes which impact on the firms behaviour - and performance - regardless of market orientation. Thereafter, the literature pertaining to export initiation, the internationalisation process, key success factors and major obstacles to international market development and specific export problems of small firms is discussed and synthesised.

Chapter 3 considers the domestic market factors which influence export promotion policy and global agreements - such as the General Agreement on Tariffs and Trade (GATT) - which determine the nature and scope of member states' offerings. This chapter also reviews the literature on government export promotion and support provision for smaller firms.

Chapter 4 provides information on the countries and the sector under investigation. Key economic indicators for Finland, Ireland and Norway are presented and compared. Global software trends are reviewed in the context of significant recent developments in the computer industry. The characteristics of the software sector in each market are also outlined and contrasted. In addition, this chapter provides information on the nature of export promotion activities in the respective markets including; specific details on the range of services offered by EPO's, government policy and mechanisms for funding exports and special small-firm initiatives.

Drawing on the pertinent findings and conclusions of previous studies and on the suggested guidelines for future export enquiry contained therein (Chapters 2 and 3), Chapter 5 elaborates on the research approach first outlined in Chapter 1 in respect of country, sector and company selection. It contains an in-depth discussion of methodologies including research design, data collection methods and analytical techniques and all decisions regarding these issues are justified. The adoption of a multi-stage, cross-national comparative approach within a single sector and the use of both quantitative and qualitative methodologies to gather data and analyse information are defended.

The research findings are presented in Chapter 6. Salient company and decision-maker characteristics are outlined and responding firms' export performance, behaviour, competitive competencies and difficulties are reported. Sector-specific factors are observed, findings related to the awareness and usage of - and satisfaction with - the overall package of government export services offered in each country are assessed and individual EPO offerings are critically evaluated. As enquiry seeks to determine whether differences exist - either by country of origin or by levels of export performance - any detected variations in response will be significant from a policy perspective.

Chapter 7 considers the extent to which the research findings support or refute prior studies and existing theories of small-firm export behaviour and internationalisation. It draws conclusions regarding the efficacy of EPO provisions in each country and synthesises the most significant issues emerging from this element of the empirical research. These conclusions are compared and contrasted with those of the limited - but frequently critical - number of previous studies on government services to exporters reviewed in Chapter 3. Discussion also centres on the implications for policy formulation and implementation in the countries where research was undertaken and with particular reference to the computer software sector.

Policy recommendations emanating from the literature (Chapters 2 and 3) and from the findings and conclusions of the present empirical research (Chapters 6 and 7) are advanced in Chapter 8. These include general guidelines on the provision and delivery of export support for small firms and specific recommendations on the development of export promotion strategies for the computer software sector. As the empirical research focused on specific EPO offerings as well as overall provisions, detailed - and actionable - recommendations are made in respect of specific export support measures which are not widely regarded or utilised and which, therefore, merit further attention.

The small-firm internationalisation policy model introduced in the first chapter is elaborated with specific reference to the sector and suggestions are offered as to how it may be adapted for wider use in policy-formulation for other important industries which have a small-firm bases. Moreover, given the resource constraints facing most EPO's, its' potential scope to identify firms which no longer need or merit government export assistance will be considered. All these recommendations flow from enquiries within particular countries and a specific sector and are, therefore, especially pertinent to policy-makers in the nations in question. However, many of the issues identified and addressed in the research will also be of considerable interest to other countries currently attempting to improve policy-formulation vis-a-vis small-firm internationalisation, notably those wishing to expand high-technology industries such as software.

The limitations of the present study are also stated in Chapter 8 and areas for future research are proposed. The recent export literature indicates the need for a greater emphasis on comparative and longitudinal enquiries. The present research offers the potential for both.

Chapter 1: Overview of the Research

- Post-war developments and trends in world trade
- The rise of small business
- Rationale and objectives of the research
- Definitions, terminology and key concepts
- Background to sector and countries
- Research approach
- Propositions and hypotheses
- Proposed policy model

Chapter 2: The Export Behaviour of Small Firms

- The characteristics of small firms
- Review of the literature on small-firm export behaviour and internationalisation

Chapter 3: Export Promotion Policy

- Overview of export promotion policy
- Comparative export promotion systems
- Review of the literature on export assistance

Chapter 4: Background to Countries and Sector

- Key national economic indicators
- Export promotion in Finland, Ireland and Norway
- Global trends for computer software
- National sectoral characteristics

Chapter 5: Research Methodology

- Rationale for country, sector and firm selection
- Research design and sampling frame
- Secondary research
- Empirical Research
- Response rates
- Analytical approach

Chapter 6: Findings

- Characteristics of responding firms
- Factors influencing the initial export decision
- The internationalisation process
- Export success factors and competencies
- Export Problems
- Sources of information
- EPO Services

Chapter 7: Conclusions

- Support for the literature
- Policy implications of pertinent findings

Chapter 8: Policy Recommendations

- Elaboration of the proposed policy model
- Guidelines vis-a-vis small firms
- Recommendations for national EPO's
- Specific recommendations for software sector
- Research limitations and areas for future research

Figure 2: Summary of Chapter Contents

CHAPTER ONE **OVERVIEW OF THE PRESENT RESEARCH**

CONTENTS

This Chapter sets the present enquiry in context. It outlines the post-war developments in world trade, economic restructuring and technological advances which have led to increased policy and research enthusiasm for small-firm internationalisation. It provides the rationale for further enquiry in the light of recent global events and anticipated trends. The chapter also includes a statement of the research objectives and an overview of the methodology adopted. The terminology is defined and several key concepts and theories are introduced in order to clarify the stated propositions and hypotheses. The salient features of the selected markets and industry sector are outlined and pertinent changes which have occurred during the course of the research are noted. Finally, a proposed policy-model for the internationalisation of small computer software firms - which will be elaborated in a later chapter - is outlined and discussed briefly.

1.1 POST-WAR GROWTH IN WORLD TRADE

A major phenomenon of the post-war era has been the dramatic growth of world trade. Significant contributory factors have included: the impact of new technology, improvements in global communications and transportation infrastructures, trends toward closer economic integration - as evidenced by the completion of the Single European Market - and concerted efforts by the General Agreement on Tariffs and Trade (GATT) to liberalise trade (Levitt, 1983; Globerman, 1986). Since 1970, world merchandise exports have risen in value from \$300 billion to around \$3600 billion (see Figure 1.1) and commercial services exports have increased from \$70 billion to \$1000 billion (GATT, 1994). Much of this expansion has been fuelled by the global strategies of large multinationals (MNE's) which have dominated world trade during the period (Robinson, 1981; Rugman et al., 1986). It has also been fostered by the aspirations of national governments to promote economic development and improve standards of living through export-led growth. (Seringhaus, 1990; Hibbert, 1991).

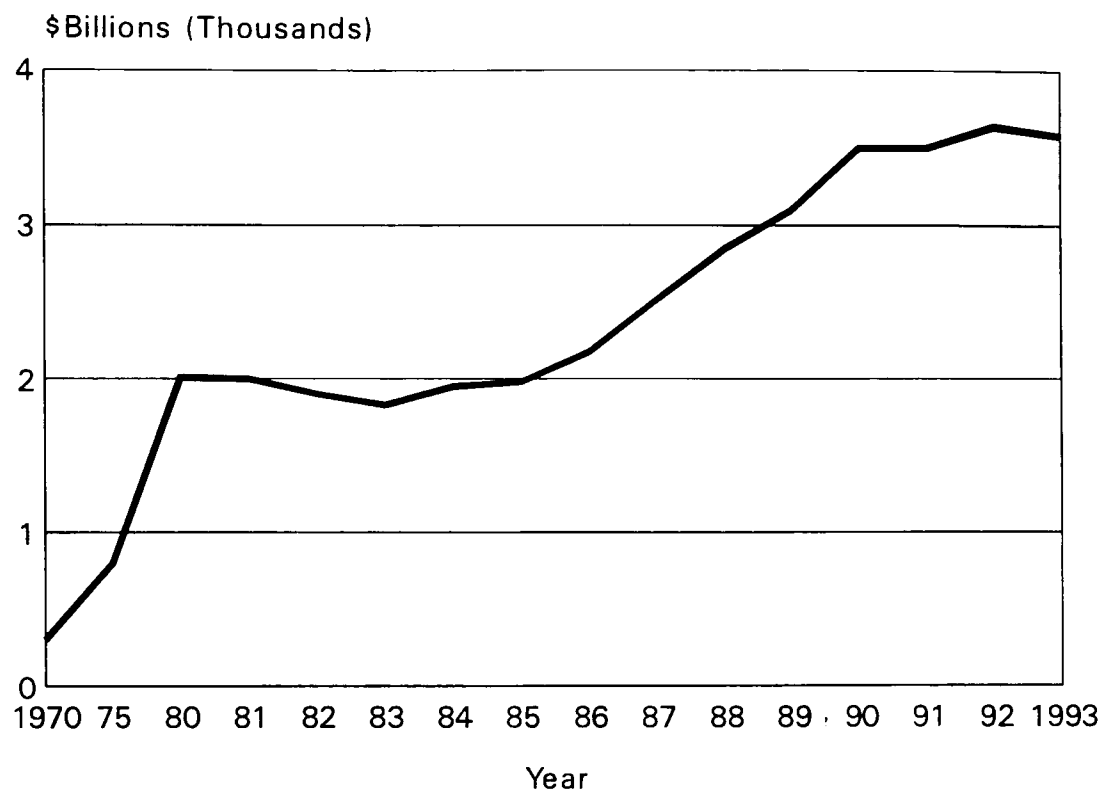


Figure 1.1 Growth in World Merchandise Exports 1970-93

(Source: International Trade 1992-93, Volume II, GATT, Geneva, 1993)

These aggregate figures demonstrate the increased interdependence of national economies within a global system and confirm the inexorable internationalisation of business activity. However, they fail to reflect adequately the dynamic changes in the world economy in the mid-1970's which disrupted global economic growth and distorted patterns of trade in the late 1970's and early 1980's.

1.2 SMALL-FIRM EXPORTING AND INTERNATIONALISATION: THE ECONOMIC IMPERATIVE

A number of complex and interconnected factors contributed to a downturn in world trade during this period, namely; global economic instability, intensified international competition and restructuring in the advanced industrialised nations. These developments led to increased government intervention and involvement in foreign trade issues (Globerman, 1986; Czinkota and Ronkainen, 1990). They are also significant - and merit further elaboration - in the context of an increased policy and research focus on small-firm internationalisation.

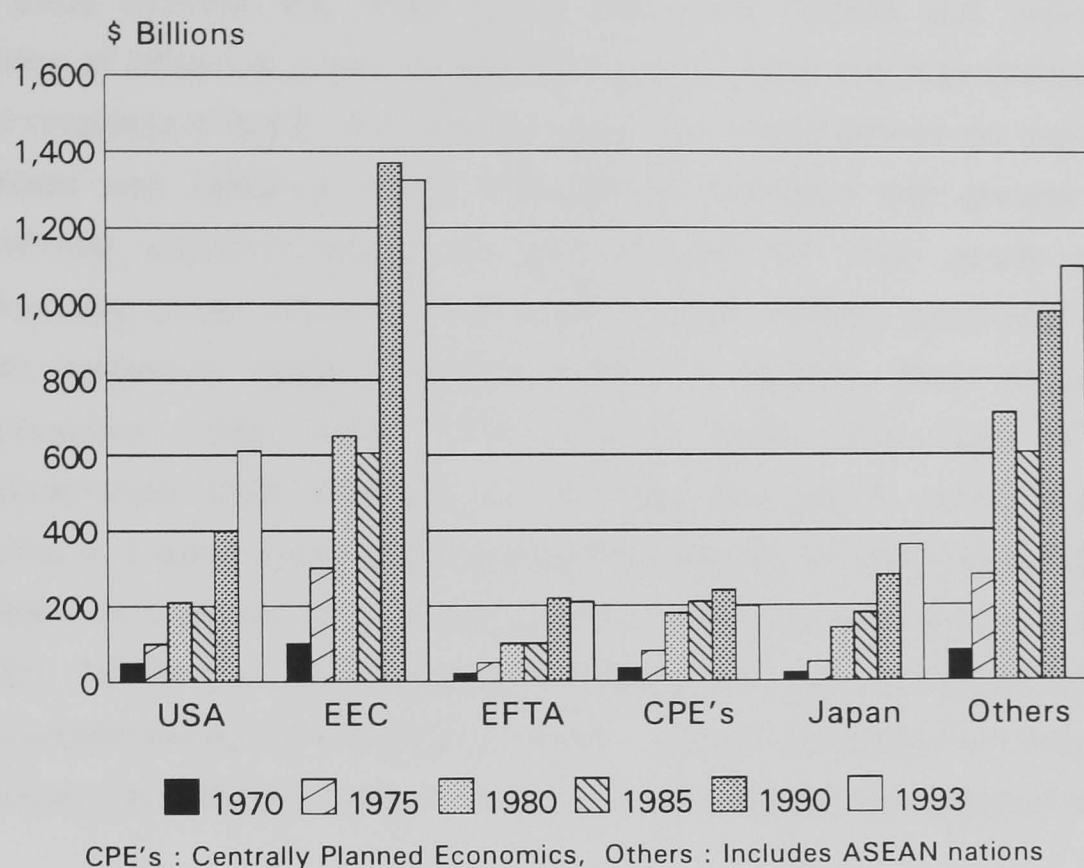
1.2.1 Global Economic Turbulence

Economic instability was first manifest in the aftermath of the 1973-74 "oil crisis". The rapid quadrupling of oil prices fuelled world-wide inflation, triggered a global recession and contributed to the declining levels of domestic economic activity and escalating trade deficits experienced by many nations throughout the 1970's and early 1980's. A second oil shock in 1979-80 saw prices more than double. This led to further deteriorations in the balance of payments of many industrialised nations, exacerbated debt crises among the lesser developed countries (LDC's) and provoked the slump in world trade between 1981 and 1983 (Rugman et al., 1986; Daniels and Radebaugh; 1986; Cateora, 1993).

1.2.2 The Rise of the "New Competition"

Concurrently, Japan's emergence as a major economic power, impressive trade performances by the ASEAN "dragons" (Hong Kong, Singapore, South Korea and Taiwan) and burgeoning exports by low-cost producers in other newly-industrialised countries (NIC's) rapidly eroded the competitive advantages of the advanced western nations and saw the evolution of a new world order (see Figure 1.2).

The aggressive globalisation strategies pursued by many of the Japanese multinationals undermined the traditional domination of world trade by western MNE's, adversely affecting their international competitiveness (Robinson, 1981; Terpstra, 1985; Rugman et al., 1986). Faced with this onslaught, many large American and European corporations disinvested abroad or retrenched in - often futile - attempts to protect their domestic markets. Such defensive tactics not only weakened their own international positions, but also exacerbated balance of payment problems of "home" and "host" nations alike (Ghertman and Allen, 1984; Toyne and Walters, 1989).



Notes:

1. Most of the developed nations have experienced a fifteen to twenty-fold increase in the value of exports during the period, Japan has substantially outperformed major trading partners.
2. The growth of EEC exports also reflects the expansion of the European Community.
3. Strong export growth among the NIC's in the ASEAN region (Hong Kong, Malaysia, Singapore, South Korea, Taiwan, Thailand), included in "others", disguise comparatively weak performances by the LDC's (see Appendix I).

Figure 1.2: Merchandise Exports for Selected Regions
 (Source: Adapted from International Trade 1992-93,
 GATT, Geneva, 1993)

The tenacious challenges from this "new competition" (Kotler et al., 1985) gave rise to long-term trade imbalances between the "triad" regions (Ohmae, 1985). As Japan and the ASEAN economies generated ever larger trade surpluses - to the detriment and concern of the United States and Europe - protectionist sentiments emerged against Japan, South Korea and Taiwan who were all deemed to be pursuing restrictive trade practices (Czinkota et al., 1989). Attempts to control imports, by means of quotas and self-limitation agreements, led to a rising flood of Japanese and other foreign investment into North America and the European Community.

As trade between the "triad" areas expanded, nations and regions outside this sphere of influence, were increasingly isolated from the mainstream of world trade and investment flows. The effects were particularly severe on many of the LDC's (Becker and Lenberg; 1990). World-wide recession and greater competition in traditional export markets reduced demand for their goods and depressed commodity prices (Brandt Commission, 1983). Greater economic integration and trade limitations further restricted access to Europe, North America and Japan (Colaiacono, 1982; Naor, 1983; Kinsey, 1988). The flight of foreign-owned multinationals diminished export revenues and led to rising unemployment. A decline in volume and scale and shifting patterns of foreign direct investment (FDI) limited opportunities to generate growth by attracting new mobile projects (Kolde, 1985). As the cost of oil imports escalated and export receipts fell, these - often newly-independent and highly indebted - nations became even more reliant on the economic activities of indigenous firms in both domestic and export markets.

Similar problems were experienced by many small economies, regardless of their stage of development. Due to limited domestic markets, these countries were already highly export-dependent (see Table 1.1). With predominantly small-firm industry bases and comparatively few indigenous MNE's, they were also more reliant on the export activities of smaller companies (Luostarinen, 1980). Adverse global economic conditions served to accentuate these limitations as opportunities for export-led growth were severely curtailed. Moreover, high oil prices and greater penetration by foreign products - notably, Japanese consumer goods - raised the value of imports in small open economies which were already forced to source many of their raw materials from abroad. Larger energy bills and the higher cost of petroleum derivatives - such as plastics - increased raw material, manufacturing and distribution costs at a time when worldwide recession was exerting downward pressure on prices and margins. Faced with growing trade imbalances, policy-makers in the smaller nations, in common with their counterparts in the LDC's, were confronted with the difficult task of generating additional export revenues from the small-firm sector.

	1981	1987
Belgium	69.7	81.8
<u>Finland</u>	21.9	24.7
France	17.6	21.5
Hong Kong	73.5	115.8
<u>Ireland</u>	46.2	63.0
Japan	13.4	17.8
Netherlands	48.3	54.5
<u>Norway</u>	31.8	35.8
Singapore	156.1	197.3
United Kingdom	20.6	28.4
United States	8.0	10.7
West Germany	25.7	32.4

Table 1.1: Ratio of Exports to Gross Domestic Product for Selected Countries (% of GDP).

(Sources: UN, United Nations Statistical Yearbook, 32nd and 39th eds., New York, 1983 and 1990)

1.2.3 Restructuring of the Advanced Economies

Another significant development in the 1970's and 1980's was the economic restructuring of many industrialised nations. Recession, intense foreign competition, the impact of new technology and societal change contributed to the decline of large-scale manufacturing and to the dynamic growth of the small-firm sector. Most western nations witnessed the terminal decline of many traditional industries such as shipbuilding, steel-making and textiles (Mason and Harrison, 1990). Rising imports from Japan and the Far East also threatened the survival of other important high-employment sectors, notably automotives, consumer durable products and electronics (Kotler et al., 1985).

As large industries contracted, rising unemployment forced governments to introduce measures to stimulate new business formation (Cross 1981; Storey, 1982; Mason, 1989). New opportunities for smaller manufacturing and service firms also arose as large companies restructured, withdrew from less profitable activities, "contracted-out" support functions or assembly operations, "out-sourced" and "bought-in" expertise (Curran and Stanworth, 1986; Carlsson, 1989).

At the same time, innovation led to the establishment of new sectors and the evolution of smaller high-technology firms in computing, information technology, telecommunications and various other microelectronic areas (Freeman, 1986; Keeble and Kelly, 1986). New technologies also created opportunities for smaller firms in established industry sectors. The adoption of automated processes - which contributed to down-scaling in large manufacturing units - greatly facilitated flexible, small-batch production and reduced barriers to entry for new and smaller firms (Mazzonis, 1989).

The transformation of these economies into "post-industrial societies" was also influenced by social factors. Increased consumer sophistication, higher disposable incomes, changes in lifestyle - more leisure time, rising female employment, urbanisation - and demographic trends in family size and structure all led to greater demand for an extended range of "niche" consumer goods and services. These trends resulted in the fragmentation of mass markets and in a proliferation of smaller firms established to meet increasingly diverse consumer needs and satisfy their higher expectations (Curran and Stanworth, 1986; Bannock, 1987; Mason and Harrison, 1990).

As smaller high-technology and service firms emerged in the vanguard of economic restructuring, their highly significant contributions to domestic employment and wealth creation were widely recognised (Birch, 1979; Burns and Dewhurst, 1986; Storey and Johnston, 1987). Moreover, these changes had important implications for the developed western nations in the context of foreign trade growth. Namely, that as the competitiveness of large traditional manufacturing industries continued to decline, they would become more dependent on new industry sectors and on the export activities of smaller firms that populated them. At the same time, the general conclusion of studies into the market orientation of such firms clearly indicated a high level of local market dependence but low export earnings (Lloyd and Dicken, 1982; Storey, 1982; O'Farrell, 1986).

1.2.4 Uneven Global Recovery in the 1980's

After a slump in world trade during the early 1980's, the world economy recovered strongly, aided by lower oil prices. Between 1983-90, economic output rose sharply and the volume of merchandise trade also increased (see Figure 1.3). Annual growth in the value of merchandise exports exceeded 5.5% and trade in commercial services grew even more rapidly, averaging 7.5% per annum. (GATT, 1992) However, while global economic conditions ameliorated, this growth was unevenly distributed and many of the difficulties of the previous decade remained. The threat from the "new competition" intensified as Japan, Korea, Taiwan, Singapore and Hong Kong continued their assault on world markets. With other NIC's and rapidly emerging third-world nations following in their wake, the trade deficits of many advanced western nations widened. As trade between the "triad" expanded and strategic market access considerations led to a greater concentration of FDI within these regions, economic isolation and foreign debt servicing heightened pressures on LDC's to expand exports.

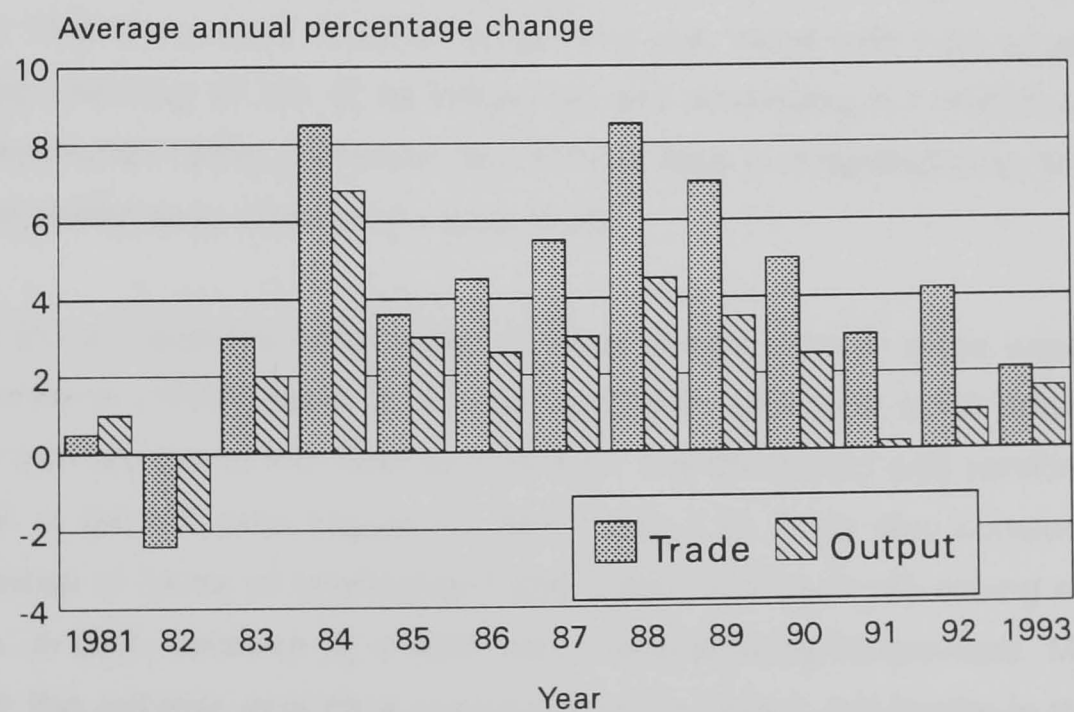


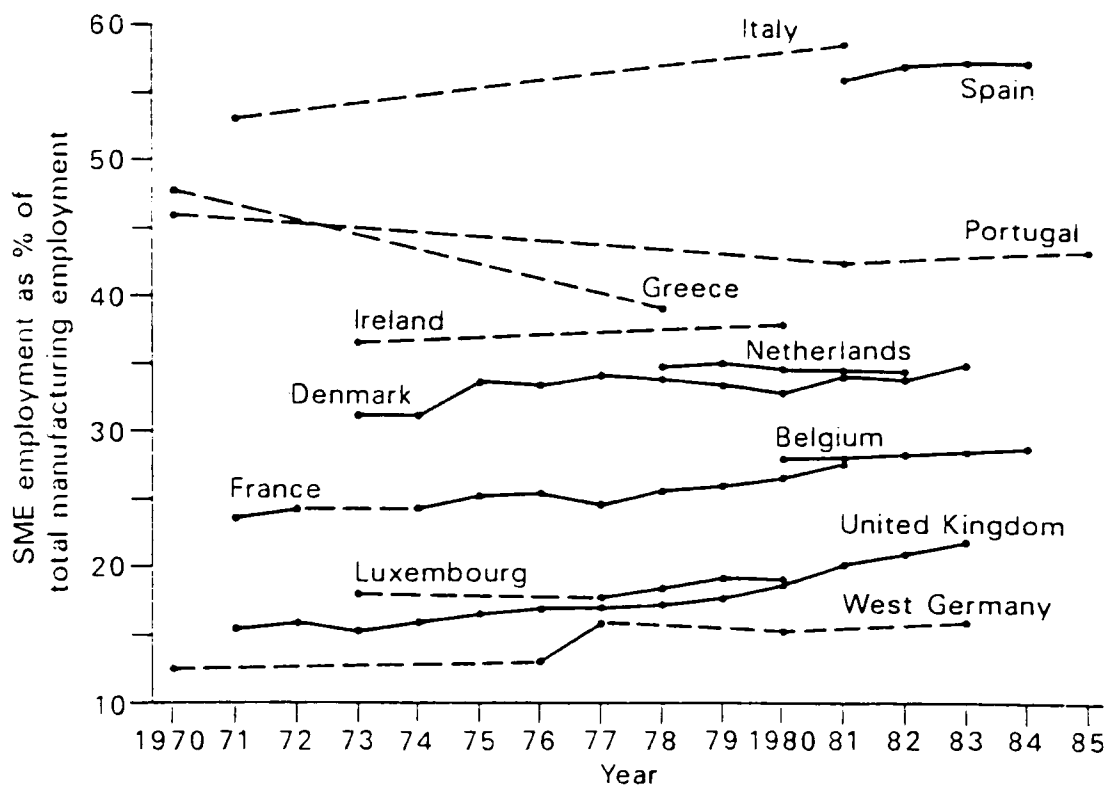
Figure 1.3: Growth in World Merchandise Trade/Output 1980-93
(Source: GATT Communique 1625, Geneva, 1994)

Small open economies, including the highly developed Scandinavian nations and peripheral European Community member states, were also threatened by marginalisation as the locus of economic power shifted towards the triad regions and - in the case of the EC - appeared to be gravitating towards the centre. These nations were forced to redouble their efforts to improve the export performance of smaller firms in an increasingly competitive global marketplace. In the advanced western nations, the small-firm sector assumed ever greater importance in job creation and economic regeneration as large industries continued to decline.

1.2.5 The Rise of Small Firms

The role of small business in creating employment is not in doubt. In the United States, it was estimated that in 1980 there were 14.7 million small firms in 1980 and that they accounted for 97% of all business operations (Scarborough and Zimmerer, 1984). Birch's (1979) study indicated that over two-thirds of net new jobs were created in firms employing less than twenty people. Indeed, the US President's report on the state of small business (1984) revealed that the sector had generated 5 million new jobs in the previous five years. Doyle and Gallagher (1987) concluded that in 1982 there were 630,000 small firms (i.e. those with 1-99 employees) in the UK, representing 97.5% of all enterprise and employing 6.1 million people. Burns and Dewhurst (1986) estimated that 19% of jobs in manufacturing and 45% in the service sector were provided by such firms.

In the EC the sector's contribution to employment is even more important. Storey and Johnson (1987) found that most European countries' small firms employed a higher percentage of the workforce in both manufacturing and services than either the US or the UK (see Figure 1.4 and Table 1.2). They also concluded that their importance in terms of employment and output had been increasing since the mid-1970's, in part, because of a shift from manufacturing to services. Moreover, that even in the adverse economic conditions of the period, job-losses in the sector had been slower than those of large firms in most EC countries and that in Germany, Italy and Ireland small manufacturers had actually increased employment levels.



SMEs = all firms with <100 employees
 West German data are for firms with 20-100 employees

Figure 1.4: Employment in Small Firms as a Percentage of Total Manufacturing Employment
 (Source: Job Creation in Small and Medium Sized Enterprises, Storey and Johnson, 1987)

		Enterprise size (no of employees)			
		<20	20-99	100-499	500+
France	(1986)	41.8	30.3	18.8	9.1
Netherlands	(1980)	35.9*	29.1#	[35.0]	
Belgium	(1983)	33.8	21.9	20.2	24.2
Spain	(1986)		[59.7]	18.0	22.3
Greece	(1978)	63.7*		[36.3]	
Portugal	(1985)		[78.8]	14.8	6.3

Notes * 1-9
 # 10-99

Table 1.2: Firm Size in the Service Sector and Percentage of Population Employed
 (Source: Job Creation in Small and Medium Sized Enterprises, Storey and Johnson, 1987)

The sectors capacity to generate and sustain employment in the last two decades has been impressive. It has been widely attributed to the ability of small firms to be more innovative and highly flexible (Bolton, 1971; Storey, 1986), characteristics which are discussed in greater depth in Chapter 2 (p. 69). Nevertheless, a number of concerns have been raised. Firstly, the quality of employment in such firms has been criticised (Sengenberger and Loveman, 1988). In a nine country study, including Western European nations, Japan and the US, they found that:

"in small firms, on average, the levels of wages (and fringe benefits) are lower working time is longer, the standards of job security and of occupational health and safety inferior (and) the quality of industrial relations is usually poorer".

Secondly, as evidenced in regular Dunn and Bradstreet reports, mortality rates among small firms are high. Stewart and Gallagher's (1985) study showed that a firm employing less than 20 people was 78% more likely to fail than one employing more than 1000. Moreover, the mortality rate of new businesses was particularly high, with 11% dissolving within twelve months and over 46% failing within four years of start-up. Ganguly (1985) found that over half of all small firms closed by their fifth year. Clearly, the financial and human resource constraints associated with small size are significant, but a number of studies have also highlighted managerial inexperience or incompetence and a lack of strategic management as major contributory factors to their demise (Broom and Longenecker, 1979; Wever, 1986; Wheelen and Hunger, 1989).

Thirdly, while the small business sector as a whole has created many jobs, the capacity of individual small firms to achieve growth in employment and turnover has been questioned. (Storey, 1985; Hull, 1987). Limited growth reflects the characteristics of small-firm founders and their abilities, attitudes and ambitions. Most are strong on technical or production aspects of the business, but lack management and marketing skills (Carson, 1988). Moreover, many small-firm owners have little ambition for long-term growth beyond that needed to achieve a comfortable standard of living and retain their independence (Cross, 1981; O'Farrell, 1986).

Insofar as Ansoff (1957) argues that appropriate strategies for small-firm growth include expansion into new markets, nowhere is this problem more manifest than in the sector's export performance. As noted earlier (p. 3), the sector's share of US and UK exports is estimated at less than 10% (Czinkota and Johnston, 1981; Cannon and Willis, 1983; O'Rourke, 1985). Moreover, recent European studies (EIM/ENSR, 1993) indicate that while SME's (i.e firms with fewer than 500 employees) account for 70% of all employment in the private non-primary sector, they account for only 10% of European Community exports. Indeed, the failure of smaller firms to maximise their potential in international markets is a consistent theme throughout the literature (Dichtl et al., 1984; Miesenbock, 1988).

In part, the modest export performance of small-firms is a function of their limited scope of operations (Schollhammer and Kuriloff, 1979). Many offer goods or services with little export potential and to expect the sector's export performance to be totally commensurate with its domestic market contributions is rather unrealistic (Overweel and Van Elk, 1991). However, decision-maker criteria are also regarded as critical to firms' export development (Hunt et al., 1967; Cunningham and Spigel, 1971; Reid and Mayer 1980; Reid, 1983). Indeed, Cavusgil and Nevin (1981) argue that while the lack of macro-level incentives and a stimulative national export policy are often cited as explanatory factors, the real problems are internal to the firm and reflect decision-maker attitudes. Thus, they concur that:

"Apprehension about export marketing, an attitude of indifference, lack of willingness to commit resources, lack of knowledge and a host of other impediments are thought to be keeping the individual firm from initiating export marketing".

In view of the fact that many of the limitations to domestic and export expansion are deemed to be internal to the firm, it not surprising that developing the managerial capabilities of small firms and improving government support for the sector have become such important research and policy objectives.

1.2.6 The Rationale for Government Involvement

In consequence of the inexorable internationalisation of business activity and the impact of global economic turbulence, the past two decades have witnessed an increased involvement by national governments in foreign trade issues, notably, in the area of export promotion (Globerman, 1986; Seringhaus 1988; Rosson and Seringhaus, 1991). The onset of structural change in the advanced western nations and the growing importance of the small-business sector - in industrialised and emerging countries alike - has also led to greater policy-emphasis on developing the export potential of small firms (Willis, 1986; Bannock, 1987; Bannock and Peacock, 1989).

The importance of these issues is further confirmed by the extensive body of literature on export behaviour and small-firm internationalisation which has emerged since the mid-1970's (Wiedersheim-Paul et al., 1975 and 1978; Bilkey, 1978; Rabino, 1980; Dichtl et al., 1984; Thomas and Araujo, 1985; Miesenbock, 1988) and by the growth of research interest and enquiry into national governments' export promotion policies (Pointon, 1978; Czinkota and Ricks, 1981; Albaum, 1983; Elvey, 1990; Seringhaus 1991).

These focii are reflective of a universal recognition, among policy-makers and researchers alike, of the need to generate additional export revenues to avoid or resolve balance of payment problems and to finance imports of raw materials, essential capital equipment and other desirable goods and services (Czinkota and Johnson, 1981, O'Rourke, 1985; Hibbert, 1991). They are consistent with widely accepted views on the existence of a positive relationship between national export performance and economic growth confirmed in many studies (Michaely, 1977; Balassa, 1985). For example, Krueger's (1978) analysis of export and Gross National Product (GNP) data in ten countries between 1954 and 1971 concluded that:

"an increase in the rate of growth of exports of 1 percent will increase the rate of growth of GNP by just over 0.1 percent"

Tyler (1981), using a sample of fifty-five middle LDC's and data from the period between 1960 and 1977, found evidence to demonstrate a strong cross-country association between export performance and GNP growth. Such conclusions are corroborated by Ram (1985) and supported by GATT statistics demonstrating that the countries which achieved the highest levels of export growth between 1973 and 1984 also witnessed the greatest increase in GDP (see Figure 1.5).

A greater emphasis on export expansion indicates broad consensus on the benefits of free trade (Heckscher and Ohlin, 1933; Samuelson, 1948; Lindner, 1961, Root, 1978). Namely, that export stimulation policies are more conducive to national economic growth than are inwardly-focused strategies which reduce international competitiveness (Krueger, 1985; World Bank, 1988). Thus, notwithstanding varying levels of commitment to the principles of free trade, most governments accept that protectionism is counterproductive insofar as it restricts economic development and generally provokes retaliatory action by trade partners (Korth, 1985; Czinkota, 1987). As Kotler et al. (1985) observe:

"Domestic companies that receive protection often fail to reform their operations and strategy. Protectionism, as a line of defense, is at best a temporary expedient, not a cure".

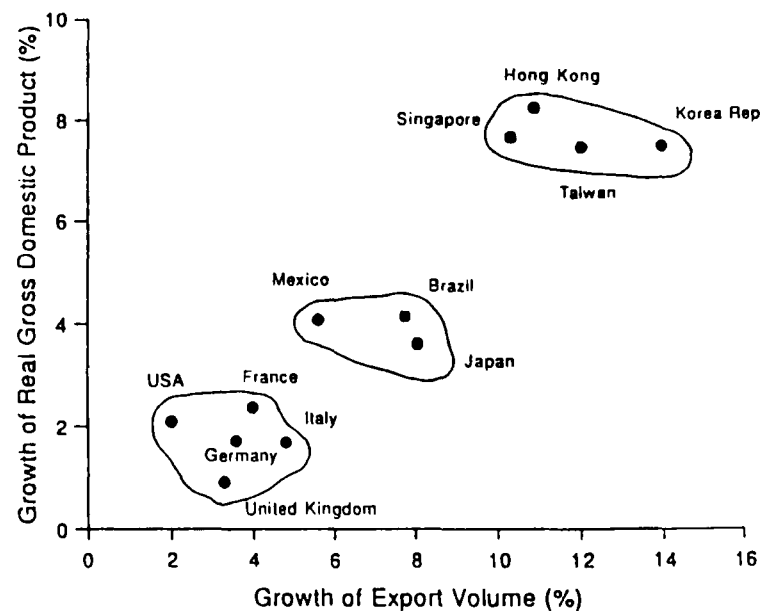


Figure 1.5: Exports and Economic Growth of Selected Countries 1973-84 (Average % change p.a.)
 (Source: GATT International Trade 1984-85, Geneva, 1985)

Increased policy support for small-firm internationalisation demonstrates a greater cognizance of the sector's vital role in stimulating economic development and a growing conviction that such contributions need not be restricted to domestic market activities. It also reflects policy-maker acceptance that their ability and scope to influence the global strategies of large MNE's is relatively limited and that, insofar as their corporate goals may often conflict with national policy objectives, overdependence on such firms to provide the impetus for economic expansion and trade growth may not be desirable. Moreover, given that government resources are limited, this focus indicates growing concern that efforts to stimulate exports among larger firms in general, may not lead to major improvements in international performance at macro- and micro-economic level and that provision should be targeted at smaller firms with greater needs.

1.3 FUTURE PERSPECTIVES ON SMALL-FIRM INTERNATIONALISATION

The slow-down of the world economy during the 1970's and 1980's was a crucial factor in convincing policy-makers of the imperacy of government involvement in export promotion and of the need to develop the export capabilities of small-firms. This objective is currently at the core of many national export promotion strategies and - in view of global events in the early 1990's - is likely to assume even greater importance in future. These developments and their potential implications merit further amplification.

1.3.1 The Downturn in Growth in the early 1990's

The present decade has witnessed a re-emergence of global recessionary pressures. While the ASEAN economies continue to perform impressively, all the major industrial nations, including Japan and a unified Germany, have seen a down-turn in economic activity. Growth in world trade also slowed to less than 2% per annum between 1990-1993 (GATT, 1994). With only modest prospects for recovery in the short- to medium-term, greater policy-emphasis on export stimulation measures is likely among advanced and developing nations alike.

1.3.2 Developments in Central and Eastern Europe

Disintegration of the former Soviet Union, the crisis in the Balkans and the division of Czechoslovakia provide ample evidence of a resurgence in nationalism. The emergence of newly-independent states and the gradual evolution of free-market economies in other former COMECON countries such as Hungary, Poland and Rumania will present new challenges. These nations will seek to attract foreign investment by means of joint-ventures, or licensing and technical cooperation agreements. Acquisitions by foreign MNE's are also likely to increase substantially. However, policy-makers will also attempt to stimulate exports - notably to the European Community (EC) - and given the uncompetitiveness of large state-owned industries, such measures are likely to focus on smaller firms.

1.3.3 The Completion of the Single European Market (SEM)

The completion of the Single European Market will act as a stimulus to intra-community trade (Cecchini et al., 1988; Quelch et al., 1990). The removal of physical, technical and fiscal barriers will benefit large companies by increasing economies of scale and by encouraging greater collaboration through joint-ventures, mergers and strategic alliances (Young, 1990). The elimination of these obstacles will also facilitate exporting to member states and be of particular benefit to small firms targeting niche markets (Bradley, 1988). The European Commission's enthusiasm for corporate link-ups and a variety of programmes designed to stimulate such activities among smaller firms (BC-Net₁, SPRINT₂, etc.) will encourage these firms to adopt other modes of internationalisation to overcome their inherent resource constraints. Directorate-General XXIII will also become much more active in encouraging smaller firms to export outside the EC (EIM/ENSR, 1993).

¹ The Business Cooperation Network connects small firms to hundreds of business advisers throughout the Community who provide guidance on matters related to innovation

² The Strategic Programme for Information and Technology Transfer

Moreover, the SEM and fears of a "fortress Europe" will fuel attempts by MNE's from non-member states to establish European operations through greenfield FDI, acquisition or collaboration (Young et al., 1988). Smaller external firms are also more likely to set up sales subsidiaries or enter into marketing and distribution agreements with community-member companies in order to improve their market presence (Young, 1988).

1.3.4 Expansion of the European Community

In the longer term, the anticipated expansion of the EC and the formation of an enlarged European Economic Area in 1993 is likely to boost inter- and intra-community trade and lead to increased export opportunities for large and small firms alike.¹ The pace of these developments and the eventual structure of the EC will, ultimately, be determined by the ability of the current members to resolve existing tensions on economic convergence and monetary union.² However, commentators generally conclude that, by the end of the present decade, the EC/EEA will have expanded into a market encompassing more than 25 countries and some 450 million consumers. Given that the European Community currently accounts for 37% of world exports and that EFTA and Eastern European countries have a 6% and 7% share respectively, such an entity would exert a major influence on future patterns of world trade and alter the balance of power between the triad regions.

¹ German re-unification has already seen the integration of the former GDR. A free trade agreement with EFTA countries (Austria, Finland, Iceland, Norway and Sweden but excluding Switzerland) in 1993 created the European Economic Area, with Austria, Finland and Sweden having already sought to join the EC in 1995. The Czech and Slovak republics, Hungary and Poland are concluding "association agreements" offering them a ten year transition towards free trade and the prospects of full EC membership. Albania, Bulgaria, Romania and Turkey have trade accords with the EC and aspire to eventual membership.

² These tensions are evidenced by the UK's withdrawal from the Exchange Rate Mechanism in 1992, current volatility of exchange rates within the system and considerable political fallout over the ratification of the Maastricht Treaty in a number of member states, notably, Denmark and the UK.

1.3.5 Ongoing Economic Integration and Trade Liberalisation

These trends towards greater economic integration - also evidenced by agreements between the USA, Canada and Mexico and developments within ASEAN and Latin American regions - are likely to provide further impetus for internationalisation. Moreover, the recently concluded Uruguay round of GATT negotiations has made tentative - if not wholly satisfactory - progress towards liberalising trade in commercial services and reached agreement on other measures to stimulate world trade by up to \$Bn. 300 per annum. Although protectionist posturing by the United States, the Europe and Japan continue to give rise for concern, leaders of the G7 nations recognise the need for concerted action to improve world trade.

1.3.6 The Focus on Smaller Firms

As has been the case throughout the post-war era, MNE's will continue to provide much of the impetus for world trade growth and the expansion of most national economies. The evolution and importance of these MNE's is widely addressed in the international business literature. Extensive research in the area has led to substantive theories on the major factors which have influenced their corporate goals, strategies and development (Buckley and Casson, 1976; Dunning, 1977, 1993; Hood and Young, 1979).

However, changes in global conditions since the mid-1970's and anticipated future trends suggest that as the pace of internationalisation accelerates and as corporate giants stumble - evidenced by the massive losses recently sustained by IBM, GM, Phillips and VW and the ensuing restructuring and redundancy programmes imposed, or by the decline in output and profits experienced by Sony and Toyota - smaller firms will become increasingly involved in the process. As their economic contributions assume greater importance, national governments are likely to provide more active export support for the sector. Consequently, the research undertaken towards this thesis focuses on small-firm internationalisation and on formulation of policies aimed at assisting such firms to initiate exports and to develop greater operational competence in international markets.

1.4 RATIONALE AND OBJECTIVES

Despite extensive investigations into small-firm export behaviour and internationalisation (see Chapter 2, p. 77), many studies which attempt to integrate research in the area express concern that conclusive theories do not yet exist (Wind, 1979; Czinkota and Johnston, 1982; Kaynak, 1985; Andersen, 1993). Indeed, Reid's (1983) assertion that export research is:

"too fragmentary and unprogrammable to yield coherent results"

is strongly supported by Aaby and Slater (1989) who conclude that:

"current export research is balkanised; knowledge on how to make firms effective exporters is underdeveloped (and) present export inquiry consists of a mosaic of autonomous endeavours."

In part, this diffusion can be explained by the extensive range of topics explored during a relatively short time-scale. However, the critical views on the nature and significance of international research expressed by Schollhammer (1973) are also pertinent to export enquiry. Namely, that the absence of conceptual frameworks to guide research, methodological weaknesses and disinterest among researchers in the findings of previous studies have impeded the development of a coherent body of knowledge in the area (Cavusgil and Nevin, 1981; Simon, 1984; Bradley, 1986).

Cavusgil (1982) concludes that this lack of focus also stems from:

"marketing academicians having exhibited an ethnocentric behavior in their interests".

Thus, many studies have sought to advance theories based on the findings of research conducted in specific - and often large domestic-orientated - markets. Consequently, conclusions reached are frequently contradictory and such theories lack general or universal validity (Kaynak, 1985). Often, there is also a lack of congruence between the theoretical and operational level (Andersen, 1993).

1.4.1 Rationale

Notwithstanding such criticisms, the literature reflects broad consensus on several issues. Namely, that small firms are often export-adverse and thus fail to achieve their full potential in international markets; that this reticence can be attributed to a paucity of human and financial resources and; that given these realities, greater policy-support for small exporters is desirable (Rabino, 1980; Roy and Simpson, 1981; Seely and Iglarsh, 1981; Ritchie et al., 1984; O'Rourke, 1985). Nevertheless, enquiry into government export promotion activity (see Chapter 3, p. 164) is generally critical of the lack of support for smaller firms. It concludes that many offerings are inadequate to the sector's requirements and argues for a greater targeting of services to help small firms to overcome diverse problems they may encounter at different stages of export development (Cavusgil, 1983; Barrett and Wilkinson, 1985; Seringhaus, 1987). These conclusions suggest that further research is required if the gap between small-firm needs and government provision is to be overcome.

Wind (1979) describes the entire field of international marketing as one in which:

"empirical work by practitioners is often more advanced and insightful than academic contributions".

However, a high proportion of export enquiries have been conducted in large countries - most notably, the US - where small firms' involvement in exporting is low and criticisms of government assistance are widespread. It may, therefore, be argued that the most insightful macro- and micro- perspectives on small-firm internationalisation are not likely to emanate from these countries, but rather from nations with limited home markets and small-firm bases. In small nations, export policies are more likely to focus on the small-business sector and the activities of export promotion organisations (EPO's) will, arguably, be more innovative and advanced in this respect. Intense pressures to internationalise will also influence the behaviour of smaller firms, encouraging them to consider export activity as an alternative and feasible strategy for growth (Luostarinen, 1980, Johannisson, 1984; Mitchell and Bradley, 1986; Verhoeven, 1988).

These considerations provide the rationale for the present research, a comparative study of the internationalisation of small Finnish, Irish and Norwegian computer software firms. The criteria for country and sector selection are elaborated in Chapter 5 (p. 259), however, a number of key factors are noted at this stage. Countries were chosen because of:

- **Evidence from secondary sources (Bowen, 1986: ETPO, 1987) and key informants that national Export Promotion Organisations were proactive and small-firm orientated**
- **Similarities in country characteristics, i.e. small-firm economic bases, small home markets and broadly comparable environments**
- **Their high degree of export dependence, but peripheral location and geographic isolation from principal export markets.**

These criteria were established in order to minimise the impact of extraneous variables, such as differences in domestic market size or structure, on the research findings. A cross-national approach was adopted to reduce the likelihood of arriving at ethnocentric conclusions and - thereby - limiting the wider applicability of pertinent policy recommendations.

The decision to investigate computer software firms was taken in view of:

- **The rapid global expansion of the computer software sector**
- **Its growing importance not just to information-based industries, but also to many new high-technology sectors and industrial processes**
- **A perception that, in an increasingly environmentally conscious era, software is a "clean" technology.¹**
- **The comparability of the sector in Finland, Ireland and Norway in terms of output and number and size of firms.**
- **EPO commitment to developing the sector's export capacity and their favourable predisposition to facilitating the present research.**

¹ This view reflects not only the low environmental impact of software development and production per se, but also the efficiencies software applications offer in manufacturing and communications and their potential to reduce the inefficient movement of goods, paperwork and people.

Finland, Ireland and Norway are all small open economies with small-firm bases which pursue outwardly-orientated industrial development policies and are highly dependent on the export activities of smaller indigenous firms (see Chapter 4, p. 204). As a consequence, the respective national EPO's are perceived as being in the vanguard of innovative approaches to small-firm export development and their acknowledged expertise will offer valuable research and policy perspectives. Nevertheless, none of these countries has a global reputation for software development, nor do they have a significant share of world software markets (see Chapter 4, p. 247)

1.4.2 Aims and Objectives

As stated at the outset, (p. 3) the nature of the present research is empirical. It seeks to corroborate existing small-firm export behaviour theories and to integrate relevant concepts - together with empirical findings - into a policy support framework for the internationalisation of small computer software firms. Enquiries are undertaken at two levels: Firstly, into the export activities, behaviour, performance and support needs of small software firms in Finland, Ireland and Norway. Secondly, into the provision and efficacy of export assistance by EPO's in these countries.

At firm-level, research focuses on:

- **Key determinants to export initiation**
- **Subsequent processes and patterns of internationalisation vis-a-vis market selection and entry decisions**
- **Factors regarded by decision-makers as critical to export success and decision-makers' perceptions concerning the firm's competitive competence in these areas**
- **Problems and obstacles encountered in export operations**
- **Awareness and utilisation of - and satisfaction with - government export assistance**

In respect to the provision of export support, attention is given to the availability and usage of information and assistance from non-government sources such as chambers of commerce, financial institutions and trade associations. However, the principal research focus is on EPO provisions and their:

- **role in stimulating export awareness and interest**
- **capacity to foster increased commitment among active firms**
- **utility in assisting firms' develop international competence.**

Evaluating the relevance of specific EPO programmes and services to small firms at different stages of export development and with disparate needs is a research priority.

The ultimate research objective is to develop a policy model for the internationalisation of small firms in the computer software sector. This will provide direction for policy-makers in countries where the research was undertaken. It will also offer useful policy insights for other countries seeking to become more competitive in a rapidly expanding sector which is currently dominated by large western nations. The proposed model is outlined in Section 1.8 (p. 65) and elaborated in Chapter 8 (p. 414).

Given that these enquiries focus upon a single sector, any claim regarding the universal validity of research findings would be both presumptuous and unsustainable. However, as prior research into the export behaviour and internationalisation of small firms in non-traditional high-technology areas is rather limited, pertinent findings and conclusions will offer new policy perspectives and contribute to the existing body of knowledge. Moreover, although recommendations are - in the main - sector-specific many of the elements of the proposed model are pertinent to policy-makers seeking to design and implement coherent small-firm export development strategies, irrespective of the targeted industry.

1.5 DEFINITIONS, CONCEPTS AND BACKGROUND

There is a marked lack of consistency in definitions used in small business research in general and in export related studies in particular. It is, therefore, important to define the terminology used in this research and to establish what is meant by "small firm", "internationalisation" and "export assistance". The term "computer software" is also explained.

1.5.1 Defining a "Small Firm"

Establishing an acceptable definition for a "small firm" has often proved to be difficult. Peterson (1977) concludes that:

"no country has a single legal definition of small business. All definitions are linked to legislation establishing such things as small business development corporations or loan guarantee institutions."

In support, Reid (1982) cites a study conducted by the Georgia Institute of Technology in 1975, identifying 75 different American definitions based on a variety of measures such as number of employees, asset size, sales volume, ownership or various combinations of these criteria. Beesley and Wilson (1981) also discovered over forty different definitions used by central government in the United Kingdom at the time.

Thus, if size is measured by "number of employees", a small firm in the United States is deemed by the Small Business Administration to employ less than 100 workers in service sectors and below 500 in manufacturing (Longenecker and Moore, 1991). The European Commission classifies firms of less than 500 employees as small-to-medium sized enterprises (SME's). Within this category "micro-enterprises" employ less than ten workers and small firms are generally regarded as having less than 100 employees. However, community action programmes for SME's often target "smaller" firms with fewer than 200-250 workers. Furthermore, individual member states adopt different size cut-off points for small firms ranging from less than 50 employees to under 200.

Classifications using other quantitative measures such as turnover or asset size are equally diverse and international comparisons are made problematic by substantial variations in the coverage of official data, their bases of compilation and the general availability and accuracy of small business statistics (Ganguly, 1985; Mason and Harrison, 1990). Currency fluctuation and differences in levels of inflation from country to country compound these problems in longitudinal studies. Reid (1982) concludes that a lack of commonality in the measures employed leads to the absence of a framework capable of operationalising valid measures for size.

Given these difficulties, attempts have been made to develop definitions which incorporate qualitative factors. The Bolton Commission (1971), for example, defined small UK firms as those:

- employing less than two hundred workers
- being managed by its owners or part-owners
- having a relatively small share of its market

It also noted that a distinction should be made between manufacturing and service firms and that sectoral influences on the concentration of employment by size of firm should not be ignored.

The US Small Business Act of 1953 defines a small business as one which:

"is independently owned and operated and not dominant in its' field of operation".

Both of these definitions have since been modified by researchers who argue, correctly, that small firms may have dominant positions in niche markets (Storey and Johnson, 1986). Other investigators have rejected structural measures and called for the use of behavioural criteria that would appear to have more face validity than existing size indicators (McGuire, 1976).

This study adopts a definition offered by the US Committee for Economic Development (CED). It classifies a small firm as one which possesses at least two of the following four characteristics:

- 1. Management of the firm is independent. Usually the managers are also the owners.**
- 2. Capital is supplied and the ownership is held by an individual or a small group.**
- 3. The area of operation is mainly local, with workers and owners living in one home community. However, the market need not be local.**
- 4. The relative size of a firm within its industry must be small when compared with the biggest units in the field. This measure can be in terms of sales volume number of employees or other significant comparisons.**

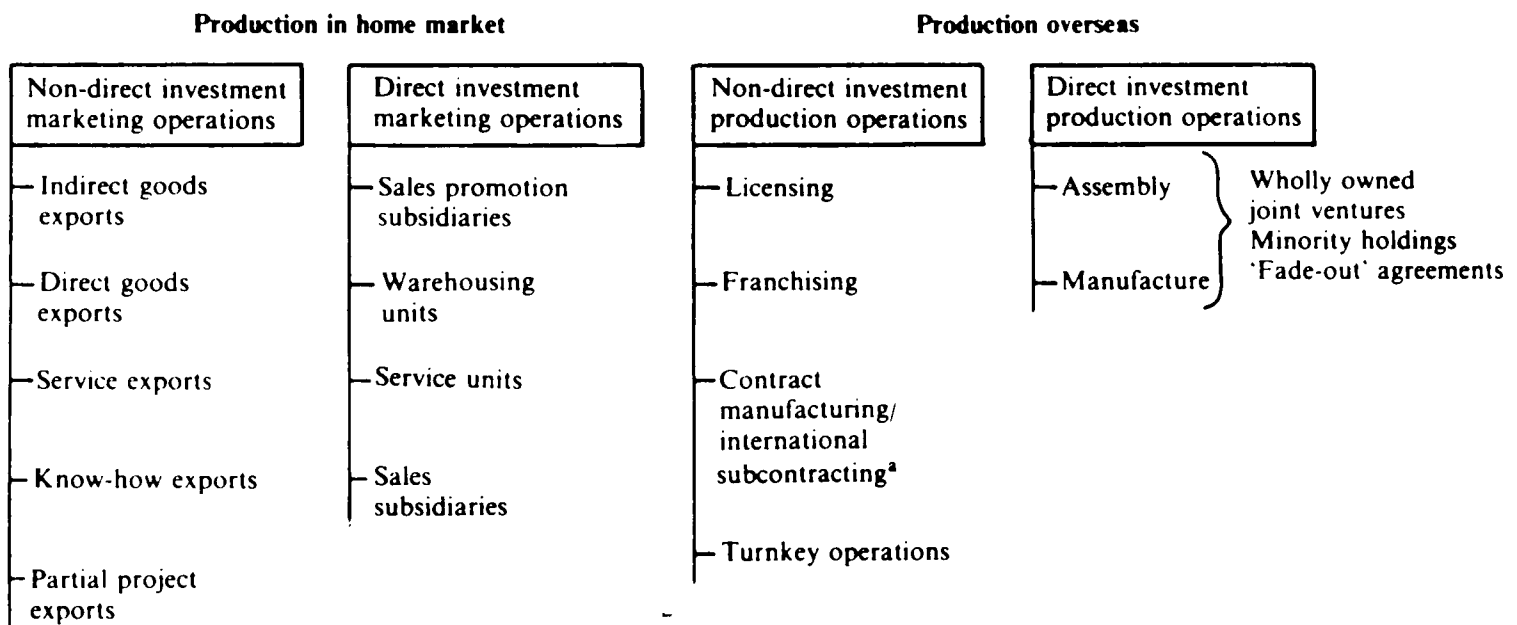
In respect of size, following consultations with the major industry body, the European Computing Services Association¹ (ECSA), an upper limit of 200 employees was used to classify small firms in the sector. However, it should be noted that many computer software firms are, in fact, very small concerns which often employ only a handful of people.

This CED definition enables enquiry to focus on qualitative attributes of the firm rather than quantitative measures. It recognises that small firms have different characteristics to larger companies but that, arguably, the most significant differences between them is not size per se but rather their aims and objectives, management styles and operational approaches (Mendham and Bannock, 1982). These issues are explored in more depth in Chapter 2 (p. 69), but it should be recognised that independent, highly-personalised management styles and resource constraints strongly influence the goals and strategies of small firms regardless of the scope of their operations (Carson, 1990).

¹ The ECSA represents the interests of approximately 1500 member firms throughout Europe and Scandinavia.

1.5.2 "Internationalisation": the Term and the Process

Previous small-business research, particularly the early contributions, tend to focus on exporting or use the term generically to cover various forms of foreign market involvement. However, while exporting is often regarded as a first step in the internationalisation process, it is by no means the only option (see Figure 1.6). Oman (1984) highlights the growth of "new forms of international investment" involving cooperative ventures, strategic alliances, etc. that are quite different to conventional exporting. Young (1987) also suggests that alternative strategies, such as licensing and joint-ventures, are being more widely adopted by smaller firms as initial market entry modes. Moreover, Luostarinen and Welch (1990) note that internationalisation often begins prior to export initiation through inward technology transfers or by means of other inward operations such as the importing of machinery, components and raw materials.



^aAssuming that international subcontracting takes place between independent companies in home and overseas markets

Figure 1.6: International Market Entry and Development
(Source: The Internationalization of the Firm, Luostarinen, 1980)

"Internationalisation" is defined by Welch and Luostarinen (1988) as:

"the process of increasing involvement in international operations".

A number of models which seek to explain this concept are discussed and evaluated in Chapter 2 (p. 104). However, most propose a "stages theory" postulating that firms proceed in a consistent, sequential, manner along some organisational continuum as they develop international activities. In the "Upsalla school" establishment-chain model, proposed originally by Johanson and Wiedersheim-Paul (1975), two patterns can be discerned; Firstly, that firms progress from having no regular exports to exporting through agents, then via subsidiaries, before eventually establishing foreign production operations. Such a sequence of "stages" also indicates increased commitment due to greater knowledge and experience. Secondly, that firms enter markets with successively greater "psychic distance" in terms of cultural and geographic proximity (Johanson and Vahlne, 1977).

Other models, focus on increasing dependence on exporting and greater commitment to a growing number of markets (Bilkey and Tesar, 1977; Czinkota and Johnston, 1981; Cavusgil, 1984). These also propose a "stages" approach - although the precise number is contested - and generally support the notion of psychic distance. However, less emphasis is placed on a step-wise development of alternative market entry modes. Thus, from being unwilling to export, firms proceed through various stages to become experienced, highly committed large exporters.

As evidenced in the literature, "internationalisation stage" theories have been widely accepted. Nevertheless, they have also been criticised by Reid (1983) for being too deterministic and a growing number of empirical studies have challenged their basic proposition (Young and Hood, 1986; Turnbull, 1987). Czinkota and Ursic (1983) and Nordstrom (1990) contend that psychic distance is much less relevant in an era when markets have become much more homogeneous and that the concept is not applicable to service-based industries.

Consequently, more recent conceptualisations propose a network approach in which interconnected exchange relationships evolve in a dynamic, less structured manner and where growing mutual knowledge and trust create greater commitment between market actors (Johanson and Mattson, 1988; Kogut, 1990; Blankenberg and Johanson, 1992).

However, while these views and alternative paradigms identify some of the limitations of the models which are discussed in Chapter 2 (p. 104), the internationalisation concept is significant in a number of respects. First, it indicates that firms internationalise in an incremental manner, even if the process is rather less structured than some models imply. Second, the concept and elements of the models - notably, those dealing with export commitment - offer useful frameworks for improved policy formulation and mechanisms for segmenting firms with diverse international experience and support needs.

In this thesis, the term "internationalisation" will be used to encompass all forms of outward operations and to include any pre-involvement stimuli which may influence the initial decision. This definition is adopted to avoid excluding a broader spectrum of internationally oriented activities from the research.

1.5.3 Defining Government "Export Assistance"

In theory "export assistance" is a subset of "export promotion" which Seringhaus (1986) considers to be:

"all public policy measures which actually or potentially enhance exports at firm, industry or national level".

These measures can be classified into those which directly or indirectly influence export development (see Chapter 3, p. 171). The former are generally the remit of national Export Promotion Organisations (EPO's). The latter are all elements of government policy aimed at improving firms' competitiveness which, although not specifically designed for export, may generate future export benefits.

Nevertheless, as Diamantopoulos et al. (1993) observe, the terms "export assistance", "export promotion", "export support" and - indeed - "export incentives" tend to be used interchangeably throughout the literature. **The present study uses these terms synonymously to refer specifically to all direct measures implemented by national EPO's.**

As discussed in Chapter 3 (p. 174), the structures of national export promotion systems and the precise nature of EPO support in different countries are influenced by diverse philosophies regarding the level of government funding, delivery mechanisms and the degree of public and private interaction. Nevertheless, most national EPO provisions are broadly comparable, given that they tend to pursue similar objectives within the constraints imposed by compliance with the General Agreement on Tariffs and Trade (GATT).

1.5.4 Introduction to the Computer Industry and Definition of "Software"

Any computer system contains three key elements: First, the "hardware" platform which may be a mainframe, a personal computer (PC), a portable - such as a laptop, palmtop or notebook - or a workstation. Second, the micro-processor or "chip" which provides the processing capacity. Third, the "software" which can be subdivided into "systems" and "applications" software. Examples of the former are Microsoft's MS-DOS which is the operating system for almost 90% of PC's or Unix which is widely used to drive mainframes and workstations. Applications software can be further segmented into two broad categories, standard and widely used packages with general business applications - such as Wordperfect word processing, Harvard Graphics or Lotus 1.2.3 spreadsheet - and other packages which are designed for specialist applications, such as financial software for banks or insurance companies, packages for the travel industry (airline or hotel reservations, etc.) or, indeed, many other industry/firm specific applications.

The evolution of the computer industry during the last three decades has been phenomenal and its development is discussed in greater detail in Chapter 4 (p. 239). However, several major trends should be highlighted at this point. Firstly, "down-sizing" - the shift away from mainframes to mid-range or mini-computers, PC's, workstations or portable computers - as a result of the vastly increased capacity of micro-processors since the early 1980's. Secondly, standardisation of the PC sector, wherein the majority of PC's are IBM compatible and use standard software packages. Thirdly, the decline of proprietary and incompatible operating systems and a move towards open systems which allow users greater flexibility in the choice of hardware and software configurations.

The net effects of all these developments have been threefold: Firstly, they have shifted the balance of power within the computer industry away from hardware manufacturers towards software developers. In the 1990's computers have virtually become a commodity and - irrespective of the particular segment - offerings are increasingly standard. Although sales volumes are up, prices continue to fall and margins are low. Most large computer manufacturers - such as IBM, Digital Equipment Corporation and Unisys - have experienced substantial losses and shed vast numbers of employees. Some have been forced to restructure and focus more attention on their software and consultancy activities, others - such as ICL and Nokia Data - have been acquired and merged. In contrast, many software companies - notably, Microsoft and Novell - have seen a rapid expansion in sales and profitability and have risen from being small concerns to become industry leaders.

Secondly, the increased importance of software had led to higher levels of collaboration between hardware and software producers. This is evidenced not only in terms of greater integration in the design and development of new offerings, but also by the trend towards "bundling", in which PC's are supplied with a range of pre-installed software applications. It is also manifest in marketing, where hardware manufacturers and software houses increasingly use common distribution channels, such as dealers, computer speciality outlets and value added retailers.

Thirdly, the shift in the balance of power within the industry has also led to the proliferation of small software firms, many of which develop highly innovative applications packages. While some may emulate Microsoft and grow rapidly, others are likely to remain niche players serving specialist sectors. Not in doubt is the fact that greater opportunities exist for small software firms than ever before and that size is not a barrier to entry. Nor is firm size or age regarded as a major impediment to export initiation. However, given the global nature of the computer industry as a whole and the high service component of many software offerings, some doubts exist concerning the relevance of "establishment chain" theories vis-a-vis the internationalisation of computer software firms (see Section 1.5.2, p. 56 and Chapter 4, p. 246).

The term "software" is generally used to define all types of instructions to the computer in any form that can be altered with relative ease and relates to both systems and applications programmes. **However, for the purposes of this study, "software" refers specifically to the specialist application packages developed by firms surveyed in the research.** Given the preceding discussion, these are all small firms. In some cases, their offerings have been designed to operate on mid-range or mini-computers - such as IBM S36 and AS400 platforms, or similar - but mostly they have been developed for IBM-PC compatibles.

1.5.5 Background to the Countries Investigated

Key economic indicators for Finland, Ireland and Norway are contained in Chapter 4 (p. 205) together with an elaboration of the respective market environments and further details concerning national export promotion activities. As has already been noted in Section 1.4.1 (p. 31) these countries are small open economies with small-firm bases. All are highly export dependent but are, to an extent, geographically isolated from their major markets. Many similarities exist, not only in terms of population, domestic market size, economic growth, volume of exports and so forth, but also, in respect of their political systems, historical development and - perhaps, more surprisingly - socio-cultural factors.

Finland, Ireland and Norway are all parliamentary democracies, members of OECD and nations within the European Economic Area. Ireland has been an EC member state since 1973. Norway rejected the opportunity to join the EC in a referendum in 1972 but may re-apply soon, although a strong anti-EC lobby might prevent the present government from obtaining the necessary 75% majority in any future vote. Finland is not currently in the EC, but has applied for membership and hopes to join in January 1995. Finland's decision has been accelerated by the economic and political impact of the demise of the neighbouring Soviet Union.

In terms of GDP, the Finnish and Norwegian economies are larger than that of Ireland, but both have extensive natural resources. In Finland's case, forestry which contribute to a large paper and pulp processing industry. Norway has extensive oil and natural gas reserves in the North Sea and a large petroleum industry. However, average GDP growth since 1965 is comparable for all three countries. At the outset of the present study in 1988, the value of Finnish, Irish and Norwegian exports were also very similar (see Table 1.3). Ireland and Norway were highly dependant on EC markets, Finland was less so. However, the latter's trade patterns have changed dramatically since the disintegration of the Soviet Union. (Figures for 1988-92 and recent trends are shown in Chapter 4, p. 212).

As can be seen in Table 1.3, Finland and Norway also had slightly larger populations than Ireland, but all had less than 5 million inhabitants in 1988. These countries also have certain historical similarities in that they all gained their independence in the early 20th century. Finland was part of Sweden until 1809 and then a Russian Grand Dutchy until it declared independence in 1917. This was formally granted in 1920. Ireland became an independent state in 1921 after the abortive Easter Rising in 1916, a guerilla war against the British and partition. Having been under Danish rule for four centuries, Norway was transferred to the Swedish crown in 1814. It retained a parliament (Storting) and some degree of autonomy until 1905, when the Storting secured independence in a plebiscite.

These historical connections - together with geographical proximity - are important in terms of the trade patterns of the respective countries. As can be seen from Table 3.1, Finland had extremely strong trade links with the Soviet Union and also with Sweden. It is certain to be pivotal in the future development of the new independent Baltic states and other former Soviet republics. Ireland's dependency on the UK market has diminished greatly since the 1950's, but it still accounts for some 30-35% of Irish exports. The UK is also Norway's major export market, mainly as a result of North Sea oil related goods and services - oil alone accounts for some 40% of Norwegian exports - but Sweden and other Scandinavian countries remain important markets (see Chapter 4, p. 217).

	Finland	Ireland	Norway
Population (mn.)	4.95	3.54	4.20
GDP (\$ bn. 1988)	104.72	32.50	91.24
GDP Growth			
(Average % 1965-1980)	4.0	4.3	4.4
(Average % 1980-1988)	3.2	1.7	2.7
Trade (% of GDP 1988)	24.9	58.5	36.2
Imports (\$ bn. 1988)	20.68	14.56	23.11
Exports (\$ bn. 1988)	21.82	18.39	23.0
Export Destinations (% of exports 1988)			
Major Export Markets (Rank and % 1988)			
EC	44.2	74.0	65.2
France		(3) 9.0	
Germany		(2) 11.0	(2) 12.4
Sweden	(2) 14.1		(3) 11.7
UK	(3) 13.0	(1) 35.0	(1) 26.0
USSR	(1) 14.9		

Table 1.3: Selected Data for Finland, Ireland and Norway at the Outset of the Present Research, 1988

(Source: Vital World Statistics, The Economist, 1990)

Another very interesting similarity between these countries is evidence of a degree of cultural affinity, identified in Hofstede's (1980, 1983) seminal research into national business cultures. Based on a longitudinal study of 116,000 IBM employees in 66 locations worldwide, he was able to derive four dimensions on which national cultures exhibited significant differences in management related issues:

- **Power-distance** - relates to the concentration of decision-making power and the extent to which a society and its' individuals tolerate an unequal distribution of power within organisations and society.
- **Uncertainty avoidance** - measures the extent to which individuals feel threatened by uncertainty, risk and ambiguous or undefined situations. (It may be postulated that export decisions fall into this category.)
- **Individualism/collectivism** - collectivist countries have a close-knit structure and people work within - and rely on - their groups. In individualistic societies social fabrics are much looser, people are basically supposed to care for themselves and their immediate family and exchange takes place on a reciprocal basis.
- **Masculinity/femininity** - in masculine society dominant values favour assertiveness, independence and self-interest. Feminine societies favour nurturing roles, interdependence and caring for others.

As can be seen in Figure 1.7, Finland, Ireland and Norway are in the same cluster when rated on power-distance and individualism indices. All three countries are classified as small individualist societies. Some differences appear to exist vis-a-vis uncertainty avoidance and masculinity/femininity dimensions. As can be seen in Table 1.4, Ireland's rating on the former suggests a lower aversion to risk. This may offer a partial explanation as to why Irish firms - individually and collectively - appear to be more aggressive exporters than their Finnish and Norwegian counterparts, as evidenced by Ireland's greater reliance on foreign trade (see Table 1.3). In common with other Scandinavian countries, low masculinity ratings in both Finland and Norway are indicative of greater interdependence. It is, therefore, not altogether surprising that the notion of "group exporting" originated in Scandinavia. Despite such variations, the similarities in business culture are striking and social attitudes and values in these countries are more comparable than is, at first, apparent.

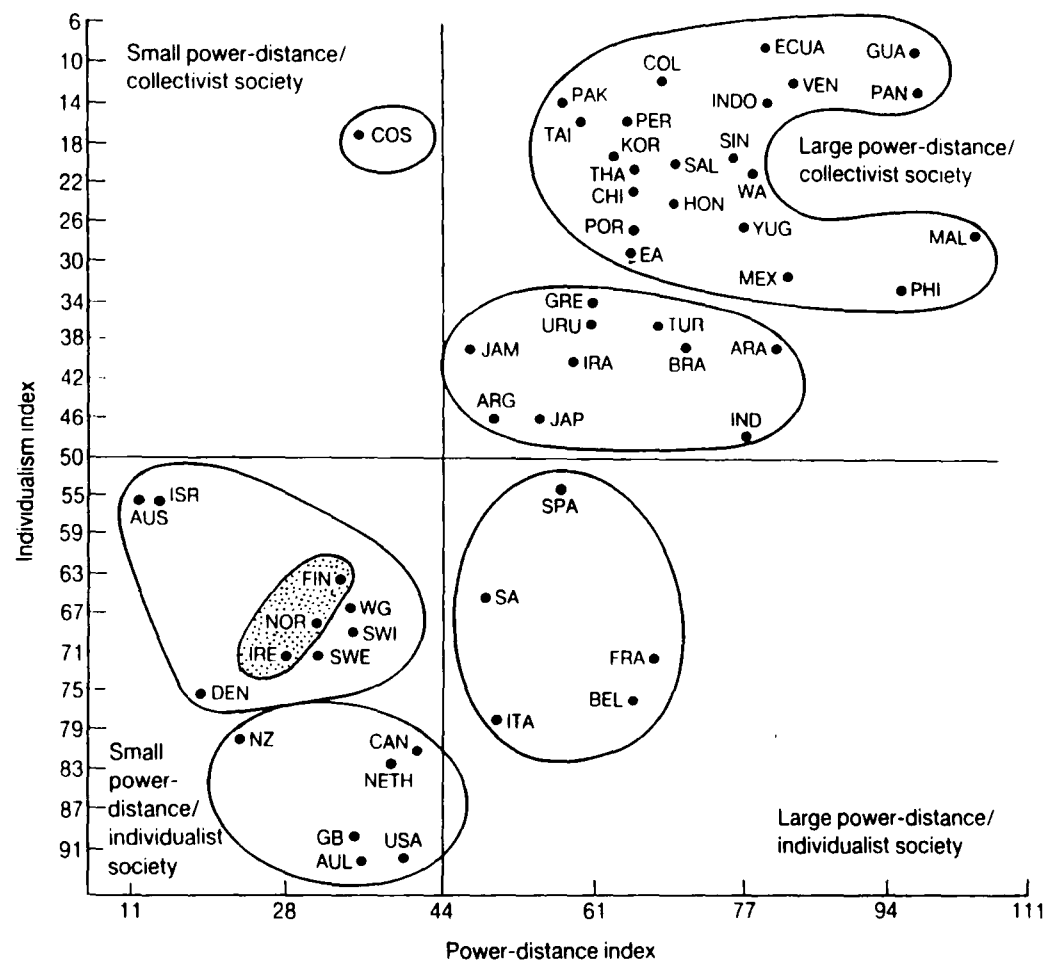


Figure 1.7: Power-distance/Individualism Indices of 53 Countries
 (Source: Culture's Consequences: International Differences in Work-related Values, Hofstede, 1980)

	Finland	Ireland	Norway	Mean ¹
Power-distance	33	28	31	57
Individualism	63	70	69	43
Uncertainty avoidance	59	35	50	65
Masculinity	26	68	8	49

¹ Mean for all 53 countries in the study

Table 1.4: Business Culture Dimensions in Selected Countries
 (Source: Culture's Consequences: International Differences in Work-related Values, Hofstede, 1980)

1.5.6 Export Promotion in Finland, Ireland and Norway

The nature of Export Promotion in Finland, Norway and Ireland is also elaborated in Chapter 4 (p. 222). However, a number of important aspects should be noted. Firstly, specific services and programmes are broadly similar and the respective national export promotion organisations place particular emphasis on support measures for smaller firms. Secondly, EPO funding and delivery mechanisms differ in each country:

- The Finnish Foreign Trade Association (FFTA) is a semi-governmental organisation which obtains funding - in roughly equal proportions - from government, the Confederation of Finnish Industries and fees for services. The FFTA provides information to exporters and organises promotional activities, but firms may obtain grants from the Ministry for Trade and Industry for specific export market development programmes. Specific support measures for small firms include export managers for hire and regional export advisers.
- Ireland's Córas Tráchtála (now Bord Tráchtála, see Section 1.5.7, p.50) is a state-sponsored organisation and generates additional revenue by charges on services. It has the specific mandate of supporting smaller exporters, in consequence, most of its services have a small-firm orientation.
- The Export Council of Norway, Norges Eksportråd, is financed by a 3/4 per mille levy on commodity exports, excluding ships. It has a section specifically for small and medium sized exporters (SMB-E) which provides financial grants, training and export managers for hire schemes.

The preceding discussion has sought to draw attention to the similarities of the countries under investigation in the present research and between the nature and scope of export promotion. Clearly, certain differences exist not only in terms of market environments, international orientation and so forth, but also vis-a-vis export promotion systems. However, all the evidence suggests that Finland, Ireland and Norway are sufficiently similar to provide a good basis for comparative research.

1.5.7 Environmental Changes

The dynamic nature of the international business environment has been demonstrated in Sections 1.2 and 1.3 (pp. 15-30). It is, therefore, not surprising that many changes have taken place during the course of the present research. A number of these are directly pertinent and should be highlighted:

- The disintegration of the Soviet Union has had a major impact on the Finnish economy. Prior to 1991, this area accounted for 20% of Finland's exports. The most recent trade figures indicate that the CIS currently accounts for less than 3% of Finnish exports. There is some evidence, however, that trade with the newly-independent Baltic states is improving.
- Due to volatility in the Exchange Rate Mechanism (ERM), Finland abandoned an attempt to "shadow" currencies in the system in late 1991. This led to a 14% fall in the Finmark's value against the ECU. Speculative pressures in 1992 resulted in a further effective devaluation of 13%. The instability of the ERM - particularly the UK's precipitated withdrawal in late 1992 - forced Ireland to devalue the Punt in early 1993.
- During 1991 Córas Tráchtála, the Irish EPO, was merged with the Irish Goods Council to form a new body, Bord Tráchtála. The impact on the range of services offered has been marginal, but there are resource implications due to a decline in overall funding levels. (There has been some recent discussion regarding the formation of a "super-agency" which may incorporate Bord Tráchtála, the Irish Development Agency and other state bodies. However, to date, no firm decisions have been taken.)

These changes occurred after the administration of the mail questionnaire, though evidence of their impact was detected during the follow-up phase. In consequence, reference will be made to Córas Tráchtála and monetary values of export sales reflect the prevailing exchange rates at the time of the survey (i.e. pre-January 1991). Information on existing or target export markets is presented as indicated by respondents despite the demise of the Soviet Union.

1.6 RESEARCH APPROACH

A number of features of the present research have already been mentioned in Section 1.4 (p. 31). Firstly, the adoption of a comparative approach, focusing on a number of markets and a single industry sector. Secondly, the need to conduct investigations at both firm and Export Promotion Organisation (EPO) level. Thirdly, the choice of a pragmatic rather than theoretical approach. These decisions were influenced by guidelines for future export research emanating from criticisms regarding the nature and scope of previous enquiry (Cavusgil and Nevin, 1981; Czinkota; 1983; Reid, 1983; Kaynak; 1985; Thomas and Araujo, 1986).

The approach adopted - together with the methodologies employed - are elaborated and justified in Chapter 5 (p. 253). However, several key aspects of the research are amplified at this point. Firstly, because the study is policy-orientated and empirical in nature, multi-stage research was favoured in a series of sequential steps:

1. Secondary sources (Bowen, 1986; Seringhaus, 1987), study documents (ETPO, 1987) and key informants were used in the country selection process.
2. Telephone and in-depth face-to-face interviews were conducted with senior EPO personnel in each country to secure their cooperation in operationalising the research and to obtain detailed information on the services provided. They also provided valuable advice on the choice of sector, the sample and on various aspects of instrument design.
3. Demographic data on the firms and their export performance was gathered by means of a mail questionnaire personally addressed to the Managing Director of 209 indigenous and independent software exporters - 73 in Finland, 71 in Ireland and 65 in Norway - with fewer than 200 employees. This pre-tested instrument also sought opinions on key export success factors, export problems and EPO services. Replies were evenly distributed by country and a useable response of 52.4% was obtained after a first and secondary mailing and reminder letters or facsimiles had been sent.

4. Data collected in the survey was analysed using an SPSSx statistical software package. Multivariate analysis, using the χ^2 statistic, revealed no proven association between the firms' demographic characteristics (size, age, ownership) and export performance variables (export ratio¹, growth and experience) but indicated that relationships existed between these latter variables. Consequently, the export ratio was adopted as a single key measure of export performance and firms were classified by "stance" as:

Occasional exporters (where the export ratio was <10%)

Frequent exporters (where the ratio was between 10-50%)

Aggressive exporters (where the export ratio was >50%).

Data was then further analysed to explore possible variations in response according to the firms' export "stance" and also to investigate differences which might exist between Finnish, Irish and Norwegian firms. A variety of statistical techniques were employed, including Kruskal-Wallis one-way analysis of variance (ANOVA).

5. On the basis of this analysis a representative sub-sample of firms were selected for further investigation during a second visit to the markets. In-depth semi-structured interviews were conducted with 24 managing directors who had replied to the original instrument. The main purpose of these interviews was to explore the attributes of key decision-makers (age, qualifications, prior work experience, previous international exposure, foreign language competence). As part of this process a personal inventory test was administered to examine their attitudes in the workplace (leadership, work style, social nature, temperament) in order to gauge how these factors might impact on export activities. This - predominantly - qualitative information was used to supplement the, mainly, quantitative data collected via the mail questionnaire.
6. A further objective of the market visits was to discuss pertinent aspects of the preliminary findings with key EPO contacts. Issues concerning the awareness and usage of - and satisfaction with - specific export services were clarified. These individuals were also used as expert witnesses in exploring the viability of tentative recommendations. Their opinions, together with further analysis of the data obtained from the mail survey and the follow-up depth interviews were used to develop the main findings conclusions and policy recommendations.

¹ This ratio is a measure of export sales as a percentage of total sales. It has been widely used in previous export research.

A second important aspect of the research was the use of both quantitative and qualitative techniques. Prior export-related research has been widely criticised for the dominant use of a logical-empiricist methodology and the extensive use of mail questionnaires as the sole method of primary data collection (Kamath et al., 1987; Dyma, 1984). As in the case of the present study, these concerns are particularly pertinent when research involves smaller firms who are notoriously reluctant to provide information - if, indeed, they have it in the first place - or when behavioural aspects are explored (Hirschmann, 1986). By adopting a multi-stage procedure, it was possible to employ a variety of quantitative and qualitative data collection methods and analytical techniques. This approach, described by Smith (1975) as "methodological triangulation" reduces response bias by collecting data from a number of sources, or by utilising different methods to verify information from the same sample (Easterby-Smith et al., 1991). Advocates also argue that an "appropriate mix" of techniques is a useful way to enrich perspectives on marketing phenomena (Baker, 1990).

1.7 PROPOSITIONS AND HYPOTHESES

Previous export enquiry can be classified into a number of broad streams:

- Studies which focus on export initiation and influences on the decision to internationalise (Cavusgil and Nevin 1981; Piercy, 1981; Reid, 1981; Johnston and Czinkota, 1982; Dichtl et al., 1984).
- Investigations into the internationalisation "process" and market selection and entry decisions (Johanson and Vahlne, 1975, 1977 and 1990; Johanson and Mattson 1984 and 1988; Welch and Joynt, 1984; Strandskov; 1986; Sullivan and Bauerschmidt, 1990).
- Research on barriers to exporting, problems associated with export operations and implications for government export development approaches (Tookey, 1964; Pavord and Bogart, 1975; Khan, 1978; Rabino, 1980; O'Rourke, 1985; Bodur, 1986; Sharkey et al., 1989).
- Exploration of export marketing strategies and on specific elements of the "mix" such as distribution, product policy and export pricing (Weinrauch and Rao, 1974; Rosson and Ford, 1980; Kirpalani and MacIntosh, 1980; Bilkey 1982; Ford et al, 1982; Kleinschmidt and Cooper, 1984; Cavusgil 1988; Kreutzer, 1989).

In focusing on current exporters' problems and EPO services, the present study is positioned in the third of these areas and the main hypotheses relate to perceived export "success" factors and to the problems facing smaller exporters. They also examine firms' awareness and usage of - and satisfaction with - export services in order to investigate the efficacy of government measures aimed at helping firms to overcome these difficulties. However, aspects of the first two research streams are also important in terms of understanding the underlying attitudinal and behavioural factors which influence decision-makers to develop export activities in the first place. Moreover, they are significant from a policy perspective, insofar as the remits of EPO's usually include stimulating firms to initiate and expand export operations. Thus, propositions on the export development processes and patterns of responding firms were also established.

The use of hypotheses and propositions is discussed in greater depth in Chapter 5 (p. 279). However, in summary, propositions were employed to explore and attempt to understand complex - and often diverse - export decision-making processes. In view of their behavioural nature and the use of quantitative and qualitative data to investigate them, hypothesis testing was considered inappropriate. Conversely, by utilising numerical rating scales, it was possible to obtain statistically analysable data in order to test hypotheses on the nature and intensity of export problems and on the efficacy of government support measures.

1.7.1 Propositions on Export Initiation

A substantial volume of - frequently contradictory - evidence has emerged regarding the initial decision to export. A unifying feature of studies in the area is widespread agreement that the decision to export is triggered by certain external and internal "attention-evoking" stimuli. According to Olsen and Wiedersheim-Paul (1978), motivation to export is influenced by interaction between such stimuli - the receipt of an unsolicited order, excess capacity, a stagnant home market, managerial ambition, growth or profit goals, foreign market opportunities - and firm and decision-maker characteristics (see Figure 2.4, p. 89).

It is generally agreed that decision-maker's attributes and attitudes are key factors in export initiation and expansion and that younger, dynamic, innovative and flexible managers - especially those with prior international exposure - are more likely to engage their firms in export activities (Groke and Kreidle, 1967; Reid, 1981 and 1983; Cavusgil and Naor, 1987; Aaby and Slater, 1989). However, the importance of firm characteristics is rather less conclusive. Conflicting findings exist regarding the impact of size, age, product and technology factors, domestic market conditions and so forth (Tookey, 1964; Kirpalani and MacIntosh, 1980; Reid, 1982; Withey, 1982; Schlegelmilch, 1986; Miesenbock, 1988).

Despite a lack of consensus, researchers also conclude that it is important to differentiate between internal and external export stimuli insofar as the former, generally, motivate larger companies to export proactively, but that smaller firms are much more likely to react to external influences (Wiedersheim-Paul et al., 1979; Miesenbock, 1988; Albaum et al. 1989; Ursic and Czinkota, 1989). In light of these considerations, the following propositions will be explored:

Proposition 1

That the initial export decision of small software firms is most likely to be:

- a) influenced by external factors**
- b) that the initial response to these external stimuli is reactive.**

Proposition 2

That:

- a) small size is not a significant impediment to export initiation**
- b) the age of the software firm is unimportant in this respect**
- c) size and age may indicate the existence of human and financial resource constraints which might limit export growth.**

Proposition 3

That managerial factors influence the firms' propensity to export but that:

- a) many decision-maker characteristics and attributes identified in the literature are inherently entrepreneurial and possessed by the owner/managers of exporting and non-exporting firms**
- b) the decision-maker's prior export experience is a key factor.**

1.7.2 Propositions on the Internationalisation "Process"

As indicated in Section 1.5.2 (p. 39), while many internationalisation "stage" theories have been proposed and accepted, the validity of the concept is - increasingly - challenged (Turnbull, 1987). The present study accepts Reid's (1983) view that:

"there are no a priori reasons why firm international growth should occur in a systematic fashion".

Arguably, this is particularly the case in service-intensive sectors where establishment-chain models are deemed inappropriate (Nordstrom, 1990; Buckley et al., 1992) and among small firms with limited resources where, according to Mitchell and Bradley, (1986) export behaviour is often:

"at best, unplanned, reactive and opportunistic".

The present research also supports the argument that, while small-firm internationalisation may not necessarily occur in an orderly or logical fashion, it does take place in an incremental manner. Thus, favourable outcomes lead to increased managerial commitment, greater allocation of resources and intensified export activity (Turnbull, 1987). Conversely, unsatisfactory results, improved domestic market conditions or changed circumstances - at home or abroad - may result in de-internationalisation, thereby negating implicit assumptions of continuous forward momentum (Luostarinen and Welch, 1990).

In respect to the computer software sector, the nature of product-service offerings, complex inter relationships and value-added partnerships between hardware manufacturers, software developers and distributors, the global nature of the computer industry and a high concentration of small software firms (see Chapter 4, p. 239) cast doubts on the value of establishment chain models. However, the international expansion of the sector suggests that many software firms are showing increased commitment to exporting.

The aforementioned factors, together with the high service content of specialist application software packages - installation, customising, training, upgrading, etc. - and the development of such offerings for specific industry sectors, suggest that the notion of "psychic distance" may not exert a strong influence on software firms' international expansion strategies. Consequently, two propositions on the internationalisation process of small software firms will be examined:

Proposition 4

That software firms internationalise in an incremental - but not necessarily systematic - manner.

Proposition 5

That industry specific rather than "psychic distance" factors are more influential on firms' market selection, entry decision and internationalisation strategies.

As can be seen, the preceding propositions all relate to export initiation and internationalisation decisions. Previous research concurs that these decisions are influenced by the interaction between the decision-makers's characteristics and various external and/or internal stimuli. Different decisions, made on the basis of differing managerial perceptions of export opportunities and threats, lead to diverse export strategies and outcomes. The use of propositions to explore these complex export behavioural issues is a necessary pre-requisite to investigating firms' export competencies, problems and support needs by means of the hypotheses stated hereafter.

1.7.3 Hypotheses on Export Problems

There has been no shortage of research efforts into problems associated with export operations. Indeed, these issues are of crucial importance to policy-makers and numerous studies provide useful findings regarding the barriers or impediments to exporting, necessary competitive competencies and critical success factors (Hunt, et al., 1967; Pavord and Bogart, 1975; Rabino, 1980; Ogram, 1982; Yaprak 1985; Bodur, 1986; Katsikeas, 1991). These contributions are comprehensively reviewed in Chapter 2, (p. 127), nevertheless, a number of pertinent observations should be made at this point.

Firstly, different surveys reveal diverse sets of exporting problems and their relative importance varies from one study to another. Secondly, enquiries have often focused on different populations - exporters versus non-exporters (Burton and Schlegelmilch, 1987; Samiee, 1991), "active" and "reactive" exporters (Piercy, 1981, Diamantopoulos and Inglis, 1988), small or medium-sized firms (Czinkota and Johnston, 1983; Culpan, 1989) and so forth. Thirdly, analytical approaches have differed considerably, vis-a-vis classification criteria, definitions, performance measures and statistical techniques employed (Cavusgil and Nevin; 1981; Reid, 1983; Kaynak, 1985; Aaby and Slater, 1989).

Thus, while some of the variations identified between groups may be due to sampling and measurement techniques (Czinkota, 1983) others confirm a different hierarchy of problems and support needs. Nevertheless, some commonality does exist in research into export problems (Bodur, 1986). Indeed, according to Katsikeas' (1991) review of the literature, most of the major barriers and impediments to exporting are:

"infrastructural and institutional, rather than marketing management orientated the most frequently cited being host or home government regulations, lack of foreign market information, documentation requirements and paperwork, financial resource limitations and intense international competition".

As indicated in Section 1.6. (p. 51), the methods used to classify firms enabled further analysis to be undertaken into differences in response both by firms' country of origin and by firms' export "stance" based on their export ratio. Consequently, several hypotheses were established to explore key export success factors, firms' perceived export competencies and limitations and the nature or intensity of firms' export problems. The notion of what constitutes "success" is explored in Chapter 2 (p. 115). However, in this context it is defined as the firms ability to obtain export business in accordance with its' specific growth and/or profit objectives. In order to facilitate testing, all of these hypotheses are expressed in the null form.

Hypotheses H₀1-H₀6

That no significant differences exist in respect of:

- H₀1 The factors deemed critical for export success by firms in the different countries investigated**

- H₀2 The factors deemed critical for export success by firms according to export "stance"**

- H₀3 Perceptions of competitive competence among firms in the different countries investigated**

- H₀4 Perceptions of competitive competence among firms according to export "stance"**

- H₀5 The nature/intensity of export problems experienced by firms in the different countries investigated**

- H₀6 The nature/intensity of export problems experienced by firms according to export "stance".**

1.7.4 Hypotheses on the Use and Utility of Non-governmental Sources of Export Marketing Information and Support

While EPO's are the major source of export assistance, they are by no means the only providers of information and support. Other public and private bodies - such as regional or small-firm development agencies, banks, trade associations, chambers of commerce and universities - frequently help clients or members. Information can also be obtained from published reports, commercial databases, commissioned research and relationships with customers or suppliers.

A number of dominant themes emerge from recent small-business research; Firstly, criticism of the general levels of support provided to small-firms by banks and other financial institutions (Binks et al., 1988; Hall, 1989; Stanworth and Gray, 1991). A number of studies conclude that obtaining export finance is a major difficulty (Small Business Research Trust, 1986; Bannock and Peacock, 1989). Secondly, recognition by researchers that small-firm decision-makers are more likely to rely on personal networks as information sources. This preference for "experiential knowledge", rather than market intelligence obtained from secondary sources, also influences the export research activities of small firms (Johanson and Vahlne, 1975; Douglas and Craig, 1983). In light of these views and in order to explore the use and utility of broadly comparable export information and support services in each country, the following hypotheses were established:

Hypotheses H₀7-H₀8

That no significant differences exist in the:

H₀7 Firms' use of export assistance provided by EPO's and other public and private organisations in the countries under investigation.

H₀8 Usage of specific sources of export assistance by firms according to their export "stance".

1.7.5 Hypotheses regarding the Awareness and Usage of - and Satisfaction with - Export Service

As indicated in Section 1.4.1 (p. 31), previous enquiry into government export promotion activities has been implicitly or explicitly critical of support available for smaller firms (Pointon, 1978; Albaum, 1983; Buckley, 1983, Seringhaus, 1987). While these issues are expanded in Chapter 3 (p. 174), studies conducted in different countries have often concluded that export services fail to meet small-business needs in a number of key respects.

Firstly, due to inadequate promotion, small firms are often not fully aware of all the support available (Kaynak and Kothari, 1984, Clarke, 1991). Secondly, the nature of many offerings is such that smaller firms often lack the necessary human resources or expertise to utilise them effectively (Albaum, 1983). Thirdly, firms' export support needs vary considerably according to their levels of experience and expertise. However, research also suggests that EPO provisions are often undifferentiated and generally more compatible with the needs and market intelligence processes of larger companies (Pointon, 1978; Czinkota and Ricks, 1981; Buckley, 1983). These findings have often emanated from sizeable economies, wherein big business has accounted for the vast proportion of international activity.

The present study seeks to investigate whether such criticisms are valid in respect to provision of export services in Finland, Ireland and Norway. These countries offer a fairly conventional range of export assistance programmes in compliance with GATT directives (see Chapter 3, p. 158). However, as small-firm economies, they have also introduced specific initiatives - "export managers for hire", regional export advisers, group marketing and trading house "schemes", SME export programmes, etc. - which aim to develop export competencies among smaller indigenous firms (see Chapter 4, p. 222).

In addition to comparing the general awareness and usage of services and overall levels of satisfaction with EPO provisions on a cross-national basis, enquiry seeks to ascertain whether firms' knowledge, use and perceptions of the value of individual programmes or services and specific initiatives vary according to firms' export "stance". A number of hypotheses were formulated in order to explore these issues:

Hypotheses H₀₉-H₀₁₁

That no significant differences exist in respect to the:

H₀₉ General provision of government export assistance in the countries investigated and overall levels of awareness and usage of - and satisfaction with - respective EPO offerings.

H₀₁₀ Firms' awareness and usage of - and satisfaction with - individual EPO services according to export "stance"

H₀₁₁ Firms' participation in specific export initiatives according to export "stance".

1.7.6 Hypothesis Regarding Participation in Export Training and Development Programmes

Inadequate resources and limited expertise, most notably in marketing, are widely recognised as major impediments to the growth of small firms (Greenley, 1987; Carson, 1988) Consequently, policy-makers have sought to provide a broad spectrum of small-firm development programmes aimed at improving their competitive competencies. Invariably, these offerings include export development and training initiatives.

In Finland and Norway these activities are undertaken by the Finnish Institute for International Trade (FINTRA) and the Norges Exportskole respectively. These organisations have a remit for all export-related training. Part-funded by central government, they obtain additional support from national EPO's and generate revenues from fees. In Ireland such programmes have been offered by the government training agency FAS (formerly AnCO), the Irish Management Institute and the universities - notably, University College Dublin and Galway - in association with the Irish EPO, (Córas Tráchtála). The latter also provide export development programmes of their own. The range of offerings available in each market is discussed in Chapter 4 (p. 222).

While objectives may be similar, comparisons between diverse offerings in different markets are more problematic, especially, with the frequent introduction of new programmes. Nevertheless, it is possible to obtain general insights on the relative merits of contemporary offerings and to explore different levels of participation and satisfaction according to the firms' export "stance". A single hypothesis relating to export training was established:

Hypothesis H₀12

That no significant differences exist in:

H₀12 Firms' awareness of, participation in - and satisfaction with - export training and development programmes offered in the countries investigated, according to export "stance".

As stated in Section 1.4.2 (p. 34), a key research objective is to develop a policy model for the internationalisation of small software firms, based on findings of the primary research undertaken towards this dissertation. Empirical support from the preceding propositions will confirm, or negate, certain - generally - accepted theories on small-firm export behaviour and internationalisation. Hypothesis testing will accept, or reject, the stated hypotheses concerning firms' export competencies, problems and support requirements. The insights and findings obtained from this analysis will be incorporated into the model.

1.8 A PROPOSED SMALL-FIRM INTERNATIONALISATION POLICY MODEL

A schema of such a model is presented in Figure 1.8. It incorporates two major concepts from the literature; Firstly, a model which has been used to "group" firms according to their degree of export commitment. Out of personal preference, the present study adopts the classification proposed by Czinkota and Johnston (1983) which refines the categories offered by Bilkey and Tesar (1977) and segments firms according to various criteria such as export experience, export ratio and so forth. Arguably, models such as those developed by Pavord and Bogard (1975), Cavusgil (1980) or Reid (1983) - based on firms' export activity or involvement - could be selected with equal justification, inasmuch as they have also sought to direct and influence government export policy formulation.

The second element of the model is Seringhaus' (1986) conceptualisation of firms' diverse needs at different export involvement stages. Again, similar - though, arguably, less comprehensive conceptualisations have been proposed by other researchers (Cavusgil, 1980; Czinkota, 1982). Seringhaus contends that policy-makers should recognise three critical export development phases each of which demands targeted assistance. Thus, an initial need for **pre-export development** - creating awareness of opportunities, stimulating firms' involvement, providing information and so forth - is followed by a **resource development** phase where firms wish to exploit export markets but lack the wherewithal to do so. Thereafter, as firms become more active and committed, EPO assistance measures should focus on improving international operations and offering support for **strategic development**, such as new market selection and entry mode decisions.

Together, these concepts provide a better understanding of the export dispositions of small firms and the specific nature of their needs. In conjunction with pertinent findings emanating from the empirical research, the proposed model seeks to integrate the strategic options available to firms - based on their degree of export commitment - with recommended policy initiatives aimed at stimulating their international development.

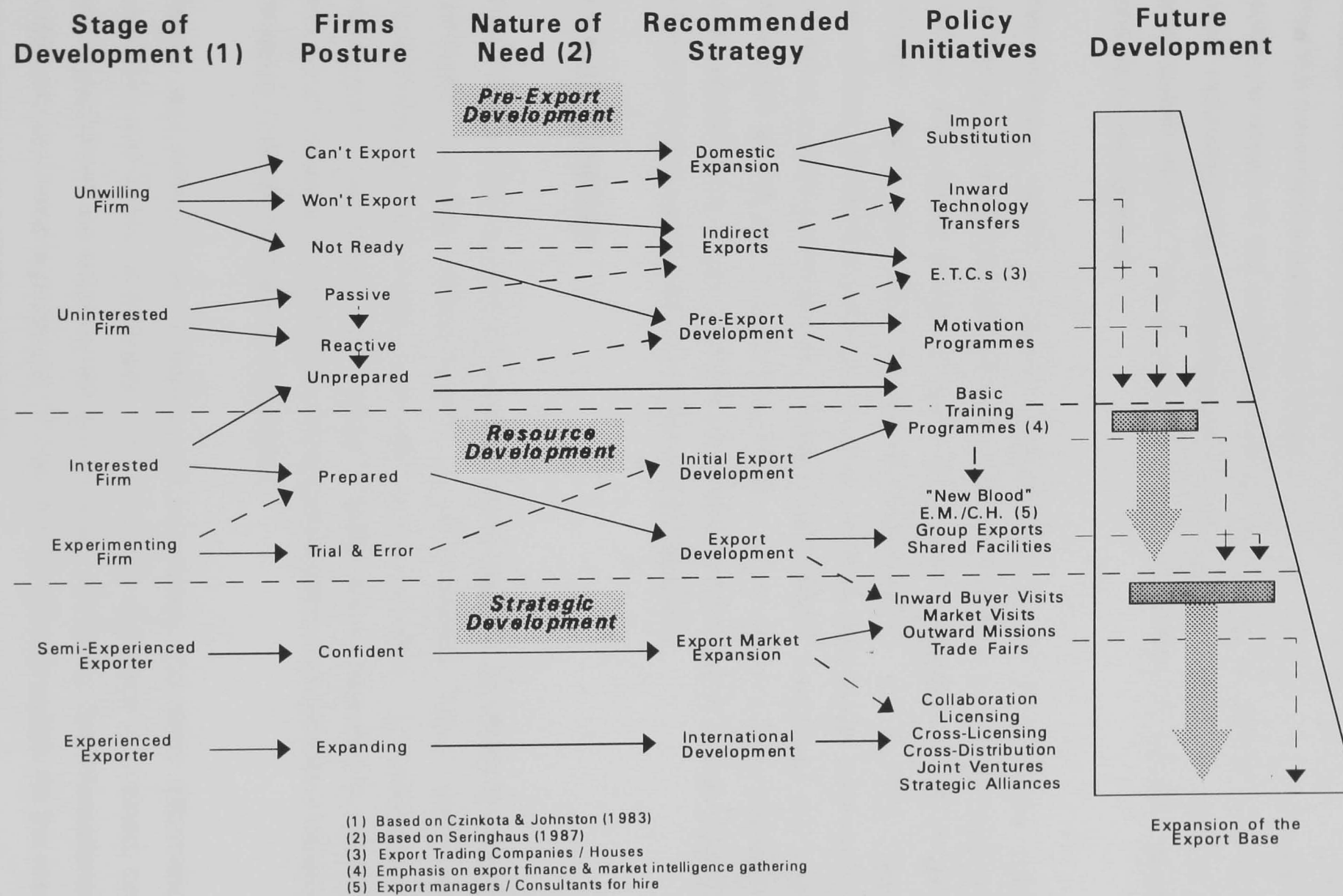


Figure 1.8 : Small Firm Internationalisation Policy Model

This policy-model is elaborated in Chapter 8 (p. 414) following the presentation of findings and conclusions in previous chapters. It should, however, be emphasised that the parameters adopted to classify firms by export "stance" are specific to the software sector in the countries investigated. Enquiries conducted elsewhere into other industries have established and empirically verified alternative "cut-off" points and classifications. Thus potential limitations regarding the model's general validity should be recognised.

Nevertheless, as it is rather unrealistic to expect that export capacity and performance should be comparable in different sectors in a given country, or that all nations are equally endowed with competitive advantage in particular industries (Porter, 1990), the need to set country-specific and sectoral parameters is paramount. Given that policy-makers usually have reasonable access to information on firms' export performance, flexible classification procedures are quite feasible. With such norms, the scope of the model could be expanded considerably to enable national EPO's to target services more effectively in order to meet specific support needs of high-potential firms in other priority sectors.

1.9 CONCLUSIONS

This Chapter has sought to provide an overview of the present research. It has reviewed post-war developments in international trade and outlined the circumstances which have contributed to the evolution - and increased economic significance - of the small-firm sector. These factors have led to greater research and policy interest in small-firm internationalisation and provide a rationale for the research undertaken towards this thesis.

Terms are defined, key concepts are introduced and basic information on the countries and sector is provided. The research approach is outlined, propositions and hypotheses are established and a policy model for the internationalisation of small software firms is proposed. These provide the framework for the research and are elaborated in subsequent chapters.

CHAPTER TWO
REVIEW OF THE LITERATURE ON THE EXPORT BEHAVIOUR AND
INTERNATIONALISATION OF SMALL FIRMS

CONTENTS

This Chapter reviews the literature on small-firm export behaviour and internationalisation, beginning with an examination of the key characteristics of small firms and their decision-makers. Thereafter, it examines the variables which influence the initial export decision and the internationalisation process, exploring critical success factors in export development and obstacles to exporting. Finally, it discusses the export problems of small firms as they seek to internationalise.

INTRODUCTION

At the end of the 1960's the survival of the small firm as an organisational form was an issue (Bolton, 1971), yet they are now described as "the hidden giants of the European economy" (EIM/ENSR, 1993). Many factors which led to their "return from the wilderness" (Bannock, 1981) - such as structural and societal change, large companies down-sizing, increased out-sourcing and the growth of services - have already been discussed in Chapter 1 (p. 21). Paradoxically, in the 1990's it is the future of the larger enterprise which is at risk. The "big is beautiful" syndrome of the 1960's - and indeed of a period of economic recovery in the mid-1980's - where economies of scale provided the rationale for widespread mergers and acquisitions, appears to be over (The Economist, 1993).

The fall of big business reflects not only the impact of aforementioned changes, but is also a manifestation of the emergence of new smaller-scale information, bio-technology and other high-tech sectors which, according to Freeman (1986), are forming the basis of the next Kondratieff wave of economic development. Many firms in these industries will remain small, but as evidenced by the exponential growth of Microsoft - which recently outstripped IBM in terms of market value - some have the potential to become the next generation of corporate giants. Thus, while predictions regarding the demise of large business may be a little premature, there is no doubt that many face a period of severe cost-cutting and extensive restructuring. Indeed, some - such as IBM - may reorganise, or fragment, into federations of autonomous business units in order to become more flexible and responsive to market needs. All these circumstances suggest that the economic role of the small firm sector will assume even greater importance in the future.

As noted in Chapter 1 (p. 30), consequences of a revival of the sector include active policy-maker support for small firms and significant research efforts into small-business issues (Birch, 1979; Bannock, 1981; Curran 1986; Storey and Johnson, 1987; Bannock and Peacock, 1989; Stanworth and Gray, 1991). In the context of the present study, enquiries into the characteristics of such firms and their decision-makers are important. Firstly, because these factors impact on their domestic and international behaviour and performance. Secondly, because expansion into export markets should not be viewed as a separate and distinct activity. Rather, as suggested by Ansoff (1957) and Luostarinen (1980), it must be regarded as a complementary strategy for growth and survival (see Figure 2.1). Indeed, critics of contemporary export research argue that failure to take cognisance of this fact is a major weakness in many investigations (Reid, 1983). Given these views, some exploration of the characteristics of small business and the attributes and attitudes of their owner/managers is desirable prior to reviewing the literature on small-firm export behaviour and internationalisation.

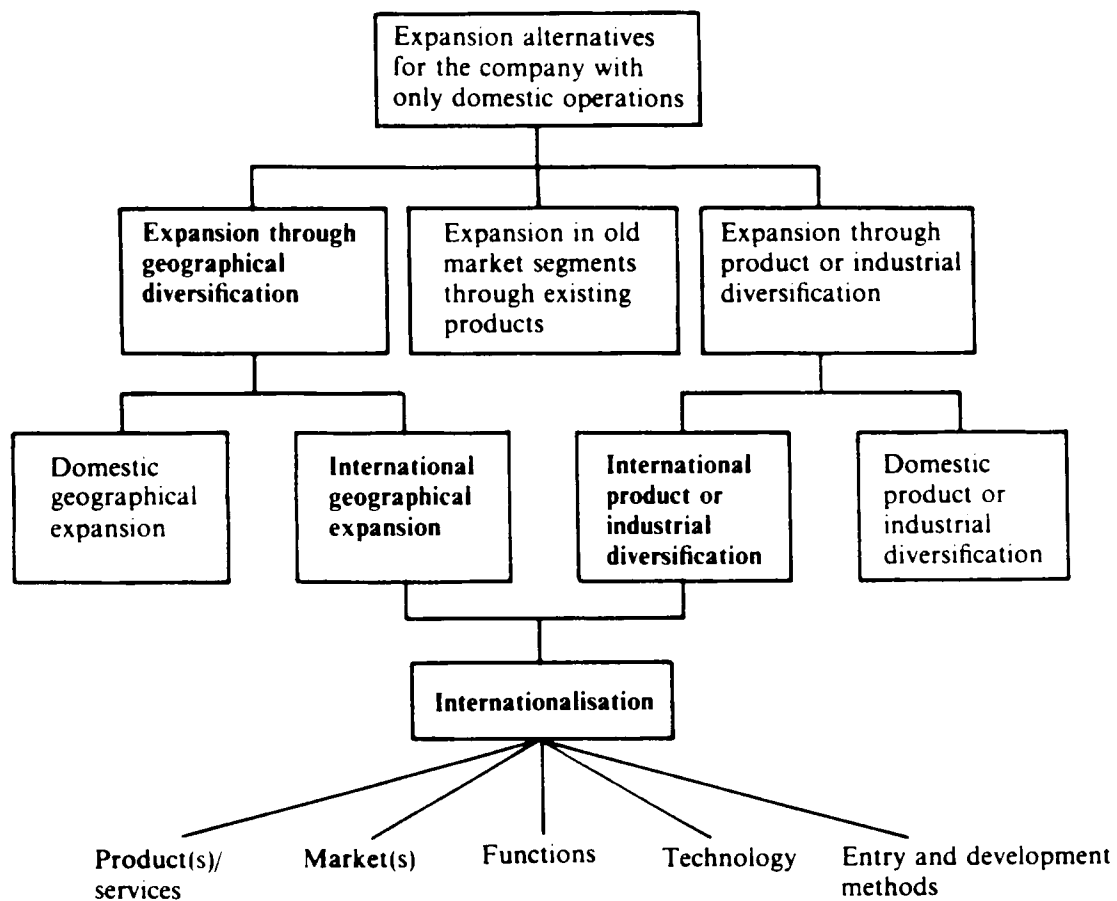


Figure 2.1: Domestic and International Expansion Strategies

(Source: The Internationalization of the Firm, Luostarinen, 1980)

2.1 THE CHARACTERISTICS OF SMALL FIRMS

Despite their inability to agree a standard - and universally acceptable - "small firm" definition (see p. 36) most researchers in the area accept that small businesses are not just scaled-down versions of larger counterparts. They also concur that small businesses and large companies have different characteristics. Sometimes these are attributed to factors associated with relative size. However, Mendham and Bannock (1982) observe that: "the most significant difference between big and small firms is not their size", but rather, differences concern their objectives, management style and operational competence.

These characteristics are succinctly noted by Schollhammer and Kuriloff (1979, p.179) who offer five major qualitative attributes of small businesses:

Scope of operations - Small firms operate predominantly in a local or regional market, rather than a national or international markets.

Scale of operations - Small firms tend to have a limited share of any given market and are relatively small in a given industry.

Ownership - Equity is generally owned by one person, or at most, a small number of people. The enterprise tends to be managed directly by its' owner or owners.

Independence - Small firms are independent, inasmuch as they are not part of a complex organisation. This means that firms' owner managers have ultimate authority and effective control over the business, though freedom may be constrained by obligations to financial institutions.

Management style - Small firms are generally managed in a highly personalised fashion. The owner/manager tends to know the employees personally and participates in all aspects of managing the business. There is no general sharing of the decision-making process.

Clearly, quantitative definitions which classify small firms according to size by whichever preferred measure/s employed - total assets, number of employees, sales turnover and so forth - not only vary from country to country, within countries and between industries, but they also fail to reflect such attributes accurately.

Given their impact on business success or failure, wider understanding of these qualitative aspects is imperative. The decision-maker's attributes, calibre, experience, expertise and motivation are especially important, insofar as he/she is widely regarded as the most significant influence on small-firm development in general (Bamberger, 1982; Johannisson, 1984) and exporting in particular (Reid, 1983; Cavusgil, 1984; Axinn, 1988; Aaby and Slater, 1989).

The importance of management-related factors can best be illustrated by examining reasons for the high rate of small-firm failures (see p. 21). Berryman's (1982) survey of the literature identifies six main causes:

Accounting - Inadequate, or a total absence of, systems to monitor credit management or to control accounts payable, inventory and operating expenses, manage cash flow and budget for growth.

Marketing - Inadequate sales, marketing weaknesses or poor location decisions.

Finance - Lack of start-up and/or working capital and insufficient funds to finance expansion.

Endogenous reasons - Competitive weaknesses, operating problems, excessive drawings, poor forecasting and tax planning, deficiency in accounting knowledge, lack of managerial experience, personnel problems and absence or inadequacy of board of directors functions.

Exogenous factors - Economic conditions, seasonality of demand, personal problems, client insolvency or fraud.

Behavioural aspects - Inability to delegate, reluctance to seek help or advice, inability to manage change and lack of management talent.

Excluding exogenous factors, most of these causes are - to a greater or lesser extent - management-related.

Broom and Longenecker (1979) also blame managerial inexperience or incompetence for over 90% of small business failure, and Wheelen and Hunger (1989, p.370) conclude that:

"The underlying problem (with small firms) appears to be an overall lack of strategic management beginning with an inability to formulate strategy to reach the customer and ending with a failure to develop a system of evaluation and control to keep track of performance."

In this context, investigators into the marketing activities of small firms also conclude that marketing characteristics differ from those in large organisations. Cohn and Lindbore (1972) identify some areas in which attitudes of owner/managers differ from marketing managers in large firms. These include negative attitudes to marketing, the perception of marketing as a cost, the view that sales and distribution elements are uncontrollable and a belief that each case is so unique that general marketing principles are not applicable. Carson (1990) also observes that marketing characteristics of smaller firms are influenced by size-related constraints of the operation. He concludes that:

"Limited resources such as the limitations on finance, marketing knowledge and time may all contribute to limited marketing activity relative to large companies and larger competitors".

"Specialist expertise may be a constraint because managers of small firms tend to be generalists rather than specialists. Traditionally the owner/manager is a craft or technical expert; he is unlikely to be trained in any of the major business disciplines. In addition, marketing expertise is often the last of the business disciplines to be acquired by an expanding small firm. That is, finance and production experts usually precede the acquisition of a marketing counterpart".

"Limited impact on the marketplace may be a constraint because small businesses have fewer orders, customers and employees than large companies. Consequently, the impact of a small firm's presence in an industry, geographic area, or whatever, is likely to be limited due to its size alone. Similarly, because of limited resources and lack of marketing expertise, the impact of the media through advertising and publicity will often be negligible in relation to large company activities".

These limitations are often exacerbated by ownership and control issues and the entrepreneur's jealously guarded independence. The latter is a double-edged sword, for on one hand, it provides the main motivation for individuals to start their own business, on the other, it is often regarded as a major obstacle to expansion. Thus, small-firm owners may resist opportunities for growth through partnerships or venture capital injection because they fear a loss of control. They are also less likely seek or accept external advice and often regard government support as intrusive.

A varying degree of enthusiasm for expansion among such firms may, in part, reflect entrepreneurial style. Ettinger (1982) identifies two types, the independent and the organisational member. The former, needing to be independent and creative, may only have a few people working for them and delegate ancillary and peripheral tasks, they do not want the business to grow beyond their control and are therefore unlikely to actively seek new opportunities. The latter, on the contrary, want to wield power of an ever-increasing scope over a growing business and thus improve their standing in the community.

Many small businesses are also family owned and control is retained within this circle. This can have a number of detrimental consequences. First, key management positions may be held by relatives rather than more able internal or external appointments. Second, if the owner has no (suitable) successor, his motivation to develop the business will be limited. Rather than reinvest the profits, these will be taken out of the business and used to enhance his life-style. Third, even if the business can be passed down, the successor may not have the commitment, motivation or talent of his predecessor. Consequently the long-term future of the firm may often not be assured.

Given the impact of managerial attitudes, small firms' inherent resource limitations and ownership and control issues, Daltas and McDonald's (1987) observations that "marketing planning (in small firms) may be sporadic, haphazard or non-existent" is unremarkable. Clearly, these factors also affect their export behaviour and performance. Theorists may argue that - in ideal circumstances - firms develop within their domestic market before "going international", but this presupposes a logical, strategic approach which is not, necessarily, the case. Thus, Mitchell and Bradley's (1986) assertion that the typical "export behaviour of small firms is often, at best, unplanned, reactive and opportunistic" should come as no real surprise.

Despite their well documented resource limitations and inadequacies in planning, many small firms survive and grow. The key enabling factors merit further discussion. Firstly, small businesses are highly flexible, an attribute not only widely recognised by researchers in the area, but also increasingly coveted by larger, more bureaucratic corporations. MacMillan (1975) identifies five dimensions of this quality which have strategic implications:

Unanimity - Since small businesses have a single owner/manager (or, at most, a small number of managers) decisions are made by one individual or are virtually unanimous.

Mobility - The speed of this decision-making process enables such firms to respond quickly to change and shift direction.

Innovation potential - Small businesses can be far more innovative due to their unanimity and mobility.

Small size of investment and scale of fixed costs - Smaller investments mean that break-even can be achieved at lower volumes. Thus, niche markets can be exploited profitably before market saturation occurs.

Commitment - Owner/managers are totally committed to the business and devote their attention to finding new market opportunities.

Broom and Longenecker (1979) identify three competitive strengths which support these arguments. Firstly, a short chain of command and informal and timely decision-making enable small-firm managers to get first-hand information on customers and operations, rather than rely on abstractions of reports. Secondly, good direct knowledge of customers and markets allow them to focus the firms attentions on specific goods and locations. By narrowing the range of business activity, niche markets that larger firms cannot exploit economically can be identified and served. Thirdly, while changes in the business environment - such as economic down-turn or recovery, product life cycles, customer needs and competitor activity - are facts of life for companies of all sizes, smaller firms have a greater capacity to adapt and respond swiftly.

A second positive dimension of small businesses - as noted above - is their capacity for innovation. Entrepreneurial managers can react swiftly to new technological opportunities and are more willing to undertake high-risk innovative projects than their contemporaries in large organisations (Rothwell and Zegveld, 1982). However, opinions regarding the relative innovativeness of small and large firms are divided. Rothwell's (1984) study concludes that between 1945 and 1980 the performance of large UK firms was consistently better than that of their smaller counterparts. In contrast, Storey (1986, p.97) argues that while small firms spend less on R&D per employee and develop fewer innovations than large companies:

"they produce more innovations per pound spent on research and almost certainly produce more major innovations than large firms. Their unique contribution to technological change is that they are willing, often at the risk of failure, to develop products which large firms feel will sell in insufficient quantities or which the large firm may wish to suppress for fear of competition with existing profitable lines of business".

Keeble and Kelly (1986) and Harrison and Hart (1987) also conclude that there is a significant link between product and process innovation and improved employment, performance and growth levels among innovative small firms.

Moreover, it is also important to recognise that innovation takes many forms. It does not - as some critics of small firms' efforts contend - only involve the development of radical new products (Rothwell, 1983). It includes improvement of existing offerings, adoption of new process technologies, expansion to new markets and so forth. Even criticism that too many small firms make "me too" products can be countered by Levitt's (1966) view that many such offerings are, in fact "imitative innovations" which ultimately lead to better and/or cheaper goods. Indeed, the rise to prominence of Japan, Korea, Taiwan and other ASEAN nations owes much to the pursuit of such strategies by indigenous companies (Reich, 1984; Kotler et al., 1985; Thurow, 1993).

In the context of small firm internationalisation, these qualities are highly significant. Flexibility means that small firms can respond quickly to any export opportunities identified or presented. Second, the volume of such business need not be large to make it viable. Third, initial investment of time and resources will be relatively low compared to those expended by larger firms. Fourth, the limited presence of a small firm in a new market may not alarm existing players, enabling the entrant to gain an initial foothold and become established.

Innovation has long been associated with exporting. Indeed, a number of early conceptualisations, based on Roger's (1962) diffusion of innovation model, regard export-decision making as an innovation-adoption process (Lee and Brasch 1978, Reid, 1981). Small firms have demonstrated that they are capable of adopting innovative high-risk strategies in their domestic market. Despite their acknowledged resource limitations, it is not implausible that they could be encouraged to pursue more adventurous and successful international strategies.

Kamath et al. (1987) contend that a major limitation of previous export enquiry has been the common practice of viewing domestic marketing and exporting as two strategic "solitudes" rather than as alternative growth strategies. In reviewing the small-business literature it is evident that major obstacles to small-firm's growth can be attributed to their inherent human and financial resource constraints and inadequacies in planning. In these circumstances, their ability to survive and expand is highly dependent on a capacity to be flexible and innovative. It is also clear that the success or failure of such firms is determined - to a large extent - by the attributes, attitudes and competencies of decision-makers. Obviously, firm and decision-maker characteristics do not merely influence domestic marketing but also impact on international activities in environments which are more dynamic, complex and competitive (Bradley, 1987). They should, therefore, be accepted as underlying factors which impact on small firm's export behaviour and performance in either a positive or negative manner and to a lesser or greater extent.

2.2 SMALL FIRM EXPORT BEHAVIOUR AND INTERNATIONALISATION

In order to facilitate the literature review process, a synopsis of major contributions between 1963-1993 is offered in Table 2.1. This reflects clearly the diversity of prior empirical investigations *vis-a-vis* industry or sector focus, research location and sampling frame characteristics. It also identifies comparative studies conducted either on a cross-national or intra-regional basis, enquiries according to the firms' stance - exporters versus non-exporters and so forth - and those which contrast the export performance of different industry sectors. Where no industry is specified, it can be assumed that the investigation adopted a multi-sector approach. A number of conceptual and theoretical contributions are not included in this table but are discussed in the review thereafter.

Author/s	Date	Location	Sample
Aaby & Slater	1989	Literature Review	
Abdel-Malek	1978	USA	154 small firms (exporters/non-exporters)
Albaum	1983	USA (Ore., Wa.)	86 SME exporters
Ali & Swiercz	1991	USA (Midwest)	195 firms
Alexandrides	1971	USA (Ga.)	104 manufacturers (exporters/non-exporters)
Axinn	1988	USA & Canada	Comparison of 105 Michigan- and Ontario-based exporters (machine tools)
Bauerschmidt et al.	1985	USA	117 manufacturers (paper)
Beamish & Munro	1987	Canada	38 small exporters

Table 2.1: Contributions to the Export Behaviour and Internationalisation Literature 1963-93 (1/8)

Author/s	Date	Location	Sample
Bilkey & Tesar	1977	USA (Wisc.)	423 SME manufacturers
Bilkey	1978	Literature Review	
Bilkey	1985	USA (Wisc.)	338 manufacturing exporters
Bodur & Cavusgil	1985	Turkey	88 exporters (food & textiles)
Brady & Bearden	1980	USA	251 SME manufacturers
Brooks & Rosson	1982	Canada	278 manufacturers
Brown & Cook	1990	UK	214 Queen's Award to Exporters Winners
Buatsi	1986	UK	144 exporters
Burton & Schlegelmilch	1987	UK & Germany	310 manufacturers (food and engineering)
Calof	1993	Canada	38 Medium-sized firms
Cannon	1980	UK	250 exporters
Cavusgil et al.	1979	USA (Wisc.)	473 manufacturers
Cavusgil & Nevin	1981	Literature Review	
Cavusgil & Nevin	1981	USA (Wisc.)	473 manufacturers
Cavusgil & Kaynak	1982	Canada	149 manufacturers
Cavusgil	1984	USA (Wisc.)	473 manufacturers

Table 2.1: Contributions to the Export Behaviour and Internationalisation Literature 1963-93 (2/8)

Author/s	Date	Location	Sample
Cavusgil	1984	USA (Midwest)	70 manufacturing exporters
Chetty & Hamilton	1993	Literature Review	
Chetty & Hamilton	1993	New Zealand	12 cases (timber and electrical machinery)
Christiansen et al.	1987	Brazil	91 successful exporters (consumer goods/durables)
Cooper & Kleinschmidt	1985	Canada	142 manufacturers (electronics)
Cunningham & Spigel	1971	UK	100 Queen's Award exporters
Czinkota & Johnston	1983	USA	237 manufacturing exporters (avionics, instruments and materials handling)
Daniels & Goyburo	1976	Peru	190 manufacturing firms (exporters/non-exporters)
Daniels & Robles	1985	Peru	41 manufacturers (textiles)
Denis & Depelteau	1985	Canada	51 manufacturers
Diamantopoulos & Inglis	1988	UK	48 exporters (food and beverage)
Dichtl et al.	1984	Germany	105 manufacturing exporters (chemicals, electrical goods and machine tools) (exporters/non-exporters)
Dichtl, Koeglmayr & Mayer	1990	Germany Finland Japan S. Africa S. Korea	353 manufacturing firms (chemicals, electrical goods and machine tools) (exporters/non-exporters)

Table 2.1: Contributions to the Export Behaviour and Internationalisation Literature 1963-93 (3/8)

Author/s	Date	Location	Sample
Edmunds & Khoury	1986	USA (Cal.)	32 small exporters
Eshghi	1992	USA (Ill.)	187 SME manufacturers (exporters/non-exporters)
Evirgen, Bodur & Cavusgil	1993	Turkey	22 Exporters
Fenwick & Amine	1979	UK	48 manufacturing firms (clothing)
Garnier	1982	Canada	105 manufacturers (printing and electrical)
Gripsrud	1990	Norway	114 exporters (fishery products)
Gronhaug & Lorenzen	1982	Norway	40 manufacturers
Hirsch	1971	Denmark Holland Israel	497 firms in six manufacturing industries
Hunt & Froggat	1967	UK	70 engineering firms
Johanson & Wiedersheim-Paul	1975	Sweden	4 large companies
Johnston & Czinkota	1982	USA	See Czinkota & Johnston 1983
Johnston & Czinkota	1985	USA	200 manufacturers (high-technology)
Joynt	1982	Norway	85 manufacturers
Kaynak & Stephenson	1982	Canada	192 manufacturers
Kaynak & Kothari	1984	USA & Canada	486 SME manufacturers (exporters/non-exporters)

Table 2.1: Contributions to the Export Behaviour and Internationalisation Literature 1963-93 (4/8)

Author/s	Date	Location	Sample
Kaynak	1985	Literature Review	
Kaynak, Ghauri & Olofsson	1987	Sweden	86 firms
Karafikioglu	1986	Turkey	108 manufacturing exporters
Katsikeas	1991	Literature Review	(Export Problems)
Katsikeas & Piercy	1993	Greece	96 manufacturing exporters
Keng & Jiuán	1989	Singapore	156 manufacturers (exporters/non exporters)
Khan	1978	Sweden	83 manufacturers (chemicals and electronics)
Kirpalani & MacIntosh	1980	USA & Canada	34 high-technology exporters
Kleinschmidt & Cooper	1984	USA	142 firms electronics
Kulhavy et al.	1982	Austria	547 firms (exporters/non-exporters)
Lee & Brasch	1978	USA (Ne.)	36 manufacturing exporters
Luostarinen	1979	Finland	1006 manufacturing firms (exporters/non-exporters)
Malekzadeh & Nahavandi	1985	USA (Ca.)	296 manufacturers
Mayer & Flynn	1973	Canada	8 Cases
McConnell	1977	USA (N.Y)	148 firms (exporters/non-exporters)

Table 2.1: Contributions to the Export Behaviour and Internationalisation Literature 1963-93 (5/8)

Author/s	Date	Location	Sample
McGuinness & Little	1981	Canada	152 manufacturers
Miesenbock	1988	Literature Review	
Ogram	1982	USA (Ga.)	34 small manufacturers
Olson	1975	Sweden	38 manufacturers (clothing and textiles)
Ong & Pearson	1982	UK	88 SME manufacturers (electronics)
O'Rourke	1985	USA	218 SME manufacturers
Ortiz-Buonafina	1990	USA (Fla.)	118 manufacturing exporters
Pavord & Bogard	1975	USA (Midwest)	138 manufacturing exporters (scientific instruments)
Perkett	1963	Canada	66 manufacturers (exporters/non-exporters)
Piercy	1981	UK	231 SME manufacturers
Pinney	1968	USA (Ind.)	209 manufacturers
Rabino	1980	USA exporters	46 SME high-technology
Reid	1982	Canada	89 SME manufacturers (furniture)
Rosson & Ford	1982	UK & Canada	42 distributors and manufacturers
Roy & Simpson	1981	USA	124 SME manufacturers (exporters/non-exporters)

Table 2.1: Contributions to the Export Behaviour and Internationalisation Literature 1963-93 (6/8)

Author/s	Date	Location	Sample
Schlegelmilch	1986	UK & Germany	210 manufacturers (food and engineering)
Schwarting & Wittstock	1981	Germany	1285 firms (exporters/non-exporters)
Schwarting, Thoben & Wittstock	1982	Germany	192 SME's (exporters/non-exporters)
Sharkey, Lim & Kim	1989	USA (Ohio)	438 SME manufacturers
Simmonds & Smith	1968	UK	9 exporters
Simpson & Kujawa	1974	USA (Tenn.)	120 manufacturers (exporters/non-exporters)
Sinai	1970	USA (Wash.)	139 exporters
Snavely et al.	1964	USA (Conn.)	299 industrial firms (exporters/non-exporters)
Sriram & Sapienza	1991	USA	121 exporting firms
Solberg	1988	Norway	114 exporting firms
Sood & Adams	1984	USA	32 firms
Stening & McDougal	1975	Australia Canada New Zealand	172 exporting firms
Sullivan & Bauerschmidt	1987	USA & Europe	179 exporters (paper and woodpulp)
Suntook	1978	UK	280 exporters
Tesar	1975	USA (Wisc.)	473 manufacturing firms

Table 2.1: Contributions to the Export Behaviour and Internationalisation Literature 1963-93 (7/8)

Author/s	Date	Location	Sample
Tesar & Tarleton	1982	USA (Wisc., Va.)	Comparison of 474 Wisconsin 190 Virginian manufacturers
Thurbach & Geiser	1981	Germany	280 medium-sized exporters
Tookey	1964	UK	54 exporters/non-exporters (hosiery and knitwear)
Topritzhofer & Moser	1979	Austria	208 exporting firms
Ursic & Czinkota	1984	USA	124 manufacturing exporters
Walters	1985	USA (Ga.)	30 exporters (timber and paper)
Weaver & Pak	1990	S Korea	70 SME exporters
Wiener & Krok	1967	USA (Conn.)	32 firms
Weinrauch & Rao	1974	USA (Ark.)	227 firms (exporters/non-exporters)
Welsh & Wiedersheim-Paul	1980	Australia	30 firms (exporters/non-exporters)
Withey	1980	USA	357 small firms (exporters/non-exporters)
Wood	1982	USA (Ore.)	255 firms (exporters/non-exporters)
Yaprak	1985	USA	84 SME manufacturers (exporters/non exporters)
Yang, Leone & Alden	1992	USA (Tex.)	345 non-exporters

Table 2.1: Contributions to the Export Behaviour and Internationalisation Literature 1963-93 (7/8)

A number of pertinent comments should be made concerning the empirical studies listed in the above table. Firstly, as Perkett's (1963) Canadian research is the earliest noteworthy enquiry into small-firm exporting, Table 2.1 contains the majority of empirical contributions in the area and reflects the significant expansion of the body of knowledge during the last three decades. Secondly, as can be seen from Figure 2.2, investigations originating in the United States or conducted by US-based researchers clearly predominate. Most of the rest of the research emanates from other industrialised economies such as Canada the United Kingdom, Germany or the Scandinavian nations and relatively few studies have been undertaken in LDC's and NIC's, although this situation is changing rapidly. Thirdly, almost all of the research focuses on exports of industrial products, typical of those manufactured in advanced economies. Few investigations have explored non-traditional exports from LDC's or high-technology and service sector exports. Again, recent enquiries have begun to redress this imbalance.

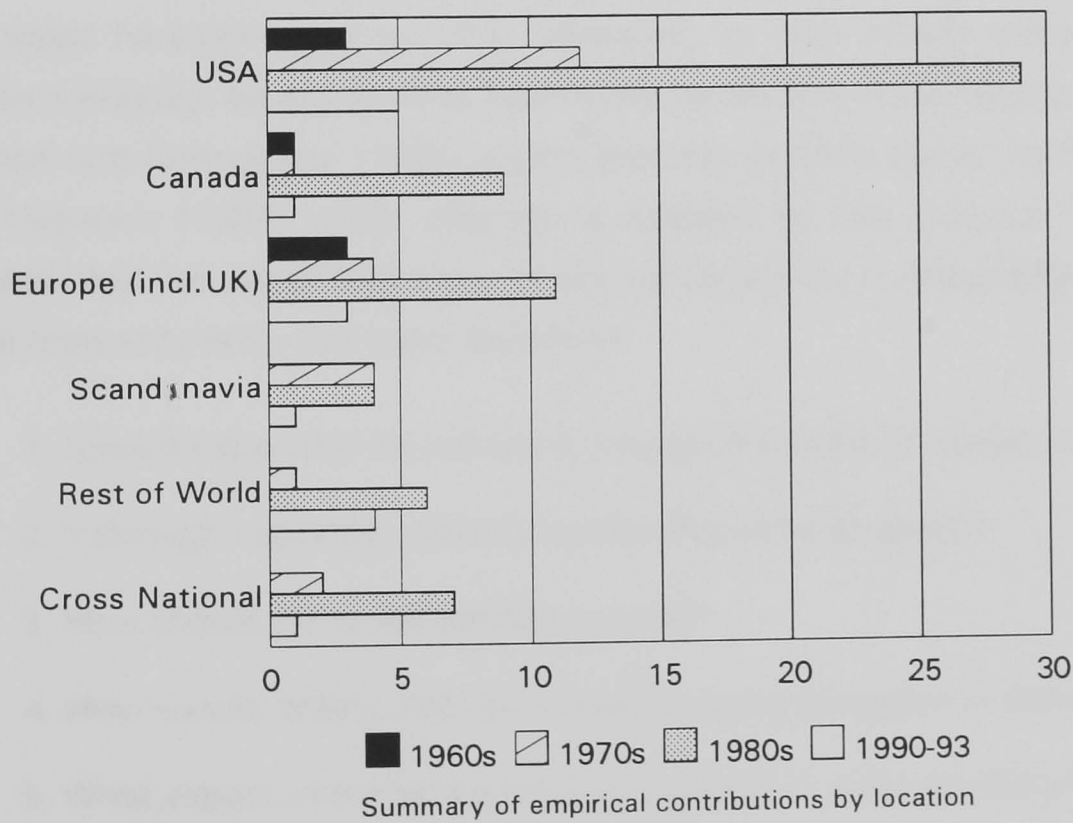


Figure 2.2 Summary of Empirical Contributions by Location

Given these observations, it can be argued that the literature is heavily influenced by the findings of US research and that generalisations made on the basis of data which may not even be representative of a specific market should be treated with caution (Bodur 1986). Moreover, the use of logical-empiricist methodologies involving postal surveys and quantitative analytical techniques is much in evidence. This too, is an American legacy which - regrettably - has overly-influenced researchers in other countries (Kamath et al. 1987). In consequence many studies, regardless of country of origin, are cross-sectional, do not adopt longitudinal approaches and lack the richness and depth which qualitative research might offer. Thus, while Reid (1983), Kaynak (1984), Thomas and Araujo (1986) and others have sought to influence the direction of future research, the limitations of existing offerings should be clearly noted.

The fragmented nature of export research has been highlighted in Chapter 1 (p. 31) and the implications for the methodology adopted in the present study are discussed hereafter (see p. 253). However, in view of the broad spectrum of previous enquiry, an appropriate framework for reviewing the literature is desirable. Rosson and Seringhaus' (1991) export decision process model, derived from Reid and Rosson's (1987) earlier offering, is adapted for this purpose. These authors consider that the export behaviour of any particular firm is shaped by decisions that result from answering five basic questions:

1. Should expansion be achieved through domestic or export markets?
2. If through exporting, which markets should be targeted?
3. How should these markets be entered?
4. How should selling and other operations be managed in these markets?
5. What export performance level is achieved in these markets?

They further contend that these questions and any subsequent decisions, while interlinked, are clearly sequential and that the entry mode decision (question 3) is pivotal.

In the adapted model (see Figure 2.3) the last two questions are combined as they relate to implementation and control of export operations. As can be seen, the four key stages - i.e. the initial decision to export, market identification and selection, choice of entry mode and operationalising the market strategy - broadly conform with major areas of research identified in Chapter 1 (p. 53). It should be noted that, due to the reactive export behaviour of many small firms, the first three stages are often compressed into a single "go - no go decision" (Douglas & Craig, 1983). Indeed, it can also be argued that market selection and entry modes decisions are often interdependent and - thus - inextricably linked. Nevertheless, the model can be usefully utilised to classify the exporting and internationalisation literature.

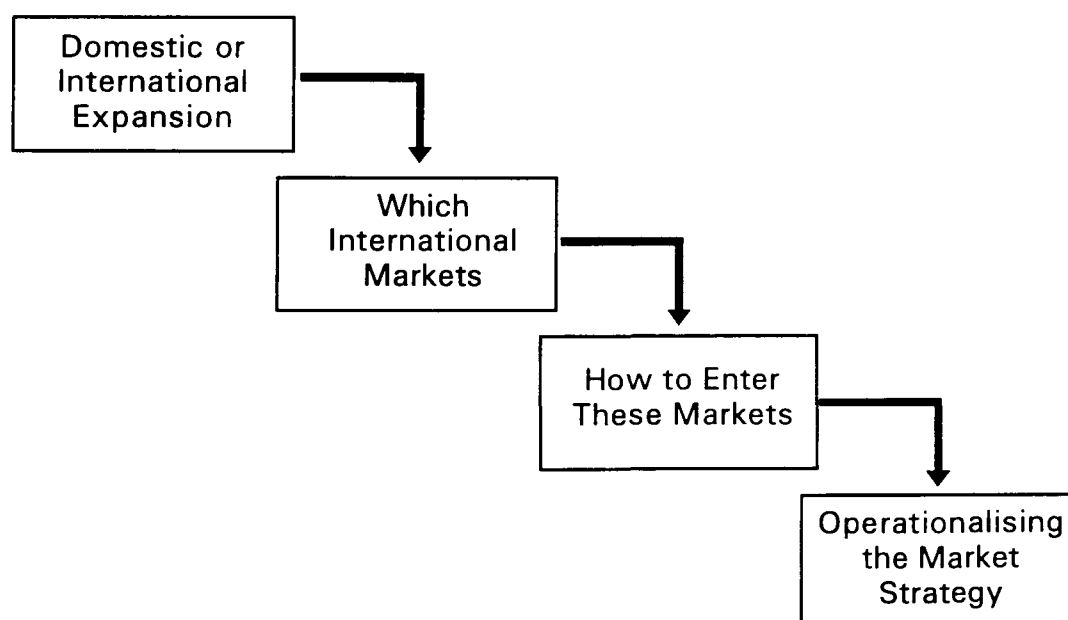


Figure 2.3: A Framework for Reviewing the Literature.
(Source: Adapted from Rosson and Seringhaus, 1990)

2.3 FACTORS INFLUENCING THE INITIAL EXPORT DECISION

Wiedersheim-Paul et al. (1978) propose a conceptual framework on the factors which influence the firms pre-export behaviour (see Figure 2.4). This model suggests that external or internal "attention evoking" stimuli act as "triggering cues" in the initial export decision-making process. The alternatives evoked depend not only on the characteristics of the firm and the environment in which it operates, but also on the characteristics of the individual decision-maker. In their model of export-propensity, Olson and Wiedersheim-Paul (1978) develop the concepts in one important respect; namely, they argue that these stimuli are interesting only to the extent that they are perceived as such by the decision-maker. This notion explains why comparable firms exposed to similar stimuli do not react to export openings in the same way, but may instead adopt disinterested, reactive, passive or active stances (see Figure 2.5).

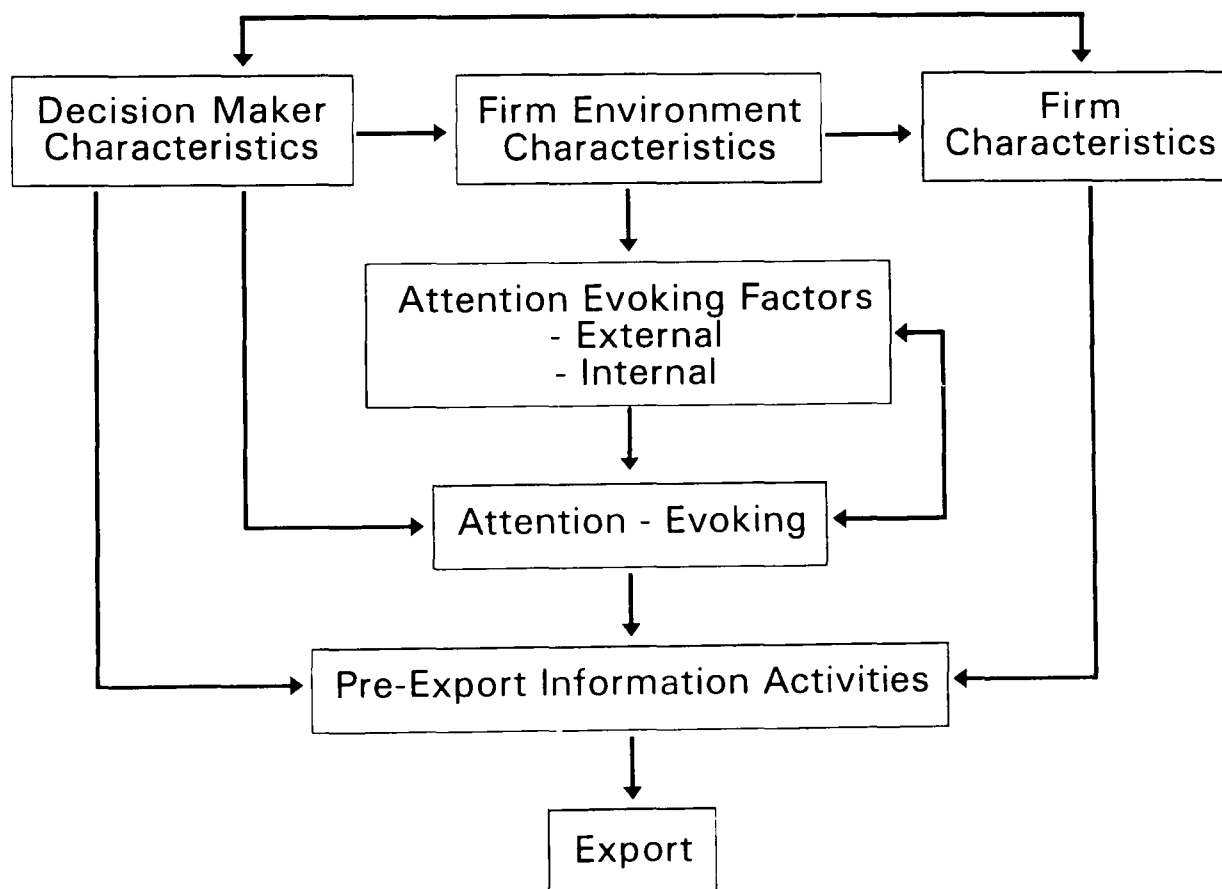


Figure 2.4: Factors Affecting Firms' Pre-export Activity
 (Source: Pre-export Activity: The First Step in Internationalisation, Wiedersheim-Paul et al., 1978)

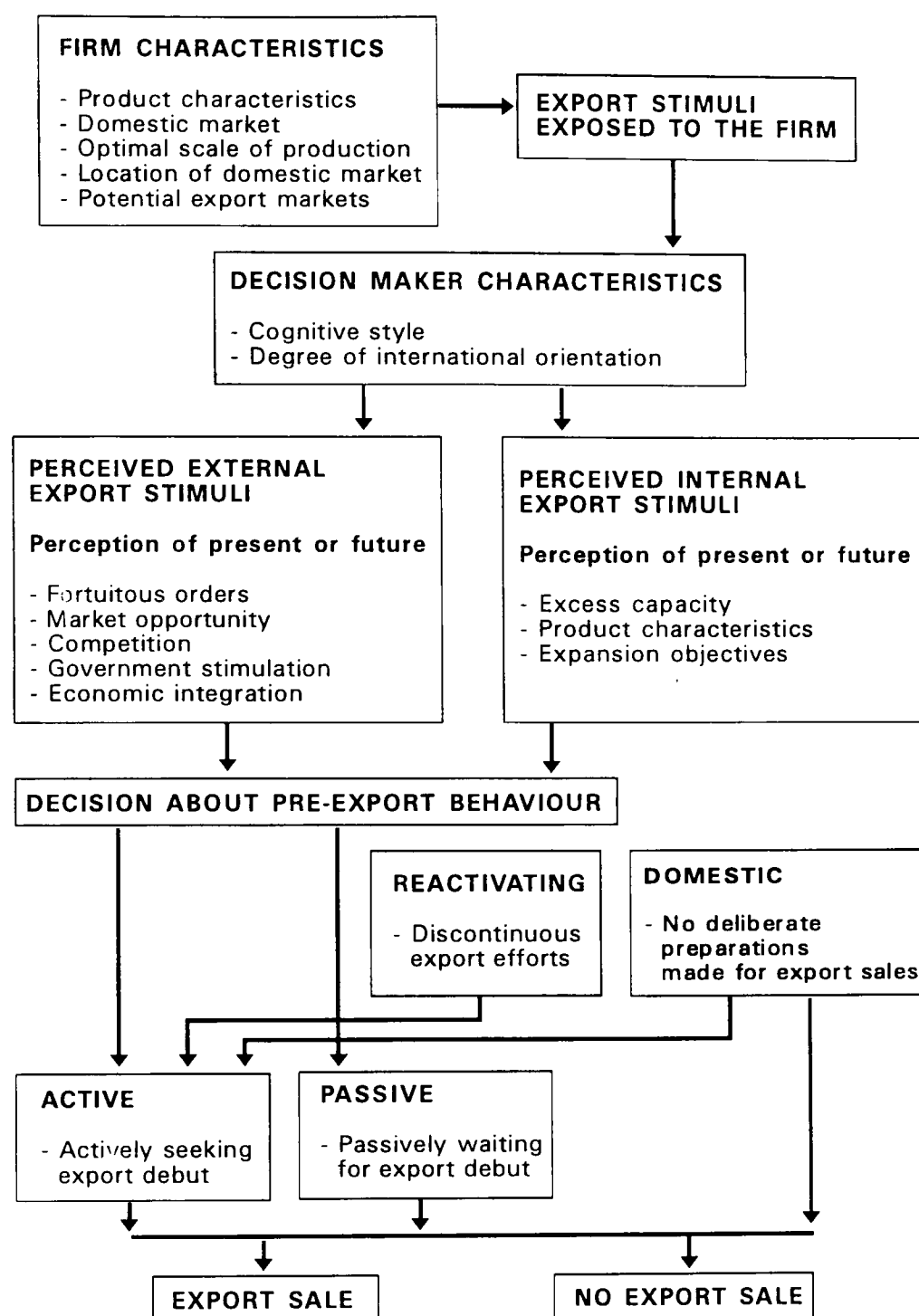


Figure 2.5 Olson and Wiedersheim-Paul Model of Export-propensity
(Source: Factors Affecting the Pre-export Behaviour of the Firm, Olson and Wiedersheim-Paul, 1978)

Taken together, these conceptualisations provide a useful framework for a discussion of the literature on export initiation. In the following sections, the characteristics of the firm, decision-maker attributes and the environment in which both operate are explored first. Thereafter, the perceived external and internal "attention-evoking" export stimuli are examined.

2.3.1 Demographic Characteristics of the Firm

Demographic characteristics such as firm size and age are among the most frequently analysed variables in the export literature (see Table 2.2). Interest in these factors stem from the belief that small size and inexperience present insuperable impediments to exporting. Ownership issues are also regarded as important.

Despite the fact that many researchers consider size to be a critical variable in export propensity, the empirical findings are rather mixed. Studies by Tookey (1964), Reid (1982) and Cavusgil and Naor (1987), in the United Kingdom, Canada and the United States respectively, identify a positive relationship between number of employees - the most widely used measure - and export activity. However, North American enquiries by Bilkey and Tesar (1977) and Kirpalani and MacIntosh (1980) conclude that no significant correlation exists.

Similarly, while some studies establish positive relationships between firm size - measured by total sales turnover - and exporting (Piercy, 1981; Kaynak, 1985; Ito and Pucik, 1993), others fail to do so (Reid, 1982; Ali and Swiercz, 1991; Liouville, 1992). Some researchers operationalise firm size using multiple indicators. Keng and Jiuan's (1989) Singaporean study indicates that almost all non-exporters had sales below S\$5 million and fewer than 50 employees. Ortiz-Buonafina (1990) finds both measures to be significant among exporters from Florida. Garnier's (1974) Canadian research into SME export activity in Quebec, which combined these two indicators with total assets, arrives at the same conclusion.

Cavusgil (1976) concludes that very small firms tend not to export and that as firms grow there is a relationship between size and exports up to a certain point beyond which no correlation exists. This view is supported by Withey's (1980) data, which suggests that US firms with less than 20 employees are unlikely to export. Once firms exceed this size, exporting is considered viable and a high percentage employing more than 100 begin to export.

Characteristic	Authors	Relationship
<u>Size</u>		
(Number of Employees)	Cavusgil & Naor (1987) Reid (1982, 1983) Tookey (1964) Walters (1985)	+ive
	Bilkey & Tesar (1977) Kirpalani & MacIntosh (1980)	none
(Sales Volume)	Cavusgil et al. (1979) Daniels & Goyburo (1976) Kaynak (1985) Piercy (1981)	+ive
	Ali and Swiercz (1991) Cavusgil (1984) Seringhaus (1986) Reid (1982)	none
(Employees + total sales)	Bonaccorsi (1992) Keng & Jiuan (1989) Ortiz-Buonafina (1990) Yaprak (1985)	+ive
(Employees + sales + assets)	Garnier (1974)	+ive
<u>Age/Experience</u>		
(Older firms) (Younger firms)	Welch & Wiedersheim-Paul (1980) Kirpalani & MacIntosh (1980) Ursic & Czinkota (1984)	+ive
	Ogram (1982) Ong & Pearson (1982) Reid (1982)	none
<u>Ownership</u>		
	Abdel-Malek (1974) Daniels and Goyburo (1976)	+ive

Table 2.2: Demographic Characteristics of the Firm

Nevertheless, Cavusgil (1984) also argues that firm size is an unreliable indicator of export activity. Czinkota and Johnston (1985) and Reid (1985) concur that the relationship between size and export development is very inconclusive. Reviewing prior research, Aaby and Slater (1989) conclude that:

"company size, by itself, is not an important factor unless it is linked to aspects such as financial strength or economies of scale".

The age of the firm has also been investigated, again with mixed results. Ogram (1982) and Reid (1982) find no relationship between age and export activity. Wiedersheim-Paul (1980) concludes that older companies are more likely to export, but this conflicts with findings which suggest that younger - and often, smaller - firms are most likely to become involved in exporting (Kirpalani and MacIntosh, 1980; Ursic and Czinkota, 1989). Insofar as both of these studies investigated high-technology firms, early export activity may have had less to do with age and experience than the need to exploit technological advantage.

Very few studies have investigated the impact of ownership on firms' export activity, however, these have also produce conflicting findings. Abdel-Malek (1974) reports no significant differences between indigenous Canadian or foreign owned firms. Daniels and Goyburo's (1976) Peruvian study finds no differences between state-owned, private, or cooperative national firms, but conclude that foreign-owned firms are more likely to export. A number of authors demonstrate that ethnic origin or nationality of owner/managers is significant in exporting (Simmonds and Smith, 1968; Garnier, 1974; Wiedersheim-Paul et al., 1978)

In the absence of conclusive evidence to support or refute the importance of firms' demographic characteristics, the only logical conclusion that can be reached is that they should not be considered in isolation. While they may be seen as proxy measures of the firm's resource base and operational capabilities they must also be viewed in the context of variations between industry sectors and other external environment factors.

2.3.2 Firm Environment Characteristics

According to Garnier (1982), the factors that constitute the environment include the characteristics of the country in which the firm is located and of the industry of which it is a part. The notion that environmental factors influence exporting is widely accepted (Bilkey and Tesar, 1977; Rabino, 1980; Kaynak and Kothari, 1984; Bauerschmidt et al., 1985). Adverse home market conditions, such as declining demand or recession, encourage companies to initiate or intensify export activity (Rao, 1983; Green and Larsen, 1987; Rao et al., 1990). The home government's legal and fiscal systems may facilitate exporting by providing tax breaks and other incentives. Alternatively, they may obstruct international activity by means of complex foreign exchange regulations aimed at controlling imports which only serve to increase red-tape for exporters as well (Miesenbock, 1988).

The size and location of the domestic market are also important factors. Firms located in small home markets may have little option but to seek new export markets (Joynt, 1982). Conversely, those based in large economies may not feel the urge to do so unless threatened by market saturation or by increased foreign imports (Hartland-Thunberg and Crawford, 1982; Reid, 1982; Cavusgil, 1984). Similarly, proximity to foreign markets will influence export activity (Tesar, 1977; Bilkey, 1978; Schlegelmilch, 1983; Sullivan and Bauerschmidt, 1990). As illustrated by Dichtl et al. (1990), this tendency towards a domestic or international market orientation can best be observed at aggregate level (see Figure 2.6).

Even the geographic location of the firm within the domestic market, the proximity and availability of transport and other infrastructural factors may have positive or negative influences on exporting (Verhoeven, 1988; Samiee and Walters, 1990). Thus, for example, companies located close to international borders or within easy access to ports may find it easier to develop business in foreign markets rather than try to obtain and service domestic clients.

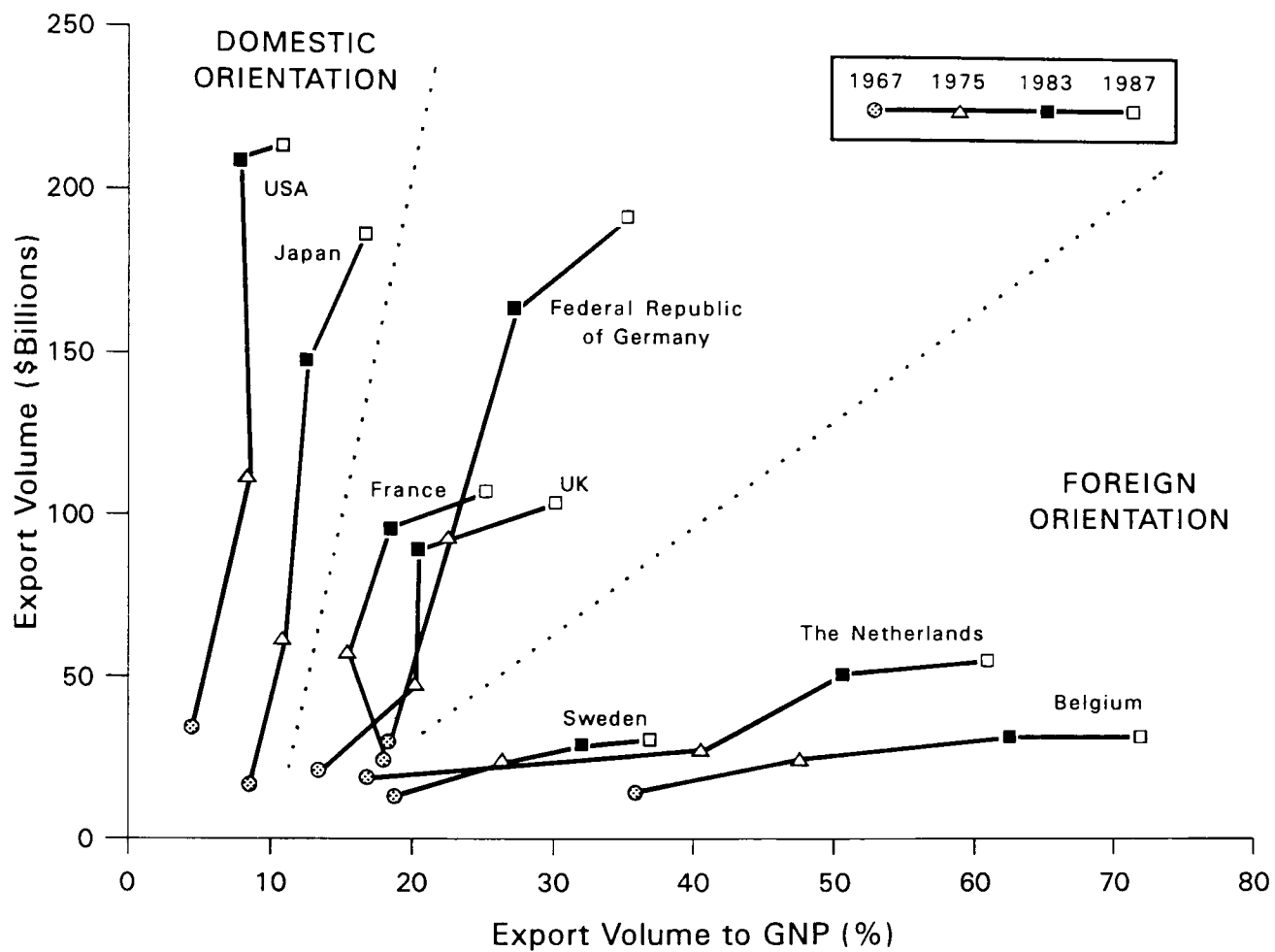


Figure 2.6: Domestic and Foreign Orientation of Leading Industrial Countries in 1967, 1975, 1983 and 1987

(Source: International Orientation as a Precondition of Export Success, Dichtl et al., 1990)

Industry-related factors are also significant. Clearly, certain industries have greater international scope than others. The extent of this potential is determined by industry-specific factors such as the relative size of firms *vis-a-vis* other sectors, industry-structure factors such as size distribution and concentration of power, economies of scale, whether the industry is mature and in decline or has prospects for global growth and so forth. Many capital and R&D intensive sectors - aircraft and automobile manufacture, computers, military hardware, microchip production and so forth - present significant barriers to entry and export development as they are dominated on a global basis by a small number of major players and concentrated in a few key markets which have competitive advantages.

Conversely, many small firms operate in product or service sectors which offer little potential for export expansion (Overweel and Van Elk; 1991). However, in certain sectors, small size does not - necessarily - preclude initial entry or rapid expansion in both domestic and export markets. Computer software is a case in point, capital investment is often low and small software "houses" employing only a handful of people are perfectly capable of exporting. Indeed, some of these firms even initiate exports before developing a domestic market presence. In common with many small firms, they will suffer from inherent resource constraints. However, far from being an impediment, small size may be a competitive advantage in giving them greater flexibility, a capacity for producing innovative applications and a rapid client support capability.

2.3.3 Decision-maker Attributes and Attitudes

Universal recognition that the decision-maker is the key variable in determining export activity is succinctly expressed by Miesenbock (1988):

"He or she is the one to decide starting, ending and increasing international activities. He lays down the goals concerning exporting and determines the organisational commitment".

Implicit to this view is the importance of the attitude and personal attributes of the decision-maker in the internationalisation process. Considerable empirical research has been conducted in an attempt to establish decision-maker characteristics which distinguish exporters from non-exporters or which correlate with export success (Simpson, 1973; Simpson and Kujawa, 1974; Pavord and Bogart, 1975; Dichtl et al., 1983; Schlegelmilch, 1983; Bradley, 1984; Axinn, 1988; Aaby and Slater, 1989). These characteristics can be broadly classified as either objective or psychologically-orientated decision-maker attributes. As can be seen in Table 2.3, the former include factors such as the decision-maker's age, level of education and experience, including a number of dimensions on the individual's international orientation - nationality, or ethnic background, residence abroad, overseas travel, foreign language skills and so forth.

Decision-maker Attributes	Authors
<u>Age</u>	Cavusgil & Naor (1987) Pinney (1968) Moon & Lee (1990) Reid (1983)
<u>Level of education</u>	Axinn (1988) Dichtl et al. (1985) Hozmuller & Kasper (1990) Keng & Jiuan (1989) Simpson & Kujawa (1974)
<u>Experience</u>	Bilkey (1987) Daniels & Goyburo (1976) Garnier (1974, 1982) Reid (1981) Wiedersheim-Paul et al. (1978)
<u>Foreign language proficiency</u>	Cavusgil & Naor (1987) Dichtl et al. (1984, 1990) Kulhavy (1982) Schlegelmilch (1986) Simpson (1973) Swift (1991)
<u>Foreign Travel/ Orientation</u>	Angelmar & Pras (1984) Brooks & Rosson (1982) Cunningham & Spigel (1971) Dichtl et al. (1990) Khan (1978) Ogram (1982) Stening & McDougall (1975) Tesar & Tarleton (1982) Tookey (1964)

Table 2.3: Objective Decision-maker Attributes

Conflicting findings emerge on the importance of the decision-maker's age on export activity. Some studies report that managers in exporting firms are younger (Pinney, 1968; Reid, 1983; Cheong and Chong, 1988), others find no significant differences between exporters and non-exporters (Cavusgil and Naor, 1987; Moon and Lee, 1990). The relationship between the decision-maker's educational achievements and export propensity is equally inconclusive. Certain researchers suggest a positive association (Simpson and Kujawa, 1974; Wiedersheim-Paul et al., 1978; Reid, 1983; Keng and Jiuan, 1989; Holzmuller and Kasper, 1990), others discover none (Ogram, 1982; Cavusgil and Naor, 1987; Axinn, 1988). Dichtl et al. (1984) conclude that no differences exist between experienced and inexperienced export decision-makers in respect of their level of education.

The most important objective characteristic would appear to relate to the international experience and the external contacts of the decision-maker (Daniels and Goyburo, 1976; Bilkey 1987; Axinn, 1988). Foreign travel as a significant variable is cited by some authors (Angelmar and Pras, 1984; Dichtl et al., 1984; Garnier, 1982) but is not regarded as important by others (Brooks and Rosson, 1982; Ogram, 1982). In the case of current exporters, regular overseas travel is positively linked with export success (Tookey, 1964, Stening and McDougall, 1975; Tesar and Tarleton, 1982; Cunningham and Spigel, 1971), although the duration of these activities does not seem to be significant (Topritzhofer and Moser, 1979). Foreign birth or parentage or extensive overseas experience, is also seen as a contributory factor, not only to the decision-maker's overall international orientation (Dichtl et al., 1990), but also to a preference for - and focus on - familiar markets (Simmonds and Smith, 1968; Reid and Mayer, 1980; Reid, 1983). Knowledge of international markets is considered crucial by Yaprak (1985) who concludes - unremarkably - that exporters are better informed in this respect than non-exporters. The importance of foreign language skills is widely recognised (Simpson, 1973; Kulhavy et al., 1982; Dichtl et al., 1984; Schlegelmilch, 1986; Swift, 1991). Nevertheless, Daniels and Goyburo (1976) argue that Peruvian firms regard English to be the only essential language for exporting.

The psychologically-orientated decision-maker characteristics identified in the literature are more controversial because it is difficult to ascertain whether such attributes are a precondition to, or a consequence of export activity. Exporters are regarded as having a more positive attitude to exporting and consider it to be more important to the firm's growth and profitability than do non-exporters (Hunt et al., 1967; Bilkey 1978; Cavusgil and Nevin 1981; Ogram, 1982; Czinkota and Johnston, 1983; Piercy, 1983; Cavusgil 1984; Dichtl et al., 1984; Axinn, 1988). They perceive exporting to be more profitable and less risky (Withey, 1980, Brasch, 1981; Tesar and Tarleton, 1982; Edmunds and Khuory, 1986; Weaver and Pak, 1990). Significantly, however, profit motives appear to be less important than growth objectives in the initial export decision.

Exporters are considered to be more dynamic, aggressive, creative and innovative than non-exporters (Perkett, 1963; Simmonds and Smith, 1968; Bilkey and Tesar, 1977; Lee and Brasch, 1978), more self-confident and flexible (Dichtl et al., 1984; Kulhavy et al., 1982), and more likely to have an international orientation (Kaynak and Kothari, 1984; Kaynak, 1985). Indeed, virtually every investigation in the area highlights the positive relationship between managerial commitment and the propensity to export. (Cavusgil et al., 1979; Gronhaug and Lorentzen, 1982; Cavusgil, 1984; Sullivan and Bauerschmidt, 1987).

However, a number of pertinent observations should be made regarding psychologically-orientated decision-maker attributes and attitudes. Firstly, a number of studies identify no significant differences between the self-perceptions of exporters and non-exporters (Brooks and Rosson, 1982; Kaynak, 1982; Diamantopoulos and Inglis, 1985). Secondly, Eshghi (1992) argues that:

"managerial attitudes towards exporting and exporting behaviour do not necessarily have to be consistent... some managers may have negative attitudes towards exporting even though they are involved in exporting. Conversely, some non-exporters may actually be favourably disposed towards exporting."

2.3.4 Attention Evoking Factors

As noted earlier (p. 88), export initiation occurs due to the interaction between firm, environment and decision-maker characteristics and internal and/or external stimuli. Bilkey (1978) and Cavusgil and Nevin (1981) maintain that the internal determinants include:

- Management perceptions of differential advantage in terms of their products, process or operational efficiency.
- The strength of management aspirations regarding growth profitability and market development.
- Management expectations of the impact of exporting on the firm, based on present knowledge and perceptions of future development.

As can be seen from Table 2.4, other studies also conclude that favourable expectations regarding the firm's competitive advantage - in relation to products, level of technology, distribution, pricing and so forth - or the potential for increased profits are critical factors in export initiation (Tookey, 1964; Cooper et al., 1970, Alexandrides, 1971; Cavusgil, 1976; McGuinness, 1978; Brasch, 1981, Johnston and Czinkota 1982; Reid, 1983; Cavusgil and Naor, 1987). Such expectations and management aspirations will not only reflect decision-maker goals and objectives, but will also be influenced by previous positive or negative outcomes and new exporters are likely to view prospects with some trepidation (Yaprak, 1985).

Greater commitment will lead to the allocation of resources to planning and implementing export activity. This, of course, assumes that the firm has excess capacity and uncommitted resources (Rabino, 1980; Ogram, 1982) and that management has the skills and - of great importance - the will to commit them effectively (Johanson and Mattson, 1984). Implicit too, is the notion that small-firm decision-makers pursue rational economic goals have long-term planning horizons. However, Lee and Brasch (1978) argue that the export decision is not always rational and Tesar (1975) believes that it is often based on perceived rather than objective opportunity.

Export Initiation Stimuli (Internal Factors)	Authors
<u>Managerial aspirations</u>	Cavusgil (1984) Cunningham & Spigel (1971) Simmonds & Smith (1968) Simpson (1973)
<u>Managerial Attitudes</u>	Axinn (1988) Dichtl et al. (1983) Eshghi (1992) Hunt et al. (1967) Piercy (1983) Korth (1991) Roux (1987) Schlegelmilch (1986) Ursic & Czinkota (1989)
<u>Perceived competitive advantages</u>	Cavusgil (1976) Cooper et al. (1970) McGuinness (1976) Johnston & Czinkota (1982)
<u>Profit expectations</u>	Alexandrides (1971) Brasch (1981) Edmunds & Khoury (1986) Cavusgil & Nevin (1981) Czinkota & Johnston (1983) Liouville (1992)
<u>Excess capacity</u>	Brooks & Rosson (1982) Ogram (1982) Rabino (1980)

Table 2.4: Export Initiation: Attention-evoking Factors (1/2)

Export Initiation Stimuli (External Factors)	Authors
<u>Unsolicited order/enquiry</u>	Barker & Kaynak (1992) Bilkey & Tesar (1977) Malekzadeh & Rabino (1986) Simpson & Kujawa (1974) Snaveley et al. (1964)
<u>Saturated domestic market</u>	Bilkey (1978) Pavord & Bogart (1975) Reid (1980) Sullivan & Bauerschmidt (1990) Wiedersheim-Paul et al. (1978)
<u>Domestic market recession</u>	Cooper et al. (1970) Green & Larsen (1987) Rao et al. (1990)
<u>Foreign market potential</u>	Hilger & Hoover (1990) Kaynak & Kothari (1984) Wiedersheim-Paul et al. (1978)
<u>Competitive pressures</u>	Cavusgil (1982) Karafakioglu (1986) Joynt (1982) Rabino (1980) Tesar (1975)
<u>Government incentives</u>	Christiansen et al. (1987) Sullivan & Bauerschmidt (1990) Welch & Wiedersheim-Paul (1979)

Table 2.4: Export Initiation: Attention-evoking Factors (2/2)

Olson and Wiedersheim-Paul (1978), while recognising the importance of internal factors, attempt to incorporate the impact of perceived external "attention-evoking" factors on the export decision. They maintain that receipt of fortuitous orders, competition, market opportunity, the effects of government stimulation and the consequences of economic integration and so forth can all have a positive effect on export behaviour.

There is considerable evidence to suggest that a critical factor in export initiation is the receipt of an unsolicited order or a chance enquiry (Snaveley et al., 1964; Pavord and Bogart, 1975; Bilkey and Tesar, 1977, Bilkey, 1978; Wiedersheim-Paul et al., 1978; Kaynak and Kothari, 1984; Malekzadeh and Rabino, 1986; Bannock, 1987; Barker and Kaynak, 1992). However, Simpson and Kujawa (1974) conclude that an unsolicited order was a significant but not sufficient condition for initiating exports. This view is supported by Reid (1980) and Weaver and Pak (1990) who contend that additional factors - adverse home market conditions, spare capacity, exchange rate fluctuation and so forth - influence the firm's reaction.

The influence of adverse domestic market conditions - such as recession or market saturation - and increased competitive pressures are identified in many studies (Tesar, 1975; Bilkey, 1978; Wiedersheim-Paul et al., 1978; Rabino, 1980; Reid, 1980; Joynt, 1982; Kaynak et al. 1987). Indeed, Pavord and Bogart (1975) conclude that management beliefs that such conditions threaten the profitability and the eventual survival of the firm provide the primary drive to export. Wiedersheim-Paul et al., (1978) and Kaynak and Kothari (1984) also argue that a difficult trading climate at home may persuade firms that better opportunities exist abroad.

The impact of government stimulation for exports will be discussed in detail in Chapter 3 (p. 186), However, while some authors consider it to be a major stimuli to export initiation (Reid, 1980; Seringhaus, 1986), others concur that export policy measures only act as hygiene factors in reinforcing the firms' decision to export rather than - necessarily - influencing the decision in the first place (Simpson and Kujawa, 1974; Karafakioglu, 1986; Christiansen et al., 1987, Paliwoda, 1993).

According to Miesenbock (1988) one or two - rather than the interplay of many - of these internal and external stimuli provoke an export decision. However, there is little consensus on the process. Bilkey and Tesar (1977) argue that until firms are actively exploring export possibilities, they are not motivated by either. Wiedersheim-Paul et al. (1978) suggest that about 30% of all decisions are influenced by internal stimuli, notably, excess production capacity. Bilkey's (1978) review cites seven US studies which indicate that over 67% of firms surveyed initiated exporting due to an unsolicited order. In contrast, Johnston and Czinkota's (1982) enquiry into 301 US materials handling, avionics and instrument manufacturers find that 65% of them were motivated by profit advantage and that many felt they possessed distinctive products and a technological advantage.

Albaum et al. (1989) provide a useful classification of export motives incorporating, not only the source of the stimuli but also, whether a firm's subsequent response - and that of the key decision-maker - is reactive or proactive (see Figure 2.7).

	INTERNAL	EXTERNAL
PROACTIVE	<ul style="list-style-type: none"> ● Managerial urge ● Growth and profit goals ● Marketing advantages ● Economies of scale ● Unique product/ technology competence 	<ul style="list-style-type: none"> ● Foreign market opportunities ● Change agents
REACTIVE	<ul style="list-style-type: none"> ● Risk diversification ● Extend sales of a seasonal product ● Excess capacity of resources 	<ul style="list-style-type: none"> ● Unsolicited orders ● Small home market ● Stagnant or declining home market

Figure 2.7: A Classification of Export Motives
 (Source: International Marketing and Export Management, Albaum et al., 1989)

They conclude that the behaviour of large companies tends to be internally motivated and proactive due to greater resource availability and strategic management. However, small firms, with inherent resource limitations and inadequate planning horizons, are more likely to react to external stimuli. This pattern is reflected not only at the export initiation stage - but assuming that smaller firms meet with success - it is also often evident in subsequent phases of internationalisation.

2.4 THE INTERNATIONALISATION PROCESS

The second and third stages of the export decision process refer to market selection and entry strategy (Figure 2.2, p. 87). As noted earlier, these decisions are often interdependent, the choice of market being dependent on feasible entry modes and vice-versa. Thus, both decisions should be regarded as a single element of the internationalisation process. Piercy (1981) describes this process as:

"the degree and type of commitment of a company - and its' management - to business gained from sources external to the domestic home market"

However, the literature reveals a bifurcation in focus between theories which relate to the internationalisation of large multinationals and those which deal with the process in smaller firms.

Many of the early contributions in the economics literature relate to the foreign investment decisions and strategies of large MNE's. An underlying assumption is that firms must possess some form of quasi-monopolistic advantage in order to compete against indigenous firms in foreign markets and counteract their local knowledge and national status (Hymer, 1960; Kindleberger, 1962; Aharoni, 1966). Later, Dunning (1973) and others drew attention to the nature of "ownership-specific" or "firm-specific" advantages of foreign corporations, namely; marketing skills and technology, organisational size and structure, production and financial variables and so forth.

Following the work of these authors and contributions from Vernon (1966), Wells (1968) and others, Buckley and Casson (1976) focused on strategic choices between exporting, licensing and direct investment. Their concept of internalisation postulates that locational advantages and/or problems with external transactions such as licensing may encourage the firm to choose direct investment in preference to exporting.

Dunning's (1977) "eclectic theory of international production" attempts to integrate previous conceptualisations in a model which predicts that firms will establish production where advantages can be enjoyed. He identifies three distinct sets of advantages:

Ownership-specific advantages - such as superior technology and lower transaction costs

Internalisation incentive advantages - such as the MNE's ability to transfer ownership-specific advantages across national borders to protect against or exploit market failure

Locational advantages - such as differences in factor costs and enhanced leverage opportunities which may be either transactional or structural.

If these advantages exist, it is beneficial for the firm to exploit its unique assets through foreign production rather than through exports or other contractual arrangements such as joint-ventures or licensing. In recent restatements and extensions of his model, Dunning (1988, 1993) places considerable emphasis on structural and transactional market failure, caused either by government intervention or the inability of the firm to overcome exchange risks or gain transactional benefits from common governance of activities in different locations. He concludes that:

"The greater the perceived costs of transactional market failure, the more MNE's are likely to exploit their competitive advantages through international production rather than by contractual agreements with foreign firms".

Given its success in incorporating earlier concepts, Dunning's eclectic paradigm is generally accepted as the most comprehensive theory on MNE's location of international production. However, while its explanatory power is high for global firms, its value in respect to small firms is limited for several reasons. Firstly, as MNE's are already well established in foreign markets, the model and its antecedents pay scant attention to the initial internationalisation decision, although a life-cycle approach - such as that proposed by Wells (1968) - is implicit. Secondly, the eclectic paradigm assumes that decision-makers are rational and well informed from the outset and reflects the need for considerable strategic planning and control.

Thus, in common with many of the earlier contributions from the economics literature, it is somewhat static in nature, stresses rational choice and implies the need for rigorous planning. However, as already observed, small-firm export initiation decisions are often unplanned, reactive and opportunistic and are frequently neither rational nor particularly well informed. Moreover, small-firm export behaviour is contingent on the availability of scarce resources and motivated by the need to achieve sufficient growth to ensure their survival.

In consequence, researchers in the area have proposed alternative models which are more appropriate to the international evolution of smaller firms. Many offerings conclude that internationalisation occurs in stages. Some contributions view the process as an innovation-adaptation cycle, based on Roger's (1962) diffusion of innovation theory (Lee and Brasch, 1978; Reid, 1981). Others suggest an export development "learning curve" (Bilkey and Tesar, 1977; Cavusgil, 1980; Czinkota and Johnston, 1982), while the "Upsalla" school researchers (Johanson and Wiedersheim-Paul, 1975; Olson, 1975; Johanson and Vahlne, 1977; Olson and Wiedersheim-Paul, 1978; Wiedersheim-Paul et al., 1978; Steinmann, et al., 1980) propose internationalisation "establishment-chain" models. A number of these conceptualisations are incorporated in Figure 2.8.

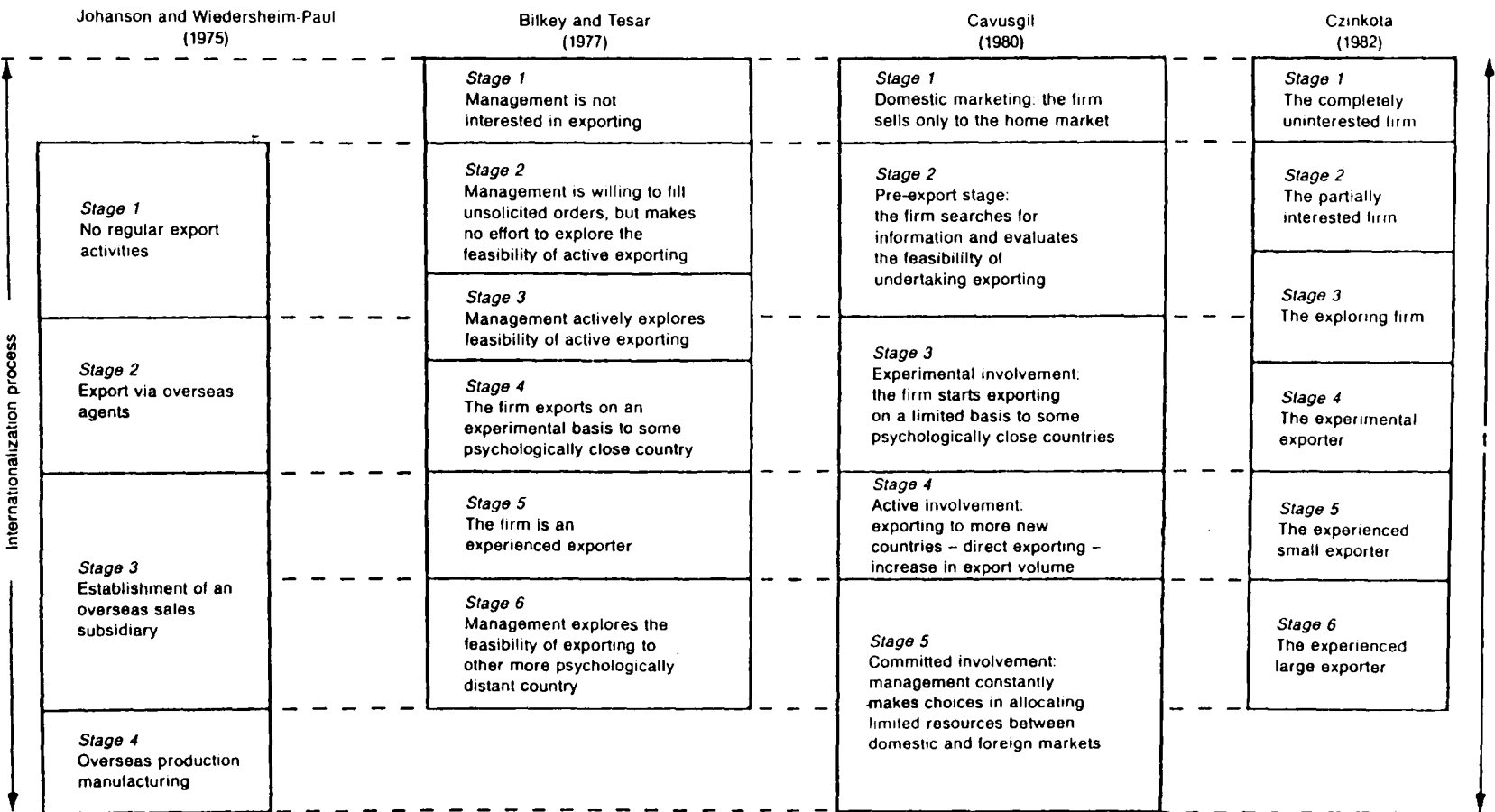


Figure 2.8: Comparison of Four Export Development/ Internationalisation "Stage" Models
 (Source: Research Developments in International Marketing: A European Perspective, Ford and Leonidu, 1991)

Arguably, the best-developed interpretation of the internationalisation of smaller firms is presented by Johanson and Wiedersheim-Paul (1975) and Johanson and Vahlne (1977). In their internationalisation model, the process approximates a learning curve and a number of patterns can be discerned. Firstly, according to Johanson and Vahlne (1990), that:

"a firm's engagement in a specific foreign market develops according to an establishment chain, i.e. at the start no export activities are performed in the market, then export takes place via independent representatives, later through a sales subsidiary, and, eventually manufacturing may follow".

This sequence of "stages" also indicate increased commitment of resources to the market as a result of greater knowledge and experience. Secondly, that firms initially focus on neighbouring countries and subsequently enter new markets with successively greater "psychic distance"¹ in terms of cultural, economic and political differences and also of geographical proximity (Vahlne and Wiedersheim-Paul, 1973). Carlson (1975) concludes that the selection of "psychically proximate" markets is a particular feature of small firms outward operations.

Johanson and Vahlne's (1977) dynamic model endeavours to explain the incremental nature of internationalisation (see Figure 2.9). Therein, a distinction is made between state and change internationalisation variables where the former include market commitment (the allocation of resources to foreign markets) and knowledge of such markets and the latter relate to resource commitment decisions and the performance of current business activities. A basic assumption is that market knowledge and commitment affect the degree of commitment and the manner in which current decisions are made. These, in turn, change levels of knowledge and commitment and modify the basis for future decisions. Thus, outcomes from one cycle of events constitute the inputs to the next.

¹ This concept is based on Burenstam-Linder's (1961) observations that trade is favoured between countries of roughly the same level of economic development and which have similar cultures.

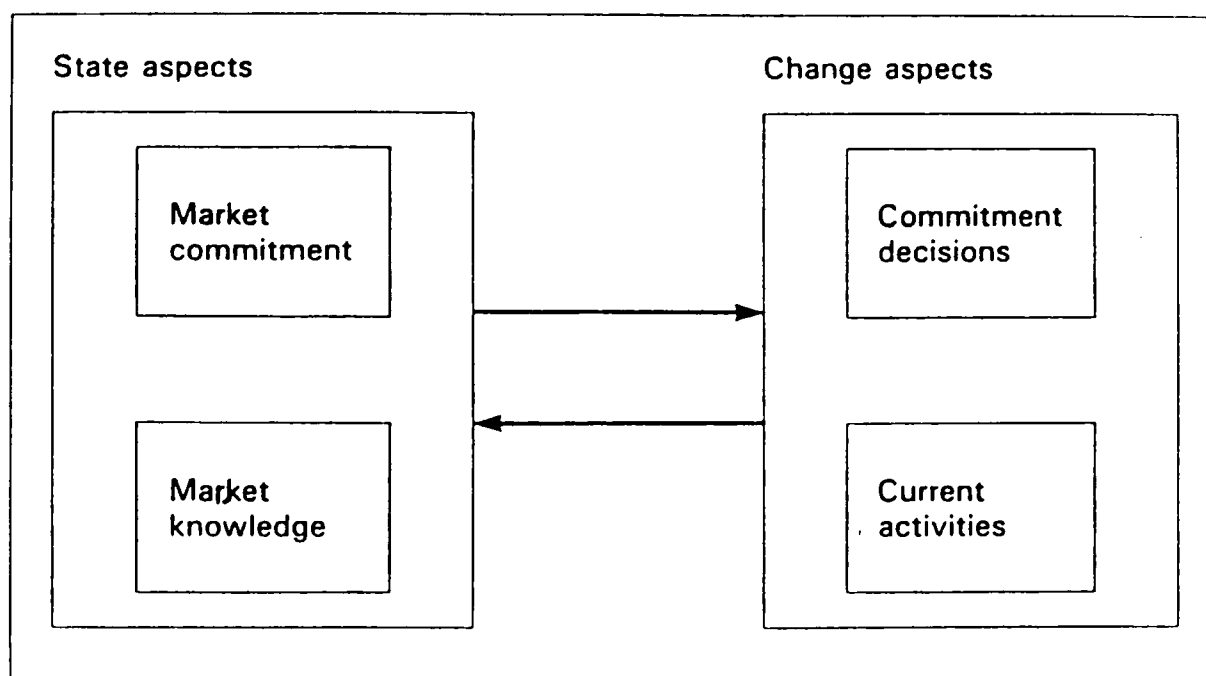


Figure 2.9: The Internationalisation Process of the Firm

(Source: The Internationalization Process of the Firm: A Model of Knowledge Development and Increasing Foreign Market Commitment, Johanson and Vahlne, 1977)

In this model, the notion of market commitment involves two elements; firstly, the amount of resources allocated to the market which can be operationalised by the size of the marketing, organisational or personal investment. Secondly, the degree of commitment which relates to the level of difficulty in finding alternative uses for such resources. International activities require both general and specific knowledge. Market-specific knowledge is gained mainly through experience in a given market, whereas knowledge of international operations can be transferred from one market to another and may facilitate lateral growth. Knowledge, can also be seen as a resource. Thus, the greater the knowledge of a market, the more valuable are the resources and the stronger is the commitment. This is assumed to be particularly true of experiential knowledge.

In a more recent defence of their thesis, Johanson and Vahlne (1990) contend that additional market commitments will, as a rule, be made in small incremental steps with three possible exceptions. First, firms with large resources can take larger internationalisation steps. Second, if market conditions are stable and homogenous, knowledge of markets need not be experiential. Third, firms that have considerable experience from markets with similar conditions may be able to generalise such experience to any specific market.

Other process models focus on increased dependence on - and commitment to - a growing number of export markets. As can be seen from Figure 2.8, Bilkey and Tesar (1977) envisage six stages where firms progress from being disinterested in exporting to being experienced exporters and exploring the possibility of expansion into more psychologically distant markets. Czinkota and Johnston (1982) refine this model to classify firms at stage five as semi-experienced small exporters and those at stage six as experienced large exporters. Cavusgil (1980) offers a five-stage model in which company and decision-maker behaviour varies according to stage. Thus, as firms gain export experience, they become increasingly aware of international market opportunities and adopt more formal, structured and systematic decision-making procedures. He concludes that firms will adopt a reactive, experimental, active or committed approach to international development. While these models accept the concept of psychic distance, much less emphasis is placed on the step-wise development of alternative market entry modes.

Notwithstanding differences in the number of internationalisation stages and in the description of each stage, these models share many features. However, Andersen (1993) notes that while Bilkey and Tesar (1977) and Czinkota and Johnston (1982) suggest that firms tend to be reactive to external forces in the early stages, Cavusgil (1980) implies that firms are more influenced by internal change agents. Andersen concludes that:

"Except for the initiating mechanism, the differences between the models reflect semantic differences rather than real differences about the nature of the internationalisation process"

As evidenced in the literature, internationalisation stage theories have been widely accepted. Nevertheless, they have also attracted criticism (Turnbull, 1987). Reid (1983) argues that the models presented are too deterministic, a view supported by Buckley et al. (1979) who contend that firms do not necessarily adopt consistent organisational approaches to internationalisation. Indeed, Reid (1983, 1984) has consistently argued for a contingency view where the firm's reaction to international opportunities - and their subsequent strategy - is based on prevailing circumstances and existing resources. Furthermore, Cannon and Willis (1981) challenge the underlying assumptions of step-wise progression and forward motion, arguing that many passive exporters were once active and that firms often omit stages and accelerate the process.

With specific respect to "establishment chain" models, critics generally argue that; exporting may not be the preferred initial entry mode, that progression to other forms of foreign market involvement is not inevitable; that orderly, step-wise expansion to more "distant" markets cannot be assumed and that such models are inappropriate for service-based sectors (Johanson and Sharma, 1987; Engwall and Wallenstal, 1988; Sullivan and Bauerschmidt, 1990; Buckley et al., 1992). Czinkota and Ursic (1987) and Nordstrom (1990) also suggest that the importance of psychic distance is declining as transportation and communication infrastructures improve and markets become increasingly homogeneous.

In common with the establishment-chain models proposed by the Upsalla school, these internationalisation models can be regarded as behaviourally oriented. Comparing them to the economic approaches Young et al. (1989) conclude:

"the economics viewpoint stresses rational choice, with an emphasis on the costs and benefits of using internal markets (and achieving control) and recently, of the advantages of internationalisation through joint ventures and other collaborative agreements; while the stages of development approach has focused on the evolution to more direct forms of market servicing over time, almost on an inevitable basis. The weakness of the former is its static nature and the weakness of the latter is its lack of explanation".

Anderson (1993) is highly critical of the behavioural models arguing that:

"the delineation of theoretical boundaries, ensuring the explication of assumptions which bound the theory (values, scope, time) should be amplified".

Secondly, that they lack explanatory power on how the process takes place or how movement between stages can be predicted. Thirdly, that as they have not been rigorously tested on a longitudinal basis, more attention must be paid to the congruence between theoretical and operational levels.

Despite such criticisms, the value of these stage theories should not be underestimated. Firstly, the Upsalla school models represent an attempt to address the aforementioned limitations of the economic models which focus on the multinationals. Secondly, researchers have used insights gained from stage theories to advance interaction and network models of internationalisation.

The interaction paradigm, most closely associated with the International Marketing and Purchasing Group, is based on inter-organisational theory and the view of markets as hierarchies (Williamson, 1975; Teece, 1983). According to Hakansson (1982), it is based on three major assumptions:

- that buyers and sellers are active participants in any exchange transaction
- that the relationships between both parties frequently long-term and complex
- that links between buyer and seller often become institutionalised.

Four constructs underlie the interaction paradigm; the characteristics of the organisations and individuals involved; the interaction process itself in terms of the nature of the exchange; the interaction environment and the atmosphere of the interaction. Marketing operations are viewed within the context of a power-dependence relationship where firms have varying expectations regarding outcomes.

Scandinavian researchers conclude that the interaction between firms can be seen as a network of relationships (Johanson and Mattson, 1984, 1988; Strandskov, 1986; Hallen et al., 1987). Their empirical research suggests that industrial firms establish, develop and maintain lasting business relationships based upon a strong two-way commitment and mutual trust (Johanson and Vahlne, 1990). Each firm in the network has relationships with clients, distributors and suppliers. These actors are interdependent within the system and marketing activities serve to establish, maintain, develop or sever relationships as part of the exchange process. According to this view, the integration of networks across national boundaries leads to internationalisation.

The concept of networking is not new (Granovetter, 1973; Mitchell, 1973; Rogers and Kinkaid, 1981; Knone and Kuklinski, 1982) and is especially prevalent in small-business research (Johannisson and Peterson, 1984; Von Hippel, 1985; Aldrich et al., 1989; Szarka, 1990). Mitchell (1973) identifies three types of networks:

Exchange networks - defined as companies and organisations with which the firm has commercial transactions

Communications networks - the collection of those organisations and individuals with which the firm has non-trading links that inform its business activities

Social networks - which are formed by family and friendship ties (i.e. the personal networks of the decision-maker)

Johannisson (1987) also identifies symbolic networks, which are formed by social bonds based on community ties and conformity to collective values.

It is widely recognised that in small firms there is often a considerable overlap between the decision-maker's personal networks and those of the firm (Scott, 1985; Melin, 1987). Thus, the decision-maker's friends and business acquaintances are often important sources of information and expertise and their advice frequently impacts on the firms strategies.

In addition to providing invaluable information and knowledge, networks allow small firms to gain access to - otherwise unavailable - resources at limited cost (Johannisson and Peterson, 1984; Dubini and Aldrich, 1991). They are also a major source of innovation and creativity which enable decision-makers to find solutions to marketing problems, to identify new products or services and to exploit potential new market opportunities (Von Hippel, 1985; Hauschildt, 1992).

As there is no logical reason to preclude such networks from transcending national boundaries, the notion of firms initiating and expanding export operations through the development of international networks is entirely plausible. Indeed, such theories do not refute the basic assumption of incremental internationalisation. Rather, they confirm that the direction, pace and outcomes of the process are influenced by corporate and personal relationships established between firms and decision-makers within these networks. Moreover, they are consistent with the findings of prior export enquiries which suggest that small firms rely on their own information and support networks in preference to government or other sources. However, as Birley et al. (1989) observe, because each network is a set of unique interconnections which are often highly situation-specific, analysing them can be problematic.

Finally - and notably, in relation to the export commitment models - such theories offer useful policy perspectives. Given varying levels of export commitment and accepting the possibility of backward as well as forward motion, it can be surmised that firms may be at different evolutionary stages, exhibit different export behaviour and have diverse information and support needs (Czinkota and Johnston, 1982). In these circumstances the benefit of stage theories is not that they can - necessarily - predict the behaviour of individual firms, but rather, that they are most effective in identifying homogenous groups of companies with similar problems and broadly comparable export support requirements (Cavusgil, 1984).

Thus, from a public policy perspective, the notion of internationalisation as a staged process is of considerable importance. The fact that exporters vary considerably in experience, approach and attitude is fundamental to policy-making decisions on export assistance measures and to the nature and range of services which should ideally be provided. These issues will be discussed in greater detail in Chapter 3 (p. 170) in the light of critical export success factors and the barriers, impediments and problems faced by exporting firms which are reviewed hereafter.

2.5 CRITICAL EXPORT SUCCESS FACTORS

Attempts to assess export performance at a micro-level have been largely unsuccessful because of the difficulties of assessing export "success" realistically (Cunningham and Spigel, 1971; Kaynak, 1992). Researchers have often adopted the growth of export revenues or improvement in the export ratio (export sales as a proportion of total sales) as indicators of success.

However, these measures have not proved to be totally satisfactory for a number of reasons. Firstly, many studies have been cross-sectoral and little attempt has been made to reflect different domestic and international growth rates for specific industries. In cases where single sectors have been investigated, classification measures are invariably different to those adopted in other studies. Secondly, few efforts have been made to explore export performance and success in the longer term due to the predilection for cross-sectional research. Thirdly - and also attributable to dominant methodologies - quantitative approaches and the aggregation of data fail to reflect that, even in the same industry, individual firm's expectations regarding growth, profitability and other measures of success are likely to be different. Thus, "success" is an extremely subjective and ephemeral concept, export growth and profits considered adequate by one firm may be regarded as unsatisfactory by another. Moreover, firm's expectations are quite likely to change over time and a decline in export activity should not - necessarily - be regarded as indicative of failure.

In consequence, rather than attempt to quantify exactly what constitutes "success" many studies have instead focused on identifying key factors which contribute to firms' abilities to initiate and expand export operations (see Table 2.5). These criteria can be broadly classified as marketing related - product attributes, pricing techniques, communication and distribution strategies, customer care, and so forth - and management related - calibre of management, decision-making skills and strategic planning and operational competencies.

As has already been noted (p. 71), inadequacies in these areas impact on firms' performance even before they consider exports and contribute to their failure or survival; it is - therefore - not surprising that they can also lead to abortive attempts to enter international markets. However, they are of particular importance in the longer term development of export activity and Cavusgil and Kaynak (1982) consider product quality, good personal relationships, frequent communication, long-term commitment, competitive pricing and good terms of sale/credit to be essential elements in this task.

2.5.1 Marketing Factors

The importance of suitable products is widely highlighted in the literature (Edmunds and Khoury, 1976; McGuinness, 1978; Schlegelmilch, 1986; Beamish and Munro, 1987; Louter et al. 1991). Snavely et al. (1964) and Cavusgil and Nevin (1981) conclude that technology intensiveness and the possession of a unique product are major factors in export development and technological patents are considered important by Garnier (1982). Cunningham and Spigel's (1971) UK study of 48 Queen's Award winners reports that good product quality and design as well as good product marketing contributed to improved export performance. In contrast, Cavusgil (1984) and Cavusgil and Naor (1987) establish no relationship between product offerings and export success.

Findings into the impact of product adaptation or standardisation are equally mixed. Cooper and Kleinschmidt (1985) find that companies which modified their products achieved higher levels of export growth and profitability. However, Christiansen et al. (1987) suggest that successful Brazilian exporters are more likely to offer standard offerings in both domestic and foreign markets. Seifert and Ford (1989) indicate that many US firms they surveyed do not consider product modification necessary and that neither the firm's size nor export experience influenced its product strategy. Other researchers argue that the major difference between frequent and occasional exporters is an ability and willingness to adapt products (Ortiz-Buonafina, 1990; Samiee and Walters, 1990).

Clearly, some of these anomalies can be explained by the nature of the product or sector-specific influences. Companies may be unable to export successfully due to an unfavourable value/volume ratio, because products are highly perishable or because they simply do not have any significant competitive advantage over domestic manufacturers. Conversely, they may find exporting easy because they possess a radically new product which is in high demand. However, a study by Kirpalani and MacIntosh (1980) into 34 US and Canadian high-technology exporters concludes that a high degree of product sophistication may actually limit the potential for export success.

The need to be price competitive has been noted by a number of authors (Tesar, 1977; Kirpalani and MacIntosh, 1980; Cavusgil and Naor, 1987). Indeed, Weinrauch and Rao (1974) argue that this element of the marketing "mix" demands the greatest degree of adaption for export operations. Fenwick and Amine (1979) and Piercy (1981) find that price discrimination and flexibility correlates positively with export success. Nevertheless, in a UK study of 214 Queen's Award winning firms, Brown and Cook's (1990) find that less than half establish differential prices according to foreign market circumstances. Seifert and Ford (1989) also contend that exporters standardise prices and Cavusgil (1976) observes that export prices appear to be determined by costs and that companies arrive at a final price on a cost-plus basis.

Export Success Factors	Authors
<u>Product</u>	Beamish & Munro (1987) Cunningham & Spigel (1971) Edmunds & Khuory (1986) Kirpalani & MacIntosh (1980) McGuinness (1978)
<u>Level of technology</u>	Burton & Schlegelmilch (1987) Cooper & Kleinschmidt (1985) Hirsch (1971) Snaveley et al. (1964)
<u>Price</u>	Cavusgil & Naor (1987) Tesar (1977)
<u>Promotion</u>	Cavusgil (1984) Kirpalani and MacIntosh (1980) Tookey (1964) Weinrauch and Rao (1974)
<u>Distribution</u>	Kleinschmidt (1982) Rosson and Ford (1982) Tookey (1964)
<u>Quality of management/ planning and control</u>	Bilkey & Tesar (1977) Doyle & Schommer (1976) Daniels & Goyburo (1976) Kulhavy et al. (1982) Tesar (1975) Walters (1985)

Table 2.5: Export Success Factors

Indeed, the whole area of pricing policy and its relationship to export success is so inconclusive that Bilkey (1985) is unable to determine an optimal pricing strategy and other authors have presented frameworks and practical guidelines to attempt to "unravel the mystique" of export pricing (Cavusgil, 1988; Walters, 1989). In truth, attempts to provide general advice of this nature are always likely to be problematic given the specific nature of the individual firm's decision and the particular circumstances which pertain.

Compared with large corporations which often allocate substantial budgets to above- and below-the-line activities, promotion appears to be the least significant element of the marketing "mix" (Weinrauch and Rao, 1974; Cavusgil, 1984). Moreover, given their resource limitations small firms are most likely to restrict spending to sales support activities - brochures and publicity materials, exhibitions, personal selling and so forth - rather than advertising.

Brasch (1981) reports that more profitable firms are more likely to take part in international trade fairs. However, a major Canadian study by Rosson and Seringhaus (1988) suggests that while companies may gain experiential knowledge of foreign markets from such events, many fail to recover their costs. Tookey (1964) and Kirpalani and MacIntosh (1980) opine that sales promotion and advertising may - or may not - contribute to an increase in export sales.

Thus, while research into promotional issues is very limited, the general conclusions are that smaller exporters place a low priority on promotional activities, often leaving them to their agent or distributor in the market. Secondly, that allocations are considerably smaller for foreign vis-a-vis domestic markets. Thirdly, that even in relative terms, small-firm budgets are proportionately smaller than those of large companies. Finally, that more experienced exporting firms have a higher promotional expenditure than do novice exporters (Seifert and Ford, 1989).

Given the variables which impact on distribution policy - the nature of the product or services, firms' resources and experience, the differing scope and complexity of distribution systems within industries and in foreign markets (such as Japan), etc. - it is not really surprising that research in this area is rather diverse (Hill et al., 1990). The prevalence of indirect and direct export modes among small firms means that much of it focuses on the identification of suitable agents and distributors and on developing lasting long-term relationships through appropriate motivation and timely support (Rosson and Ford, 1980; Ford and Rosson, 1982; Ford et al., 1982; Angelmar and Pras, 1984; Rosson, 1984; Anderson and Coughlan, 1987).

However, recognition that other entry modes are not only viable for small firms, but becoming increasingly popular, has led to wider discussion on the merits and advantages of these alternatives (Young et al., 1990). The issue is addressed in some detail by Root (1987) who assesses a wide range of external factors in the foreign and home market environments and those internal to the firm. He concludes that:

"the 'right' entry mode is that which maximises the profit contribution over the strategic planning period within the constraints imposed by the availability of company resources, risk and non-profit objectives".

The growing importance of international services firms has also resulted in greater enquiry into their strategies (Eppink and Van Rhijn, 1988; Erramilli, 1990; Erramilli and Rao, 1990; Buckley et al., 1992). These are significant insofar as entry mode and distribution decisions are less likely to be influenced by considerations concerning the physical movement of products. Rather, they are likely to be determined by the relative ease of information or technology transfer - often by electronic means - and by the company's ability to provide appropriate levels of client support (Dandurand, 1993). Likewise, studies which focus on exporter-importer relationships are becoming more prevalent in line with increased interest in networking and relationship marketing (Katsikeas and Piercy, 1993).

Several conclusions can be drawn in respect to international distribution. Firstly, that the volume of export activity influences distribution policy. Thus, small exporters will favour indirect modes while larger, experienced companies will use more direct methods (Pinney, 1971, Cavusgil, 1970). Secondly, that the latter - while riskier - offer more control and greater sales profitability (Koh and Robicheaux, 1988; Koh, 1991). Thirdly, that due to different legal and political environments in foreign markets, firms will be forced to use alternative entry options. Thus, while firms may be predisposed to a particular market entry strategy, they will often employ a variety of methods (Tookey, 1964; Cavusgil and Naor, 1987). Finally, in relation to physical distribution, Davies (1984) notes that companies often neglect to seek savings - and therefore improve competitiveness and profitability - in these areas.

Various issues relating to customer care are discussed in the literature. The importance of pre- and after-sales service and their positive impact on export sales are noted by some writers (Cunningham and Spigel, 1971; Garnier 1978). Khan (1978) argues that the former is important, but that the latter may not impact significantly. Kirpalani and MacIntosh (1980), who appear to be at odds with other researchers in a number of respects, conclude that after-sales care does not necessarily improve sales levels. However, the general consensus is that good levels of customer support, frequent contact and good relationship-building exert a positive influence on export sales volumes and profitability (Cavusgil and Kaynak, 1982). Clearly, these factors are even more vital in service-based sectors.

2.5.2 Strategic Management Factors

As has already been discussed (p. 71), inadequate management skills are widely regarded as a major cause of small-firm failure (Berryman, 1982). Many researchers consider that these limitations, together with a lack of human and financial resources and capacity, dissuade many smaller firms from becoming involved in exporting activities (Bilkey and Tesar, 1977; Abdel-Malek, 1978; Rabino, 1980; Withey, 1980; Seely and Iglarsh, 1981; Cannon and Willis, 1983; Buatsi, 1986; Edmunds and Khoury, 1986).

Most studies in the area conclude that a positive relationship exists between long-range planning and export performance. However, a few contend that firms might be quite successful in a purely reactive and opportunistic mode or that too much attention to planning overtaxes small firm's resources and diverts their attention from actually securing business (Simmonds and Smith, 1968; Piercy, 1981).

Weaknesses in strategic management are manifest in several areas. Firstly, in respect of market intelligence activities, where small firms appear to prefer personal information sources; are distinctly reluctant to commission - expensive - external research; are reticent to avail of government support due to an innate suspicion of bureaucrats and; often adopt ad-hoc market research approaches. Secondly, in terms of strategic planning for exports where - despite the fact that foreign market selection ought to be based on some assessment of opportunities, threats and resource implications - many small firms react intuitively. Moreover, having adopted ad-hoc approaches - and met with some initial success - they often fail to fully exploit a single market, but instead embark on an orgy of new market conquests failing to exploit their true potential and rapidly dissipating the firms resources. The failure to "concentrate" on key markets (Piercy, 1983) may lead to rapid short-term growth but creates long-term problems and often results in sub-optimal export performance (Sweeney, 1970; Tessler, 1980).

While all the aforementioned studies contribute to a better understanding of factors deemed necessary for export success, the most comprehensive investigation is that conducted by Bannock (1987) on behalf of the British Overseas Trade Board (BOTB). In this study responses from 920 firms in a survey of 3000 UK companies of various sizes within different industries were analysed, together with those from a further 1050 firms responding to the Small Business Research Trust's (1986) Seventh Quarterly Survey of Small Business. Companies exporting more than 15% of turnover in at least one of the previous three years were classified as "active exporters", those exporting less than 1% of sales as "non-exporters" and the residual of these two categories were deemed to be "passive exporters".

As can be seen from Table 2.6, there is a good measure of agreement on the factors which contribute to export success between these groups. Finding the right agent or distributor, selecting the right markets and the need for commitment, confidence and persistence are considered important by all groups. However, Bannock's observation that active exporters seem to have clearer cut views on what is important and that they demonstrate higher levels of commitment is evident from firms responses. The fact that they appear to be less concerned about pricing, product modification and knowledge of markets or customers also indicates much greater confidence in their ability to compete in export markets.

	<i>Percentage of ALL RESPONDENTS</i>	<i>Percentage of ACTIVE EXPORTERS</i>	<i>Percentage of PASSIVE EXPORTERS</i>	<i>Percentage of NON- EXPORTERS</i>
Finding the right agents or distributors	17.55	22.22	14.96	15.46
Choosing the right export market(s)	15.21	14.72	14.94	16.04
Being committed, confident and persistent	12.81	15.18	11.82	11.37
Reducing costs to match foreign competition	9.30	6.58	12.06	9.03
Understanding customers and competitors	9.22	9.53	10.70	7.17
Getting sound outside initial advice	6.94	5.01	5.67	10.51
Modifying products/ packaging for market	6.61	5.73	4.50	10.03
Using fast communications (telex/fax)	5.38	5.25	5.74	5.09
Having foreign language abilities	4.65	3.25	6.40	4.15
Taking a long view on costs and returns	3.39	3.63	3.35	3.18
Coping with transport, customs & payments	3.19	3.11	3.30	3.13
Recruiting experienced export staff	2.95	2.55	3.66	2.58
Training existing staff	2.65	3.17	2.77	1.94

Table 2.6: Keys to Success in Exporting

(Source: Into Active Exporting, BOTB, Bannock, 1987)

Bannock's study is especially interesting in one respect; namely, it emphasises that positive management attitudes are critical to export success (see Table 2.7). In profiling attitudes of successful and less successful exporters, there is clear evidence that the former adopt structured, long-term, proactive approaches to exporting. In contrast, the latter take a short-term view of exporting, react haphazardly in an unprofessional manner, over-estimate the potential export difficulties and externalise failure.

A number of conclusions can be drawn from the export success literature. Firstly, possession of suitable products or technology, adequate human and financial resources and marketing related competencies - good market intelligence and distribution, competitive pricing, communications with clients, customer care, etc. - influence whether firms achieve export success. However, many firms appear to achieve a modicum of success, even in the absence of some of these criteria.

Secondly, authors such as Bilkey (1985) find considerable evidence to suggest that smaller firms pursue sub-optimal export strategies and it appears that even UK Queen's Export Award winners "are not, in general, particularly marketing orientated" (Brown and Cook, 1991). Given the characteristics of small firms and their domestic market behaviour, these views should not be altogether surprising. Indeed, it would be amazing if major behavioural and attitudinal changes were to occur merely because such firms identified or responded to an export opportunity. However, just as firms develop more sophisticated domestic strategies as they become larger and more experienced, so too is export planning likely to become more structured over time and in response to favourable outcomes.

Thirdly, positive managerial attitudes are an essential pre-requisite for export success insofar as they enable firms to overcome inherent resource limitations and improve their competitive positions. Conversely, in the absence of managerial commitment, other potential advantages are likely to be negated and possible export opportunities are unlikely to be fully exploited. Thus, managerial commitment is crucial for export success.

**Profiles of attitudes of successful and less successful exporters:
key issues**

	Successful	Less Successful
Finding right distributors	Regard this as <i>the</i> prime issue. Board director involvement in vetting.	Respond to inquiries. Expect to be found easily via directories, embassies, etc.
Commitment to export	Regard exporting as inevitable and necessary in a growing business. Persistent, professional and go forward to their customers. Concern of whole company.	Insular, unprofessional, unaware of issues. Exporting seen as solution to problem of part of company only.
Learn by doing	Assume responsibility for building in-house expertise on the whole process of exporting. Automatically assume mistakes will be made.	Overwhelmed by early obstacles and blame others. Defeatist.
Selectivity in markets	Ranking process according to rational criteria, progressive focus.	Spread effort too thinly, go for high cost/risk markets too soon, eg France, US. Restrict efforts to passive response to unsolicited inquiries.
Financial investment	Prepared to look at projected returns on long-term basis.	Exporting seen as gamble with spare cash. Short-term view.
Long-term horizon	Several years effort necessary to lay foundations for solid success. Expect hiccoughs.	Expect quick results with meagre resources.
Confidence	Do not export until confident of success. Control growth.	Start too soon in haphazard way. Take on too much.
Respect for customer	Assume the customer will be at least as good a businessman as you are. Careful study of his needs and sensitivity to them.	Adopt take it or leave it attitude. Underestimates the customer.
Attitudes to intermediaries	Use advisers at start of export process, but thereafter only very selectively.	Either over- or under-rely on external advice. Insufficient range of potential advice sought.
Fast communications	Use telephone, fax, telex, electronic mail as appropriate.	Rely on letters. Unaware of importance of speed of response.

Table 2.7: Profile of Attitudes of Successful and Less Successful Exporters 1/2
(Source: Into Active Exporting, BOTB, Bannock, 1987)

Less important issues

	Successful	Less Successful
Languages	Simply part of looking after the customer. Normal in-house skill.	Over-estimate importance leading to excessive timidity or ignore altogether.
Credit risk	Regard as worse than domestic in general. Use of ECGD, Letter of Credit, proper investigation etc. Obvious exceptions (some LDCs).	Fear of risk prevents action.
Export documentation and procedures	No problem to professionals. Handled expertly in-house or by forwarding agent externally.	Lack of professional approach: try to cut corners.
Export pricing	Accept that market determines the price exporter has to control costs. Quote in foreign currency where customer requires it. Hedge if necessary. Aware of volume/unit cost relationships.	Inflexible attitude. Try to price at UK levels plus freight. Worry about currency problems.
Export staff recruitment	Good people can be trained in house.	Believe good people are very difficult to find and prohibitively expensive.
Technical standards/Legal systems	Can be a non-tariff barrier but usually surmountable.	Over-estimate importance.
Organisation of export function	May have separate export organisation or not, but whole company committed to export. Usually separate staff handle detailed documentation.	Exporting not integrated sufficiently with total business.
Payment delays	Generally similar or better than UK. Some exceptions (LDCs).	Believed to be a high cost of exporting.

Table 2.7: Profile of Attitudes of Successful and Less Successful Exporters 2/2
(Source: Into Active Exporting, BOTB, Bannock, 1987)

2.6 EXPORT IMPEDIMENTS AND PROBLEMS

Arguably the largest area of research - and certainly, the most important within the context of the present study - is enquiry into impediments to exporting and the problems facing small firms. The literature is somewhat confused by a research predilection for comparative studies which explore the problems and obstacles facing firms which are actually exporting at the same time as investigating the barriers and impediments as **perceived** by non-exporting firms . A second difficulty is that while most enquiries identify and rank problems in order of importance few, with the notable exception of Czinkota and Ricks' (1983) study, measure problem intensity and many disagree on rankings. The fact that most enquiries on exporting problems emanate from the US and reflect the capabilities and experiences of American firms is also a concern. As Katsikeas (1991) observes:

"It is thus implied that, prima-facie, the findings on the obstacles perceived cannot be considered to represent the export behaviour of firms primarily based in countries other than the USA."

Despite these limitations, a broad consensus on the general nature of export problems and impediments and obstacles to exporting emerges from the literature.

Bilkey's (1978) literature review synthesises the problems identified in earlier studies conducted by Perkett (1963), Simmonds and Smith (1968), Sinai (1970), Simpson and Kujawa (1974), Snavely et al. (1964), Pavord and Bogard (1975) and Tesar (1975). The first two were carried out in Canada and the UK respectively; the others were US based. Most involved exporters and non-exporters. According to Bilkey, these investigations indicate that the most frequent serious obstacles to exporting were:

1. Insufficient finances
2. Foreign government restrictions
3. Insufficient knowledge about foreign selling practices
4. Inadequate product distribution abroad
5. Lack of foreign market connections.

Rabino's (1980) study of 46 high technology firms in New England is most interesting insofar as it identifies not only the actual problems facing exporters, but also their perceptions as to why other comparable firms do not export. Again, five major problems are cited in order of importance, namely; paperwork, selecting a reliable distributor, non-tariff barriers, honouring letters of credit and communications with customers. Reasons why other firms did not export include a lack of exposure to foreign cultures, a large domestic market, lack of management time, the amount of paperwork involved and different safety/quality standards in export markets.

Weinrauch and Rao (1975) differentiate between the perceived internal and external problems of small non-exporting US manufacturers. They contend that the former include the lack of overseas contacts, determining product demand and credits and collections. Anticipated external problems include limited foreign markets and the likely impact of overseas competition and foreign government regulations.

Several studies focus on differences between exporters and non-exporters (Alexandrides, 1971; Kaynak and Kothari, 1984; Keng and Jiuan, 1989; Dichtl et al., 1990). Alexandrides' (1971) survey of 72 exporters and 32 non-exporters in 9 manufacturing industries in Georgia indicates that although the main problems of both groups are similar, the rank order of importance of variables differs:

Exporters		Non-exporters	
1	Competition abroad	1	
2	Locating foreign markets	3	
3	Payment procedures	4	
4	Transportation	5	
5	Lack of knowledge	2	
<u>(Rank order from a total of 8 variables)</u>			

In contrast, Keng and Jiuan's (1989) study of 156 small and medium-sized Singaporean manufacturing firms finds marked differences between both groups with exporters focusing, in the main, on operational problems and non-exporters highlighting motivational barriers or resource limitations:

Ranking Exporters

- 1 Matching competitor's prices
- 2 Promoting products overseas
- 3 Establishing distribution networks
- 4 Obtaining foreign market information
- 5 Need to grant credit facilities to foreign buyers
(From a total of 12 variables)

Non-exporters

- 1 Focus on satisfying domestic demand
- 2 Products not marketable in foreign markets
- 3 Lack of foreign market contacts
- 4 Lack of financing
- 5 Difficulty in gaining market entry
(From a total of 8 variables)

A study of 105 German firms by Dichtl et al. (1990) differentiates between the problems of "systematic" and "occasional" exporters and also includes responses from non-exporters. While ranking of problems by categories of exporters are reasonably consistent, they differ markedly from those faced by non-exporters:

Ranking		Problem Areas	Ranking
S	O		N
1	1	Pricing	5
2	2	Competitive situation	3
3	5	Distribution system	4
5	3	Personnel	2
6	6	Market development costs	1
8	4	Language	6
4	10	Import regulations	11

(S= Systematic Exporters, O= Occasional Exporters,
N= Non-exporters)

These findings are consistent with those of Kaynak and Kothari (1984). Their comparative study of 484 smaller manufacturing firms in Nova Scotia and Texas concludes that the main problems for exporters were foreign government barriers, overseas competition and difficulties with marketing operations. Lack of knowledge of complex export markets and resource limitations inhibited non-exporters but, most significantly, the large domestic market was a major disincentive to export initiation, notably among US firms.

In similar vein, Tesar and Tarleton's (1982) study of Wisconsin and Virginian firms differentiates between obstacles to export initiation and on-going exporting problems. In rank order, difficulties in determining foreign opportunities, documentation and paperwork and high initial costs were seen as major impediments to initiation. On-going problems - again in order of importance - included securing representation, servicing foreign markets, different standards and consumer behaviour patterns, difficulties in obtaining payment and the high cost of doing business abroad.

Albaum's (1983) US survey of 86 small manufacturing exporters in Idaho, Oregon and Washington sheds additional light on the problems of active exporters. He concludes that documentation and finding distributors were the most significant problems. Additionally, locating foreign markets, competing with foreign suppliers, the lack of customer leads and financing export sales presented serious difficulties.

A number of useful contributions to the literature on export problems are made by Czinkota, Johnston and Ricks. Using data from Czinkota's (1981) original enquiry into 237 small and medium-sized US exporters in the materials handling, avionics and industrial instrument sectors, they investigate a number of important issues. First, the relationship between export experience and export problems. Second, a comparison of problems by firm size. Third, the importance and intensity of particular problems and potential improvement possibilities.

Czinkota (1981) classified the firms into four groups according to their level of export of experience. Problems encountered by firms with less than two years experience and those of companies which had exported for more than ten years were ranked in order according to their perceived strength:

Least Experience (< 2 years)	Problem Areas	Most Experience (> 10 years)
1	Communications	1
2	Gathering market information	3
3	Sales Effort	2
4	Obtaining information on business practices	5
5=	Product adaptation	
5=	Getting financial information	4
5=	Providing spare parts	

(From a total of twenty variables)

Czinkota and Johnston (1983) segmented the same sample into two groups according to size with small firms having annual sales of below \$5 million and medium-size firms having sales of \$5-50 million:

Small Firms	Problem Areas	Medium-sized Firms
1	Communications	1
2	Sales Effort	2
3	Providing repair service	5
4	Getting financial information	4
5	Gathering market information	3

(From a total of twenty variables)

Despite some minor variations in ranking, these findings demonstrate considerable consistency regarding the nature and importance of export problems among active firms, regardless of size or experience.

Recognising that certain exporting issues may present frequent problems for firms, but that they need not be of a serious nature - and vice-versa - Czinkota and Ricks (1983) attempt a much more complex analysis of export problems. In contrast to other enquiries which tend to utilise a single measure - such as the significance or frequency of a given problem - they adopt a multi-dimensional approach which explores problems in terms of their relative importance, intensity and potential for improvement. As can be seen below, the issue of product adaptation is of importance to firms and causes widespread concern. However, it does not pose as severe a problem as does communication with customers. Nor is it regarded as the most urgent issue firms would address in order to improve their export performance, which is sales effort.

	Importance of Problem	Problem Strength	Change
High Concern	Product adaptation	Communication	Sales effort
	Communication	Sales effort	Communication
	Sales effort	Gathering market information	Providing technical advice
Moderate Concern	Providing repair service	Financing	Pricing
	Pricing	Providing parts	Information on business practices
	Gathering market information	Documentation	Advertising
Low Concern	Arranging transport	Arranging transport	Funds transfer
	Packaging	Distribution coordination	Packaging
	Advertising	Advertising	Distribution Coordination

Cavusgil's (1984) study, based on depth interviews with 70 mid-western American firms, classified firms by their export ratio as "experimental", "active" or "committed" exporters and identified variations in response between these groups. As can be seen, working with foreign distributors and exchange rate risks were significant problems for all firms:

Problem Areas	Ranking		
	E	A	C
Working with foreign distributors	1	4=	2
Exchange rate risks	2	1	1
Cultural and economic differences	3	-	3
Red tape, regulatory restrictions	5	4=	-
Political instability	-	3	3
Other (operational) factors	4	2	-

(E= Experimental, A= Active, C= Committed)

Bannock (1987) highlights finance-related issues and delays in payment as the most significant problem facing UK exporters. Export paperwork, obtaining market information, product suitability and securing suitable representation are also problematic (see Figure 2.10).

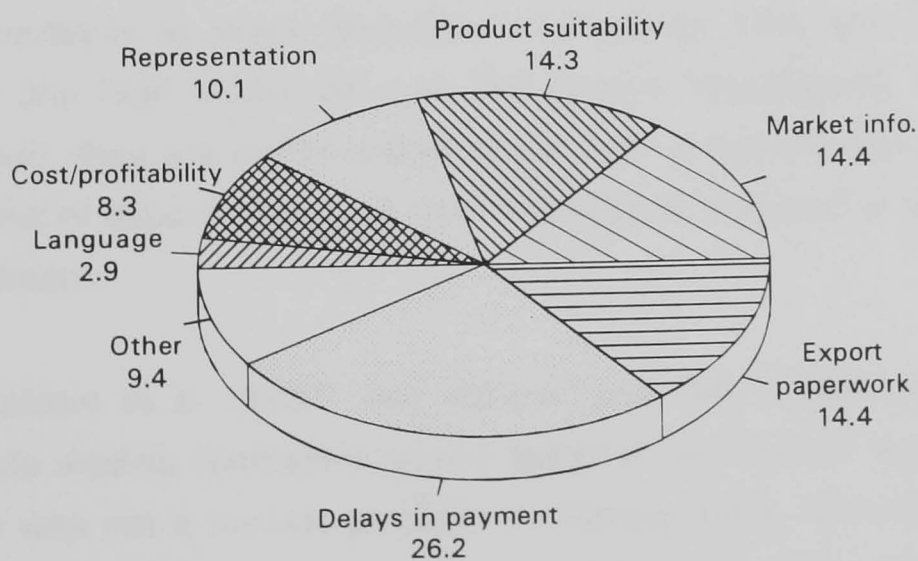


Figure 2.10: Major Export Problems for UK Companies
 (Source: Into Active Exporting, BOTB, Bannock, 1987)

Bauerschmidt and Sullivan's (1989) survey of 189 strategic business units of US and European paper product exporters offers a useful cross-national perspective and two important findings. First, despite similar problems, European companies regard competition from local firms in foreign markets as a greater problem than their US counterparts. Second, domestic market orientation appears to be much more problematic for American firms:

US	Problem Areas	Europe
1	High value of domestic currency	1
2	High transportation costs	3
3	Emphasis on domestic market	13
4	High foreign tariffs on imports	4
5	Risks in selling abroad	6
6	Lack of distribution channels	5
11	Competition from local firms in foreign markets	2

(From a total of 17 variables)

Relatively few enquiries into export problems have been conducted outside the advanced industrial nations. Turkish investigations by Bodur (1986), Karafakioglu (1986) and Kaynak and Errol (1989) all identify intense international competition, differences in competitive practice, lack of foreign market information and export documentation as major obstacles to exporting. They also conclude that the low quality and high production cost are serious impediments for Turkish exporters. Moreover, they are highly critical of the lack of government export incentives, the high cost of export credit and other restrictions imposed on exporters by the home government.

Christiansen et al. (1987) and Weaver and Pak (1990) find similar problems in separate studies conducted among Brazilian and Korean exporters. While product quality was not a serious problem for Korean firms, both they and their Brazilian counterparts indicated that financing exports and foreign country import regulations, tariffs and trade restrictions were major obstacles. Keng and Juan's (1989) Singaporean study also highlights financing issues (see p. 129).

Bodur (1986) and Katsikeas (1991) are highly critical of research efforts in the area, including many of the aforementioned enquiries. They contend that previous studies lack research frameworks, are poorly operationalised and are methodologically unsound due to inattention to reliability and validity, sampling and measurement procedures and so forth. Moreover, they argue that these limitations contribute to diverse conclusions. Nevertheless, while the precise nature and intensity of problems varies from study to study Katsikeas agrees with Bodur's assertion that:

"One common denominator ... is the indication that most of these problems are infrastructural and institutional rather than marketing management orientated. Documentary requirements and paperwork, host and home government regulations, insufficient financing and lack of foreign market information and contacts are the most often cited problems in exporting. It is found that the nature of these problems does not vary across firms when 'annual sales' or 'export experience level' are the classifying criteria".

This view would appear to be substantiated by other studies which discuss export problems as part of broader investigations into exporting issues (see Table 2.8).

However, it should be noted from this table that some researchers also identify marketing-related problems. Cannon (1980), Dichtl et al. (1984) and Walters (1989) suggest that export pricing presents difficulties and other authors argue that obtaining payment from foreign customers is problematic (Tesar and Tarleton, 1982; Axinn, 1988). McFarlane (1978) and Seifert and Ford (1990) regard poor communications and inadequate promotional activities or budgets to be detrimental to export performance. Problems related to channel choice and/or control and other aspects of distribution are highlighted by Rosson and Ford (1980), Erramilli (1990) and others. Poor product quality or unsuitable offerings are identified as significant export obstacles by Weinrauch and Rao (1974), Bodur (1986), Karafakioglu (1986) and Keng and Jiuan (1989). Indeed, it is important to observe that competence in at least some of these marketing-related areas - along with managerial factors - feature prominently in the export success literature discussed in Section 2.5 (see Table 2.5, p. 118).

Impediments to Exporting	Authors
<u>Obtaining foreign market information</u>	Brooks & Rosson (1982) Pavord and Bogart (1975) Weaver and Pak (1990) Wienrauch (1973)
<u>Communication with clients in international markets</u>	Czinkota & Johnston (1983) Rabino (1980) Tesar (1975)
<u>Export documentation and procedures</u>	Barrett & Wilkinson (1986) Edmunds & Khoury (1986) Groke & Kreidle (1967)
<u>Inadequate export finance</u>	Hook & Czinkota (1989) Kedia & Chokkar (1985) Samiee & Walters (1990)
<u>Government restrictions</u>	Bilkey (1978) Weaver & Pak (1990)
<u>Foreign competition and trade restrictions</u>	Alexandrides (1971) Dichtl et al. (1984)
<u>Obtaining payment</u>	Axinn (1988) Tesar & Tarleton (1982)

Table 2.8 : Impediments to Exporting (1/2)

Impediments to Exporting	Authors
<u>Lack of expertise</u>	Buatsi (1986) Christiansen et al. (1987) Dichtl et al. (1990) Korth (1991) Samiee (1991) Swift (1991)
<u>Lack of capacity</u>	Yaprak (1985) Ortiz-Buonafina (1990)
<u>Marketing related factors</u>	
Product	Weinrauch & Rao (1974)
Export Pricing	Bilkey (1985) Cannon (1980) Dichtl et al. (1984) Walters (1989)
Channel Choice/Control Physical distribution	Erramilli (1990) Rosson and Ford (1980) Kaynak & Kothari (1984) Gripsrud (1990)
Promotion	McFarlane (1978) Seifert & Ford (1990)

Table 2.8: Impediments to Exporting (2/2)

Secondly, while early studies often fail to differentiate between the perceived barriers and impediments to exporting among non-exporters and the actual problems and obstacles facing exporters, more recent enquiries suggest that marked differences exist in the nature and intensity of the problems faced by each group. Clearly, there is common ground vis-a-vis perceived or actual resource limitations and information gaps. However, in the case of non-exporters many of the barriers are of a motivational nature and reflect an inherent lack of commitment to exporting as a strategy for growth. On the other hand, active exporters problems tend to relate to operational issues, given that such firms have successfully overcome a psychological hurdle to exporting.

Thirdly, investigations which segment exporting firms according to their level of experience or commitment indicate that while firms at different development "stages" may face similar exporting challenges, the precise nature and intensity of export problems are likely to differ. For example, gathering market intelligence and processing export documentation are more problematic for firms in the early stages of development. Conversely more experienced firms may have greater problems controlling channels or establishing alternative market entry modes. If such difficulties are to be overcome, much will depend on the firms ability and willingness to allocate internal resources to exporting and on their persistence in identifying and harness available external support from public and private organisations.

Finally, while methodological inconsistencies may contribute to diverse findings, the problems of individual firms are likely to be influenced by a unique set of circumstances pertaining only to that firm. Thus, internal resources and constraints, industry or sector-specific considerations, prior export experience and domestic or target market conditions will all contribute to the precise nature and intensity of a firm's export problems. Insofar as exporters are not a homogenous group, it is rather unrealistic for critics of previous research to expect that enquiries conducted among a diverse range of firms within various industries in different countries should arrive at identical conclusions regarding the nature of export problems.

These conclusions from the literature have important policy implications. In the first instance, the fact that export problems are primarily due to infrastructural and institutional factors suggests that the broad thrust of government export promotion policy should address these issues. Second, conscious attempts to differentiate between the problems of exporters and non-exporters are crucial. In the latter case they indicate what policy measures might be taken to stimulate export initiation. The former are more pertinent in establishing what needs to be done to support and develop active firms. Third, differences in the nature and intensity of export problems - regardless of whether they are due to firm size, age, experience or other industry-related or market environment factors - demand measures which address specific limitations and resource gaps and which target assistance accordingly.

Indeed, from a policy perspective, the existence and impact of all these variables reinforces the need for national policy-makers to review the value of standard offerings and tailor export assistance in line with firms' particular circumstances and support requirements. This issue is further explored in Chapter 3 (p. 170) where the literature on government export promotion is reviewed. It is, as stated at the outset, the primary focus of the research undertaken towards this dissertation.

2.7 CONCLUSIONS FROM THE LITERATURE

Inconsistent findings from empirical studies, concern with methodological aspects of research and problems relating to cross-cultural comparability of data and results has led Miesenbock (1988) to conclude that:

"a conclusive theory of small business internationalisation is far from being available".

Despite this, a synopsis of the literature reveals a number of significant issues relating not only to the export behaviour and internationalisation process of small firms but also to important considerations which should influence government policy formulation in support of export development and small-firm internationalisation.

A useful starting point is a widespread recognition in the literature that smaller firms are undoubtedly constrained by limited human and financial resources - irrespective of the geographic scope of their operations (Schollhammer and Kuriloff, 1979). Key decision-maker characteristics also impact on managerial style, corporate objectives and operational competence, contributing to an overall lack of strategic management and an inability to devise coherent long-term plans for domestic or export markets. (Mendham and Bannock, 1982; Mitchell and Bradley, 1986). In addition, due to ownership and control issues, small firms often find it hard to secure external funding for expansion regardless of market focus.

In this context, exporting should not be viewed as distinct from domestic expansion, rather, it should be regarded as a complementary strategy for growth and survival and subject to similar types of constraints. Clearly, the complexity of international markets will lead to higher perceptions of risk and to export aversion especially among smaller, less-experienced and under-resourced firms (Bilkey and Tesar, 1977; Abdel-Malek, 1978). Nevertheless, size alone is not a sufficient obstacle to internationalisation. Rather, as Reid (1982) observes, it is often a proxy measure for the lack of resources and expertise inherent to small businesses. Moreover, small firms possess certain advantages over their larger counterparts; namely, greater flexibility, a capacity for innovation and an ability to exploit niche markets (MacMillan, 1975; Broom and Longenecker, 1979; Storey, 1986).

Second, research indicates that the initial export decision is frequently triggered by external events. According to Tesar (1975) these include the receipt of an unsolicited order, dealings with domestic customers who have international clients, acquisition by a foreign company and - to a lesser extent - the effects of government stimulation. Adverse domestic economic conditions and a small home market positively influence export activity and vice-versa (Joynt, 1982; Reid, 1982; Rao 1983). The later provides some explanation as to why small European or Scandinavian firms - particularly those indigenous to small countries - appear to be less export adverse than their American counterparts.

While a reactive approach is particularly evident throughout the early stages of internationalisation, (Kaynak et al, 1987; Bannock, 1987) some firms begin exporting because of managers perceptions of profit advantage or good growth prospects (Bilkey, 1978; Cavusgil, 1984; Liouville, 1992). Furthermore, as firms gain experience, favourable outcomes lead them to become more committed and proactive (Rabino; 1980; Ogram, 1982). On the other hand, unsatisfactory overseas experiences serve to demotivate firms and often make them more reluctant to export than if they had not started in the first place (Yaprak, 1985). However, the fact that a substantial proportion of firms adopt reactive rather than proactive approaches to export initiation suggests that key decision-makers are susceptible to appropriate external stimulation.

Third, determinants of export behaviour such as domestic market factors, industry sector and firm characteristics are all of secondary importance to managerial attitudes and attributes (Cunningham and Spigel, 1971; Bradley and Keogh, 1981; Axinn, 1988). The role of the decision-maker is pivotal, their perception and interpretation of internal and external export stimuli determines firms' future activities (Aaby and Slater, 1989).

Conflicting findings emerge on the importance of the decision-maker's age, level of education, foreign language proficiency, previous experience and international orientation. However, the last two factors - together with the decision-makers' external contacts - appear to be significant objective characteristics (Cavusgil and Nevin, 1981; Bilkey, 1987; Axinn, 1988). Similarly, while psychologically-orientated characteristics - such as dynamism, creativity and innovativeness - are often regarded as important export decision-maker traits (Lee and Brasch, 1978; Dichtl et al., 1984), some studies find no significant differences between the self-perceptions of exporters and non-exporters (Brooks and Rosson, 1982; Kaynak, 1982; Diamantopoulos and Inglis, 1985). However, despite differences of opinion on the importance of specific decision-maker characteristics, there is almost universal agreement on the positive relationship between managerial commitment and the firm's propensity to export.

Fourth, there is no real conflict in the view that internationalisation is an incremental process. The notion of a logical, step-wise, forward motion is suspect (Turnbull, 1987) and the explanatory power of psychic distance less-widely accepted than heretofore (Nordstrom, 1990). However, there is general consensus for the view that favourable outcomes persuade firms to progress through various internationalisation "stages" and that their marketing activities and support requirements will change during this process (Seringhaus, 1987). Establishing the actual number of stages, the precise cut-off points at which firms move across stages and the exact nature of needs is more problematic because of weak operationalisation of "stage" theories and a lack of longitudinal research (Anderson, 1993). Such concerns have led some researchers to question whether the export decision-making process in small firms is rational, or not (Reid, 1983, Mitchell and Bradley, 1986). Indeed, Piercy (1982) concludes that:

"the great bulk of what has been written, said and taught about exporting is founded on the assumption that companies are (or should be) internationally active committed, problem-solving exporters. It has been shown that this assumption is descriptively false and indeed may be normatively questionable".

In consequence, many of the more recent conceptualisations on small-firm internationalisation have focused on less structured network processes (Strandskov, 1986; Hallen et al., 1987; Johanson and Mattson, 1990; Blankenberg and Johanson, 1992). These approaches do not negate the incremental nature of internationalisation, rather, they highlight the complexity and variability of the process. Nor, do they detract from the merits of stage theories which attempt to classify firms according to their level of international development for support purposes (Cavusgil, 1984). Indeed, network theories support the view that small firms prefer to adopt informal methods to gather market intelligence and to develop relationships with clients or suppliers. Such concepts offer useful policy direction on improvements to export support; Namely, that greater emphasis should be placed on offerings which assist small firms to develop their own networks and; that EPO's should try to become accepted as an integral part of these networks, rather than be viewed merely as export information providers.

Fifth, despite conflicting findings in the literature on the nature of export problems, notably in respect of their relative importance or intensity - evidence suggests that many difficulties are not marketing-management orientated. Rather, they are infrastructural and institutional and result from firms' resource constraints and the increased complexity of operating in international markets.

Undoubtedly, smaller firms will regard the exporting task with greater trepidation, particularly in light of inherent human resource limitations and strategic planning weaknesses. It is also clear that perceptions of non-exporters are likely to reflect motivational barriers, while exporters will be more concerned with actual impediments and obstacles. The fact that various situation-specific factors will contribute to the precise nature of an individual firm's problems should not be overlooked. A coherent policy for the small-firm internationalisation should take cognisance of all these issues and seek to address them in the design and delivery of export support measures.

In light of these conclusions, Chapter 3 reviews the pertinent literature on government export promotion services, examines explicit and implicit criticisms of provisions and discusses policy guidelines contained therein. However, it is appropriate to note at this point that a standard package of offerings is unlikely to meet the diverse support needs of firms which are clearly not a homogenous group either in terms of their resource bases or in respect of their export motives, experience, expertise, approaches and problems.

CHAPTER THREE **GOVERNMENT ASSISTANCE TO EXPORTERS**

CONTENTS

This Chapter outlines established theories of international trade and discusses the rationale for national governments' involvement in export assistance. It then reviews the literature on export promotion, beginning with theoretical frameworks and comparative studies on different national systems. Thereafter, it focuses on the findings of enquiries which evaluate awareness and usage of - and satisfaction with - Export Promotion Organisation services and draws conclusions from the literature.

INTRODUCTION

Ever since the seminal theoretical contributions of classical economists such as Smith (1776) and Ricardo (1817), the advantages which nations derive from international trade have been widely accepted by economists and policy-makers alike. The desire to stimulate national economic growth and thereby increase domestic prosperity through such activities provides the basic rationale for government intervention in international trade issues and underpins most nation's foreign trade policies.

In the post-war era, these perceived benefits have resulted in concerted multilateral efforts to reduce barriers, simplify procedures and develop world trade through the General Agreement on Tariffs and Trade (GATT). Together with technological advances and improved global communications and transportation infrastructures, these developments have contributed to the internationalisation of business activity and to a rise in the value and volume of world trade during the period.

They have also led to greater government involvement in export promotion activities which have been a long-established element of foreign trade policy, particularly in advanced industrial nations. Nevertheless, until the early 1970's much of the impetus for world trade growth was provided by the activities of multinational corporations and policy measures in these countries generally focused on supporting the international development of larger companies.

Increased policy and research interest regarding the nature and scope of government export promotion can be traced to the early 1970's. Both were influenced by contemporary events which have already been extensively discussed in Chapter 1 (p. 13). In the advanced western nations saturated domestic markets and escalating trade deficits forced policy-makers to focus more intensely on export stimulation measures. At the same time, the onset of structural change dictated that the broad thrust of government policy - including export promotion activities - should be redirected in support of the small-business sector. Other nations, including the LDC's, were forced to adopt similar policies to increase manufactured exports in response to their own balance of trade problems which were exacerbated by rising oil prices and a decline in demand for commodities among their major trading partners.

During the last three decades global economic turbulence, a shift in the balance of trade power towards Japan and the - increasingly - influential ASEAN area, trends towards greater economic integration, the decline of the last vestiges of colonial influence and ongoing structural change have impacted on traditional patterns of trade and on the international trade performances of advanced and emerging nations alike. These developments - together with widespread recognition that multinational corporations can no longer be solely relied upon as vehicles for economic and trade growth -has forced most national governments to intensify their efforts to stimulate the export activities of smaller firms and to review their existing support offerings accordingly.

In these circumstances, it not surprising that the body of literature on government export promotion which has emerged since the mid-late 1970's tends to focus - increasingly - on the efficacy of policy measures vis-a-vis smaller firms. Nor is it likely, in light of the most recent changes in the geo-political and economic environment and anticipated developments in international trade, that this emphasis will change significantly. Indeed, this issue is likely to be the subject of increased policy and research attention for the foreseeable future. Nevertheless, while the present study focuses on export promotion issues, the influence of international trade theories on macro-economic policies which support EPO activities cannot be ignored and merit further elaboration.

3.1 INTERNATIONAL TRADE THEORIES

3.1.1 Classical Economic Contributions

Classical economic theories attempt to explain the existence and patterns of international trade by focusing on the concept of economic advantage. Smith (1776), who advanced the theory of **absolute advantage**, postulated that a country would export those commodities in which it had an absolute advantage in terms of lower cost production. Specialisation would result in increased productivity and efficiency, this - in turn - would lead to higher income which could be used to purchase imports from abroad. This theory assumed a labour theory of value and that prices of commodities were cost-determined but failed to fully explain international differences in cost and price.

Ricardo (1817) proposed an alternative theory of **comparative advantage** in which nations engaged in trade because of:

"the special ability of a country to provide one product or service relatively more cheaply than other products or services".

Thus, a country would benefit from international trade if it produced more goods in which it was relatively more efficient and exported these goods in exchange for those in which its absolute advantage was least.

According to this theory, it was not necessary for a country to hold an absolute advantage in a given product or service in order to engage in its export. As with the theory of **absolute advantage**, several assumptions were made, namely; that factors of production were immobile between nations, that perfect competition existed and that perfect information was available. However, both theories ignored the influence of government on trade or fully recognised the importance of companies as the driving force behind international trade.

Despite such limitations and the failure of these theories to explain the actual conditions under which specialisation and trade would be possible, account for distortions due to tariffs and transportation costs or recognise the imperfections caused by differences in political and cultural barriers, both were widely accepted until the early 1900's. Indeed, Ricardo's theory of comparative advantage persists to date as a basic doctrine in the field of international trade (Czinkota et al., 1989).

However, in arguing that neither theory provided an adequate explanation on the cause of differences in advantage, or why some countries would be relatively more efficient in the production of certain types of goods, Heckscher (1919) and Ohlin (1933) developed a systematic explanation of the sources of comparative advantage.

According to the **Heckscher-Ohlin theory of factor endowment (H-O)**, trade between nations can be explained by international differences in supply conditions. Price levels will differ among countries because they have a different relative endowment of resources - labour, raw materials and so forth - and countries will tend to specialise in producing goods which utilise their own abundant resources most intensively. An underlying assumption of the H-O theory is that trade partners have similar demand conditions, can avail of the same technology and utilise factors of production of uniform quality.

Leontief (1954) attempted to analyse US exports and imports to determine if they actually conformed to the patterns predicted by the H-O theory. His hypothesis was that as the US was endowed with a great deal of capital relative to labour, both exports of capital-intensive goods and imports of labour-intensive goods would be high. His findings - which later came to be known as **Leontief's paradox** - appeared to conflict with Heckscher and Ohlin's proposition in that US exports were, in fact, labour-intensive relative to imports.

Two possible explanations for this paradox have been forwarded; Leontief himself suggested that while US labour was scarce relative to capital, it was also more productive. However, Kreinin's (1965) enquiries into the perceived differences between domestic and overseas labour forces of US multinationals conclude that the former appeared to have slightly higher levels of productivity but not of a sufficient magnitude to account for Leontief's findings. Another plausible reason is that Leontief mistakenly disregarded the capital contained in US labour in terms of investments in education and training. Kenen (1965) attempted to test if the paradox would persist if this was taken into account. His research and that of Branson and Monoyios (1977) concluded that US exports were, in fact, capital-intensive after adjusting for the capital invested in the labour force. Thus, it would appear that Leontief's paradox was a result of measurement problems and that it does not refute the H-O theory.

Despite this, Lindner (1961) argues that while the H-O theory may explain trade in primary commodities, patterns in manufactured goods will tend to be more determined by factors such as consumer preferences and income. Furthermore, that trade in manufactured goods will tend to be most active between countries with similar tastes and income levels. Ford (1965) notes that the premise of perfect competition, and many other elements of the model were constructed on rigid and unrealistic assumptions which ignore socio-economic factors and their impact on consumer income and demand. Linder-Burenstam (1961) and Kindleberger (1973) concur that differences of comparative advantage between nations are mainly due to technological factors.

3.1.2 International Life-cycle Theory

A significant contribution to the debate was the **international product life-cycle theory** developed by Vernon (1966) and Wells (1968). This suggested that international trade develops in four stages:

- Stage 1 The innovator nation - generally an advanced high-income country - gains a breakthrough in the manufacture of a new product. Given a relatively small market, a high degree of technological uncertainty and production and marketing risks, mass production is not feasible.
- Stage 2 The product becomes accepted in the domestic market and the innovator nation may begin to export to neighbouring countries with similar tastes and income levels.
- Stage 3 The innovator manufacturer may achieve sufficient sales to support mass production and may expand operations to other countries. Over time, patents may become unenforceable or lapse enabling foreign firms to begin manufacture.
- Stage 4 The production process becomes so standardised that it is easily adopted by other countries. The innovator nation becomes an importer of the product as the domestic market is penetrated by foreign competition.

A fifth stage has been hypothesised in which LDC's become exporters of the mature product as advanced nations and NIC's switch resources from traditional industries into new sectors and technologies. Vernon (1979) further contends that, due to rapid changes in the global environment, many multinationals have developed world-wide networks of subsidiaries and a global scanning capability. Consequently, initial production need not - necessarily - occur in the market which inspired the innovation, but may be located wherever costs and other factors are advantageous.

The main assumptions of the international product life cycle theory are that the flow of information across national boundaries is restricted, that changes in production and marketing practice occur over time and that the cycle is dependant on economies of scale. Nonetheless, firms' participation in trade is more explicit than in earlier theories and micro-economic factors are more widely recognised.

According to Wells (1972) the theory leads to three important conclusions: First, that new product innovation is likely to occur near a market with strong demand rather than one where demand is lower. Second, that firms are more likely to risk capital if the potential demand for new products is in the domestic market rather than abroad. Third, that producers located close to a market have lower costs in transferring market knowledge than those located far from it.

However, while Hirsch (1971) and Ayal (1981) support the international product life cycle theory, Giddy (1978) and Terpstra (1978) argue that it contains many of the problems inherent in other life cycle models. Namely, that not all products follow a cyclical pattern of trade. Thus, the model is not generally applicable to all goods or services at all times, nor can it accurately predict their life expectancy. Moreover, given greater freedom regarding the location of production, the theory is now rather less well regarded than it once was.

The limitations of the aforementioned models are that they fail to fully explain patterns of trade, why production of goods and services transcend national boundaries or why - and how - individual firms internationalise (Hirsch, 1971; Cavusgil, 1976). In consequence, from the early-1960's onwards, theories began to emerge which focused on the role of enterprise and the influence of government on the development of international trade.

3.1.3 Foreign investment theories

Many of these theories stemmed from the seminal work of Hymer (1960) and Kindleberger (1962) into the growth of the multinational enterprise. They postulated that such firms must possess some form of quasi-monopolistic advantage in order to compete against domestic rivals in overseas markets. Aharoni (1966) contended that trade developed because enterprises were stimulated into widening their global horizon by factors such as managerial ambitions, incentives provided by foreign governments or expansion by a competitor.

According to Hymer (1970), successful overseas operations are contingent on possession of compensating advantages to offset the innate advantages of local firms (for example, the latter's intimate knowledge of their home market environment, their ability to avoid foreign exchange risks and an absence of cross-cultural difficulties). These compensating competitive advantages may be explained by imperfections in markets for products or factors of production. MNE's acquire such advantages through economies of scale, product differentiation, special marketing skills, greater technological capabilities or other firm specific factors. They may also be aided by better access to raw materials, capital and so forth.

These contributions influenced subsequent internalisation and transaction cost theories proposed by Buckley and Casson (1976) - and developed by Rugman, (1981) Williamson (1984) and Teece (1986) - which focus on the strategic choice between alternative market entry strategies. They also underpin Dunning's (1977) "eclectic theory of international production". As discussed in Chapter 2 (p. 105), this paradigm and recent updates (Dunning, 1988, 1993) draw attention to the nature of ownership-specific, internalisation and locational advantages of foreign enterprises.

The limited value of these theories vis-a-vis small-firm export behaviour and internationalisation has already been observed (p. 106). Nonetheless, they are useful in several important respects. Firstly, they recognise the central role of enterprises as the driving force in international trade. Secondly, they reflect that advantage does not occur solely as a result of natural factor endowment - abundance of raw materials, capital, labour, etc. - but that the competitiveness of both firms and nations increasingly depends on man-made advantages (Scott and Lodge, 1985; Porter, 1990). Thirdly, they recognise that home and host governments are not passive spectators in the process, but that they "create" advantage by providing incentives or imposing constraints which stimulate or hinder international business activity (Robock and Simmonds, 1988). Thus, three groups of factors - resource differentials, company characteristics and governmental actions - determine the competitive advantage of nations and the role firms play in the development of international trade (Bradley, 1991).

3.1.4 Trade Theories, National Competitiveness and Economic Policy

It is now widely accepted that national competitiveness is less dependent on natural factors of endowment, but rather, is more determined by the characteristics, competencies and activities of individual firms and is influenced by government policies. Indeed, Porter (1990) contends that countries such as Germany, Japan, South Korea and Switzerland have all achieved international success with limited natural resources and that some - Germany, Switzerland and Sweden - have flourished despite labour shortages and high wages. In this context, government actions cannot be ignored as the policies they pursue are crucial to the creation of economic conditions within which firms can prosper.

It is also recognised that domestic economic policy - as well as the more obvious foreign economic policies - impact on export activity (Root, 1978; Seringhaus and Rosson, 1990). Fiscal measures to control interest rates or combat inflation influence the cost of capital and labour, which impact on firms' costs. Favourable tax regimes and financial systems encourage investment in plant, equipment and R&D spend. Other supply-side policies such as infrastructural investment - communications, transportation networks, port facilities, etc.- improve the commercial environment. Government intervention can also involve targeting specific industries for additional support by way of subsidies and/or protection from foreign competitors.

According to Seringhaus and Rosson (1990), the broad purpose of foreign economic policy is:

"to regulate, restrict, promote or otherwise influence the conduct of international trade and investment".

Root (1978) identifies four main policy areas; commercial, investment, foreign aid and balance of payments (see Figure 3.1). In industrialised nations, commercial policy - including export promotion - is considered the most important of these because of its direct influence on the flow of imports and exports.

Instruments	Commercial policy	Investment policy	Foreign Aid Policy	Balance of Payments Policy
Tariffs	●			
Non-tariff trade barriers	●			
Export promotion	●			
Foreign investment restrictions		●		
Foreign investment inducements		●		
Official grants and loans			●	
Fiscal				●
Monetary				●
Exchange-rate adjustment				●
Exchange control				●

Figure 3.1: Areas and Instruments of Foreign Economic Policy
(Source: International Trade and Investment, Root, 1978)

It should, however, be recognised that these policy areas - and specific policy instruments - are not independent from each other. For example, instruments of investment policy, such as FDI inducements, may change a nation's industrial structure, affect its domestic competitive environment and modify its participation in trade. Similarly, foreign aid is often conditional on the recipient nation purchasing goods from the benefactor country in "aid for trade" deals. Likewise, instruments of commercial policy - such as tariffs and non tariff measures - and balance of payments policy in relation to exchange rates, currency controls and so forth all impact on trade between nations.

The need to formulate macroeconomic policy to influence trade flows in line with government objectives is accepted by researchers and policy-makers alike (Seringhaus and Rosson, 1990; Hibbert, 1991). Indeed, Root (1971) contends that a cohesive national export promotion strategy is highly dependent on government adapting and adjusting macro policies to support export activities (see p. 164). Equally, a wide variety of policies can be applied to restrict imports.

Traditionally, great importance has been attached to exchange rate policy, subsidies and tariff or non-tariff measures. Thus, many countries have sought to manage exchange rates in order to create cost advantages for indigenous firms in domestic and international markets. Subsidising specific industries or sectors, which otherwise would not be competitive, has also been widespread. Imports have been controlled by the imposition of tariffs or the erection of non-tariff barriers, measures which have often been employed to protect domestic industry.

Porter (1990) is particularly critical of these approaches on the ground that they are inappropriate for advanced nations and that - while they may have considerable short-term appeal - pursuing them will not lead to real and sustainable advantage. He contends that the true competitiveness is based on the capacity of a nation's industries to innovate and upgrade. Porter argues that this capacity is influenced by four broad attributes that "**individually and as a system constitute the diamond of national advantage**". These include:

"Factor conditions - The nation's position in factors of production, such as skilled labour or infrastructure, necessary to compete in a given industry.

Demand conditions - The nature of home-market demand for the industry's product or service.

Related and supporting industries - The presence or absence in the nation of supplier industries and other related industries that are internationally competitive

Firm strategy, structure and rivalry - The conditions in a nation governing how companies are created, organised and managed, as well as the nature of domestic rivalry."

He further contends that:

- the most important factors of production, such as skilled human resources or a scientific base, are created and not inherited and that the stock of these resources is less important than is the rate and efficiency with which the nation creates and deploys them in particular industries
- the character of home demand conditions helps to build competitive advantage in countries where demanding buyers pressure companies to innovate faster and that this character is more significant than the size of home demand
- the presence of related and supporting industries allows for the development of close working relationships which speed up the transfer of ideas and information, thereby, accelerating the pace of innovation
- national circumstances and context influence the characteristics, goals, motivations and management systems of firms, create strong domestic rivalries, stimulate innovation and encourage companies to internationalise.

In these circumstances, Porter (1990) maintains that:

"There are some simple, basic principles that government should embrace to play the proper supportive role for national competitiveness: encourage change, promote domestic rivalry (and) stimulate innovation".

He suggests that nations seeking to gain competitive advantage should adopt specific policy approaches which:

- Focus on specialised factor creation
- Avoid intervening in factor and currency markets
- Enforce strict product, safety and environmental standards
- Sharply limit direct cooperation among industry rivals
- Promote goals that lead to sustained investment
- Deregulate competition
- Enforce strong domestic and antitrust policies
- Reject managed trade.

Porter's views - particularly in respect to intervention in factor and currency markets and managed trade - conflict with policies pursued by many governments. Insofar as they are based on research conducted in advanced nations and rapidly emerging NIC's they indicate strategies these countries should adopt to gain best advantage in the present global economic environment. However, their implementation is highly dependent on governments taking a long-term view and as Porter observes:

"most governments favour policies that offer easily perceived short-term benefits, such as subsidies, protection and arranged mergers - the very policies that retard innovation. Most of the policies that would make a real difference are too slow and require too much patience for politicians or, even worse, carry with them the sting of short-term pain".

Moreover, the fact remains that many of the emerging nations still rely on cheap labour and abundant natural resources as the principal bases of competitive advantage. In these nations the approaches Porter proposes are - arguably - too advanced for their current stage of development. In these circumstances many national governments will continue to intervene directly in trade by implementing policies which focus on cost advantage.

Despite Porter's view that the doctrines embedded in classical economic theories are **"at best incomplete and at worst incorrect"**, their influence cannot be underestimated. The notion of advantage advanced in classical trade theories and manifest in those relating to the foreign investment decisions of MNE's is also much in evidence in the export literature (see Chapter 2, p. 67). Therein, it is generally recognised that - although many firms initiate exports in an unplanned manner - the export decision is highly influenced by managerial perceptions of advantage (Cooper et al., 1970; Cavusgil and Nevin, 1981). Moreover, as companies develop export activities and become committed to international markets, they do so in the belief that they have a competitive advantage in terms of product, price and other marketing-related factors (Tesar, 1977; Bilkey, 1978; Johnston and Czinkota, 1982). Macroeconomic policy should, therefore, focus on supporting these activities by creating conducive environmental conditions in which such firms can flourish.

The influence of the international life cycle model is also much in evidence in the literature relating to the internationalisation of the firm, not least the establishment-chain model but also other life-cycle and stage theories (see Chapter 2, p. 104). It also underpins the notion of "psychic distance" postulated by Johanson and Vahlne (1975). Nevertheless, it should also be noted that many of the criticisms levelled at these concepts in terms of their rigidity, applicability and explanatory power are similar to those aimed at Vernon and Well's offerings.

From a policy perspective traditional trade theories confirm the benefits of international trade. Insofar as it is companies rather than governments who actually engage in trade, they reinforce the need for policy measures which will stimulate, facilitate and support such firms. They also provide broad direction in terms of the industries or sectors which should receive priority, namely those goods or services in which the country possesses a particular advantage. Clearly, these will vary from country to country depending on their natural or acquired advantage.

The international product life cycle theory of trade, which emphasises domestic demand as the main stimulus for product development, provides a theoretical background on the impact of such demand on firms' export behaviour. It further suggests that industries - and firms therein - may be at different evolutionary stages and that policy-support should be targeted at sectors and firms which have international growth potential rather than those which have reached maturity. Moreover, it indicates that national policy priorities should change as the comparative advantage and competitive position of indigenous industries shifts.

Thus, it can be concluded, that although the limitations of traditional international trade theories should be recognised - especially in terms of their ability to explain the export behaviour of individual firms - they do offer a useful framework for understanding national government's foreign trade policies. In doing so, they also provide useful perspectives on the philosophy and objectives of government export promotion.

3.2 INFLUENCES ON GOVERNMENT EXPORT PROMOTION ACTIVITY

Two main factors impinge on government export promotion activity. First, the broad approach an individual government will adopt in pursuit of its foreign trade objectives as an integral component of national economic policy. Second, the requirement for member states to comply with GATT directives regarding internationally accepted forms of export promotion. Both these issues merit further elaboration.

The spectrum of foreign trade development options available to national governments are summarised in Table 3.1. As can be seen, trade options range from non-interference to total government control. It should be noted that the strategies listed are not exhaustive insofar as different governments may - in specific circumstances and at particular points in time - intervene to a greater or lesser extent. Neither are they mutually exclusive in that governments may be non-interventionist towards certain industry sectors but not to others.

Policy	Advantages (claimed by supporters)	Disadvantages (indicated by opponents)
Non-interference	Allows optimal solutions to emerge	Impractical in or irrelevant to a world in which every type of competition, fair and unfair, is being practised
Minor intervention	Allows optimal solutions but with discriminatory assistance especially with those aspects (like market research and special promotions) where government is able to help most economically Provides a breathing space for hard pressed domestic producers Ensures that foreign investors, both home and foreign based, bring minimum damage and maximum assistance to the national economy Is what most western industrial nations, and many others claim to be doing	Any intervention produces inefficiency, hampers necessary innovation and change and brings reprisals from other countries Needed investment may be turned away
Oversight of foreign trading policies	Makes possible the determination of priorities and enables the country's businessmen to make the greatest possible impact on foreign markets	Increases still further all the disadvantages of minor intervention
National trading policies	Operated by the socialist and many developing countries to produce rapid industrialisation along predetermined lines	Considered unacceptable in democratic countries - restricts the liberty of individual entrepreneurs

Table 3.1: The Spectrum of National Trade Policies

(Source: The Strategy of Multinational Enterprise, Brooke and Remmers, 1978)

Advanced western countries have generally sought to pursue open policies based on the view that market forces - if left to take their course - produce beneficial results to the economy. Such outwardly-orientated strategies have often been tested by a belief that other nations - notably Japan, South Korea and Taiwan - have pursued "unfair" trade practices. This belief has led to voluntary or imposed quotas against the Japanese auto-industry and even to the erection of non-tariff barriers against Japanese consumer durables in both the US and the EC. Moreover, even in the US and Europe, which are regarded as proponents and supporters of free trade, government purchasing policy, regulations on product and safety standards, legislation on product liability and so forth, indicate that complete non-intervention is never practiced in commercial affairs.

Government interference was most evident in former COMECON countries and in the LDC's which tended to pursue inwardly-oriented policies. Many of developing nations attempted to restrict imports and at the same time increase exports in order to produce rapid industrialisation. In former eastern-bloc countries centrally controlled planning unsuccessfully sought to achieve economic development according to pre-determined goals in line existing political ideologies. The limitations of pursuing inward versus outward strategies and the benefits of the latter are succinctly summarised by Seringhaus and Rosson (1991) in Figure 3.2.

In the past two decades a number of important changes have taken place. Firstly, with increasing global interdependence most nations have found it ever more difficult to pursue protectionist, inwardly-focused strategies. It is noteworthy that many nations which did so up until the mid 1980's (see Table 3.2) have since adopted much more open policies. Secondly, as discussed in Chapter 1 (p 25), the conclusions of the World Bank report (1987) concerning the benefits of open, outward orientated policies have been vindicated by the strong economic and trade performances of nations adopting such approaches, not least those of the ASEAN NIC's. Thirdly, with the collapse of the Soviet Union, Eastern European nations and the new independent republics have begun the transition to becoming market economies.

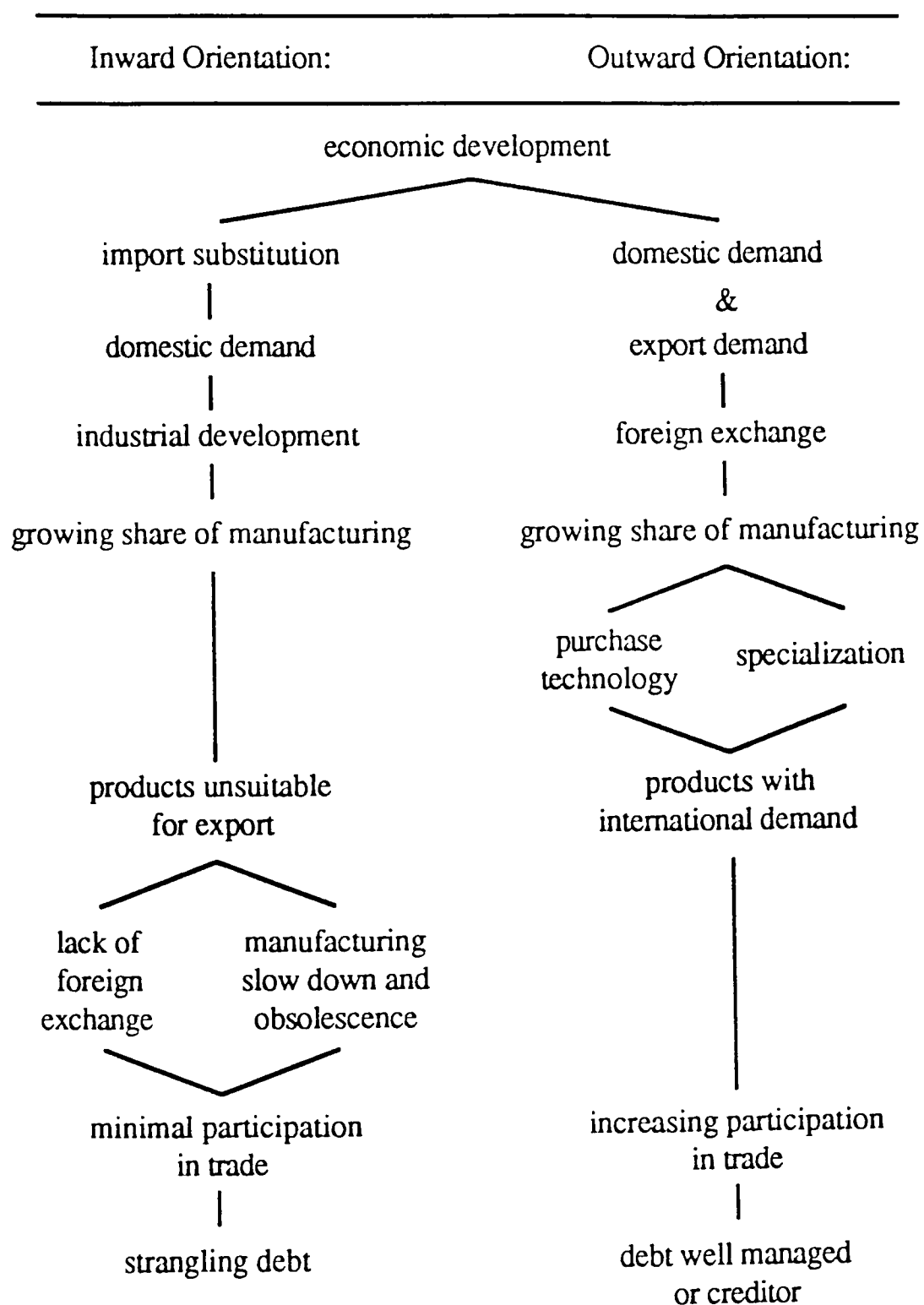


Figure 3.2: Inward and Outward Orientation Compared

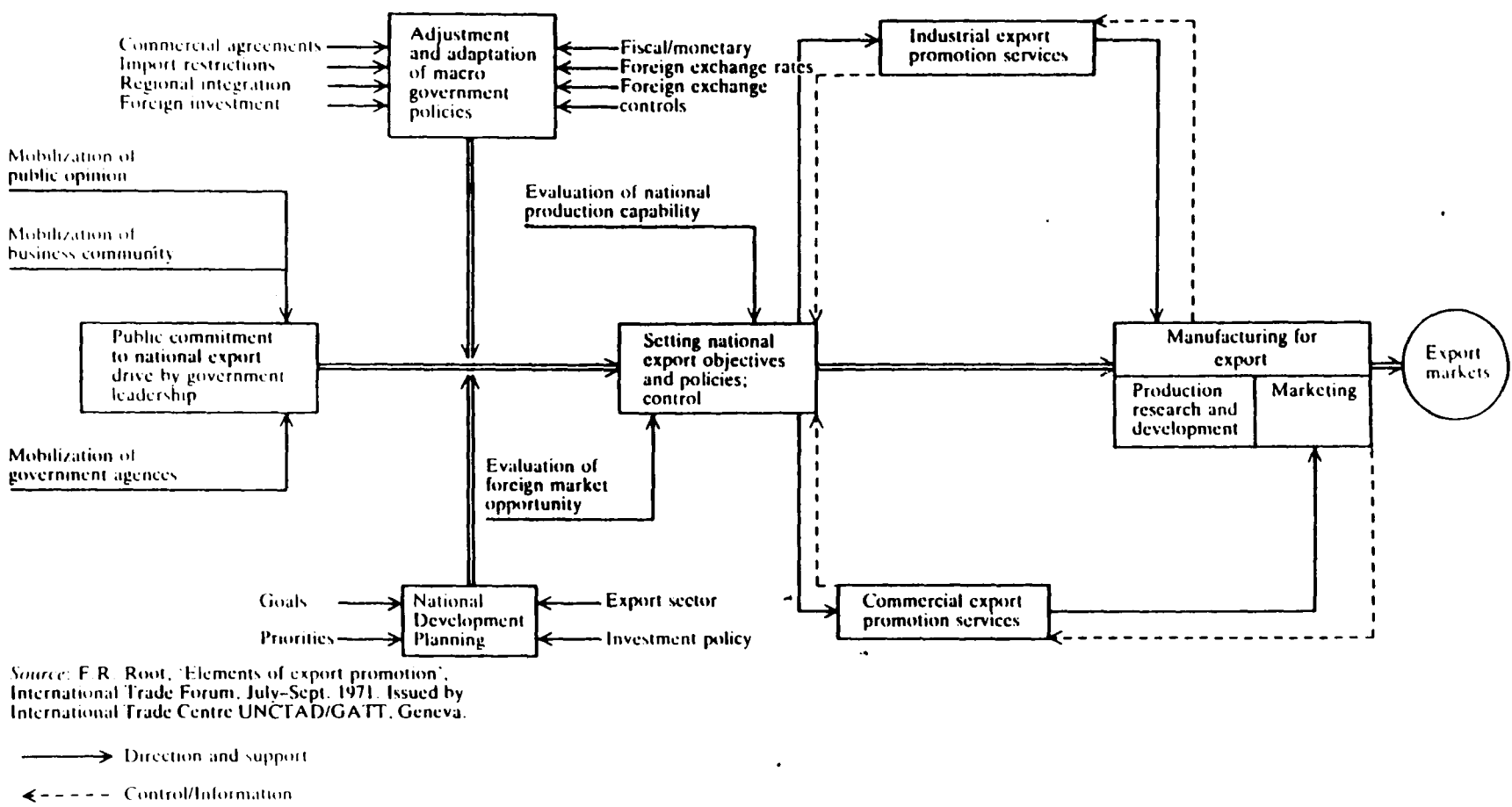
(Source: Export Development and Promotion: The Role of Public Organisations, Seringhaus and Rosson, 1991)

Period	Outward Oriented		Inward Oriented	
	Strongly outward oriented	Moderately outward oriented	Moderately inward oriented	Strongly inward oriented
1963-73	Hong Kong Korea, Republic of Singapore	Brazil Cameroon Colombia Costa Rica Cote d'Ivoire Guatemala Indonesia Israel Malaysia Thailand	Bolivia El Salvador Honduras Kenya Madagascar Mexico Nicaragua Nigeria Philippines Senegal Tunisia Yugoslavia	Argentina Bangladesh Burundi Chile Dominican Rep. Ethiopia Ghana India Pakistan Peru Sri Lanka Sudan Tanzania Turkey Uruguay Zambia
1973-85	Hong Kong Korea, Republic of Singapore	Brazil Chile Israel Malaysia Thailand Tunisia Turkey Uruguay	Cameroon Colombia Costa Rica Cote d'Ivoire El Salvador Guatemala Honduras Indonesia Kenya Mexico Nicaragua Pakistan Philippines Senegal Sri Lanka Yugoslavia	Argentina Banladesh Bolivia Burundi Dominican Rep. Ethiopia Ghana India Madagascar Nigeria Peru Sudan Tanzania Zambia

Table 3.2: Trade Orientation of forty-one developing nations, 1963-1973 and 1973-1985

(Source: World Development Report, World Bank, 1987)

It may, thus, be argued that in the 1990's, the debate concerning the relative merits of inward and outward policies has been conclusively won by proponents of the latter. Nevertheless, intervention by governments in trade and the level of protectionism they seek to impose will still be influenced by national economic policy objectives. Equally, the extent of their involvement in export promotion activities will be determined by the importance they attach to stimulating export-led growth in the pursuit of economic development goals. However, governments' participation in the mechanics of export promotion will also be dependant on the emphasis they place on the role of the private sector (see Section 3.3. p. 174).



Source: F. R. Root, 'Elements of export promotion', International Trade Forum, July-Sept. 1971. Issued by International Trade Centre UNCTAD/GATT, Geneva.

Figure 3.3: The Flow of Export Promotion Strategy
 (Source: The Elements of Export Promotion, Root, 1971)

These issues are central to Root's (1971) conceptual framework regarding the flow of export promotion strategy. As outlined in Figure 3.3 (p. 162), the key elements in establishing such a strategy include:

- the mobilisation of public opinion, the business community and government bodies in support of a national export drive
- formulation of national development planning goals and priorities
- adjustment and adaptation of macro government policies vis-a-vis commercial agreements, import restrictions, foreign investment, fiscal/monetary policy and foreign exchange rates and controls.

These activities, identification of national production capabilities and an assessment of foreign market opportunities provide the basis for setting national export objectives. Thereafter, policy-makers can establish export policies and appropriate mechanisms for their implementation and control.

Root's (1971, 1974) contributions were seminal in that their fundamental purpose was to provide a planning model for the development of national programmes for the promotion of manufactured exports. Their exposition during the early 1970's came at a time when many LDC's were attempting to establish or develop export promotion organisations. His model greatly influenced these activities and remains highly regarded by policy-makers and researchers alike.

Another important influence on government export promotion activity has been the GATT. Not only has it been instrumental in the negotiation of multilateral agreements designed to reduce impediments and stimulate world trade growth, but it also the arbiter of acceptable forms of export promotion. As listed in Table 3.3 (p. 164), these include the provision of export market intelligence; support for participation in trade missions and trade fairs; financing and export insurance; establishment of information offices abroad and so forth. Direct government subsidies to exporters are in contravention to the GATT agreement if they result in economic injury elsewhere. Nevertheless, national governments frequently adopt liberal interpretations to GATT regulations in an attempt to gain temporary or longer-term advantages for indigenous exporters.

1	Market research Many governments provide information regarding export opportunities to exporters.
2	International trade missions Many regional and national governments support trade missions abroad to bring sellers and prospective buyers together.
3	International trade shows Many national or regional governments help to finance trade shows abroad that help promote products of the companies in that country or region.
4	Trade-promotion offices Permanent product-information offices in foreign countries can stimulate demand for exports of a country or region.
5	Government-sponsored research Government studies can lead to the development of exportable products for example, the US space programme.
6	Trade-financing programmes A government agency can finance or guarantee exports, for instance, the export-import banks of Japan and the USA and the Export Credits Guarantee Department in the United Kingdom.
7	Insurance programmes Insurance is necessary to protect receivables from international trade; government agencies sometimes provide such protection.
8	The rebate of indirect taxes Indirect taxes are basically charged to domestic but not foreign buyers; any indirect taxes that have already been paid can be rebated to the seller. for example, the value-added tax (VAT) , which is prevalent in much of Europe. In contrast, the rebate of direct taxes (for example, taxes on profit or property) on exported items is not acceptable. This can work to the disadvantage of producers in countries where direct taxes represent the major share of tax burdens.
9	Free-trade zones These zones are areas where imported goods can be processed for re-export without paying duties since they will not be used locally.

Table 3.3: Major Forms of Government Export Promotion Acceptable Internationally under GATT

(Source: International Business-Environment and Management, Korth, 1985)

3.3 REVIEW OF THE LITERATURE ON GOVERNMENT EXPORT SUPPORT

Several common themes dominate the export promotion literature, namely: the nature and role of government export assistance and evaluation of the efficacy of programmes and services. These issues provide the central focus of a body of research which has emerged since the 1970's and in order to discuss them in greater detail the major empirical studies in the area, together with the location and thrust of each enquiry, are listed in Table 3.4.

Author/s	Date	Location	Focus of Study
Albaum	1983	USA	SME's usage of/ satisfaction with export assistance
Barrett & Wilkinson	1985	Australia	Segmenting firms for export assistance
Barrett & Wilkinson	1990	Australia	Evaluation of trade promotion and export assistance policies
Bowen	1986	Various	Comparison of govt. export assistance (OECD countries)
Brezzo & Perkal	1983	Uruguay	Export assistance for industry groups
Buckley	1983	UK	Review of offerings/ firms perceptions
Camino	1991	Various	Comparison of govt. export assistance (Belgium, France, Germany, Italy, Spain, UK)
Clarke	1991	UK (NI)	Improving small firms awareness of govt. export services
Cullwick & Mellallieu	1981	N. Zealand	Management attitudes towards govt. export assistance
Czinkota & Johnston	1981	USA	Segmenting firms for export development
Czinkota & Ricks	1981	USA	Exporters opinions of govt. export assistance

Table 3.4: Investigations into Government Export Promotion Services 1973-93 (1/4)

Author/s	Date	Location	Focus of Study
Czinkota	1982	USA	Company satisfaction with govt. export promotion
Diamantopolous et al.	1991	UK	Usage and evaluation of export assistance
Diamantopolous et al.	1993	Literature Review	
Elvey	1990	Various	Comparison of govt. export assistance (Canada, France, Germany, Italy, Japan, Singapore, S. Korea, UK)
EVD ₁	1986	N'lands	Needs of exporting firms and usage of export assistance
Evirgen et al.	1993	Turkey	Information needs of exporters and implications for export organisations
Gronhaug & Lorentzen	1983	Norway	Impact of govt. export subsidies
ITC ₂	1986	Various	Export Promotion in Developing Countries
ITC	1988	Various	As above
Jung & Lee	1986	Korea	Evaluation of trade promotion and export assistance policies
Katcher	1975	USA	International Trade Fairs

Table 3.4: Investigations into Government Export Promotion Services 1973-93 (2/4)

Author/s	Date	Location	Focus of Study
Kedia & Chokar	1986	USA	Evaluation of export promotion programmes
Lennon	1988	Ireland	Group marketing for small exporters
Mayer & Flynn	1973	Canada	Management attitudes towards govt. export assistance
NSIB ₃	1984	Various	Comparison of govt. export assistance (9 OECD countries)
Piest & Ritsema	1990	N'lands	Evaluation of export promotion programmes
Pointon	1978	UK	Cost-benefit analysis of govt. assistance
Reid	1981	Canada	Information needs of small exporters
Rosson & Seringhaus	1991	Canada	International Trade Fairs
Schwarting et al.	1982	Germany	Demand for export information and assistance
Seringhaus	1986	Canada	Awareness, use and impact of govt. export support
Seringhaus	1986	Canada	Information needs of small exporters
Seringhaus	1987	Various	Comparison of govt. export assistance (11 OECD countries)
Seringhaus	1987	Canada	Trade Missions

Table 3.4: Investigations into Government Export Promotion Services 1973-93 (3/4)

Author/s	Date	Location	Focus of Study
Seringhaus & Botschen	1990	Canada & Austria	Comparison of govt. export promotion services and usage
Seringhaus & Mayer	1988	Canada	Usage of trade missions
Simpson et al.	1981	USA	Perceptions of export support
Singh	1983	India	Private sector involvement in trade policy
Solberg	1990	Norway	International Trade Fairs
Tesar & Tarelton	1983	USA	Export stimulation and national policy
Walters	1983	USA	Usage and utility of export information sources
Welch & Wiedersheim-Paul	1979	Australia	Export promotion policy
Welch & Joynt	1987	Australia	Grouping for exports
Wheeler	1990	UK	Export stimulation and export promotion programmes

Notes:

1. Exportbevorderings- en voorlichtingdeist (EVD) is the Foreign Trade Agency of the Netherlands
2. The International Trade Centre in Geneva (ITC) - created in 1964 and operated jointly since 1968 with GATT - is a focal point in the United Nations system for technical cooperation with developing countries in trade promotion.
3. National Swedish Industrial Board

Table 3.4: Investigations into Government Export Promotion Services 1973-93 (4/4)

Research into export promotion can be classified in several ways; In many cases, it focuses on evaluating specific services in particular countries (Mayer and Flynn, 1973; Pointon, 1978; Czinkota and Johnston 1981; Reid, 1981; Simpson, 1981; Barrett and Wilkinson, 1985; Bodur, 1986; Gronhaug and Lorentzen, 1983; Jung and Lee, 1986) As can be seen from Figure 3.4, many of these investigations have been conducted in North America and the majority emanate from the advanced industrial nations. A number of US studies, not listed in this table, explore the additional assistance offered to exporters by individual states (Chadwin, 1990; Goodnow and Goodnow, 1990; Lesch et al.,1990).

Many of the most recent contributions adopt comparative approaches which investigate EPO programmes and services in various countries (Bowen; 1986; Seringhaus, 1987, 1990; Elvey, 1990, Seringhaus and Botschen, 1990; Camino, 1991; Hibbert, 1991; Seringhaus and Rosson, 1991). Often, these are descriptive in nature and based on information and data generated by studies such as those of the National Swedish Industrial Board (1984) or the International Trade Centre in Geneva (1986, 1988). However, some of these enquiries - notably, those of Seringhaus (1987, 1990) offer valuable conceptual insights and provide useful policy perspectives.

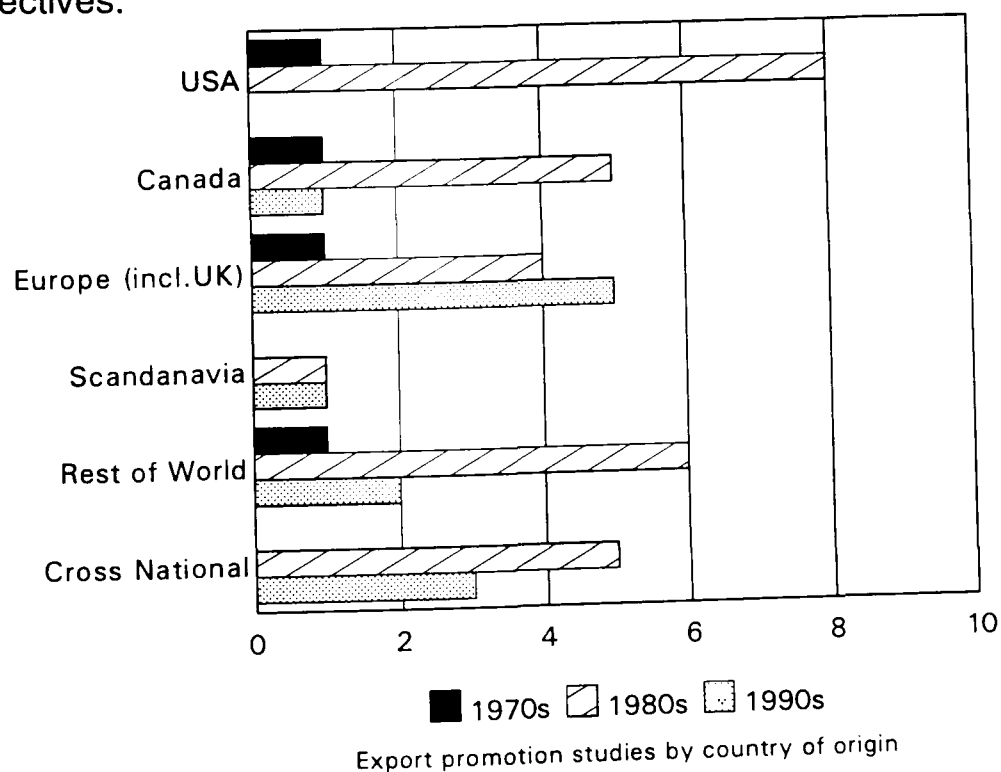


Figure 3.4: Export Promotion Studies by Country of Origin 1973-93

Specific areas of enquiry include the role of export information services and the utilisation and usefulness of such services (Seringhaus, 1986; Walters, 1983; Wood and Goolsby, 1987); managerial perceptions of - and attitudes towards - government export services (Mayer and Flynn, 1973; Cullwick and Mellallieu, 1981; Czinkota and Ricks, 1981; Buckley, 1983) and the information and support needs of smaller firms (Reid, 1981; Albaum, 1983; Seringhaus, 1986). Other contributions focus on financial incentives for exporters (Gronhaug and Lorentzen, 1983; Olson, 1975; Welch and Weidersheim-Paul, 1979); evaluating specific activities such as international trade fairs and missions (Katcher, 1975; Seringhaus, 1987; Solberg, 1990; Rosson and Seringhaus, 1991) or on grouping for exports (Welch and Joynt, 1987; Lennon, 1988). However, before reviewing these offerings some discussion of the nature and scope of export promotion is necessary.

3.3.1 The Nature and Scope of Export Promotion

Seringhaus (1986), one of the most authoritative researchers in the area, defines export promotion as:

"all public policy measures that actually or potentially enhance exporting activity either from a firm, industry or national perspective".

Seringhaus and Rosson (1990) conclude that such measures can be divided into direct and indirect programmes. The latter focus on the production and supply side and include government support which deals with issues such as productivity; research and development; technology innovation support, manpower planning; regional/sectoral development and fiscal measures (see Figure 3.3). They note that:

"All of these services and programmes have the purpose of improving competitiveness and performance through structural and/or process change at the company level. As the term 'indirect' implies, however, such change is not specifically for export activities. None the less, export benefits may be derived at some point in time".

In contrast, direct export promotion programmes focus on the market and demand side. According to Seringhaus and Rosson (1990), these include:

"an array of programmes that range from awareness-creating, interest-stimulating, research support, export preparation, export market entry, to export market development and expansion focused activities"

They conclude that direct measures aim to influence positively a firm's export competitiveness and that:

"all of such activities are either information, learning- and experience-intensive, or both".

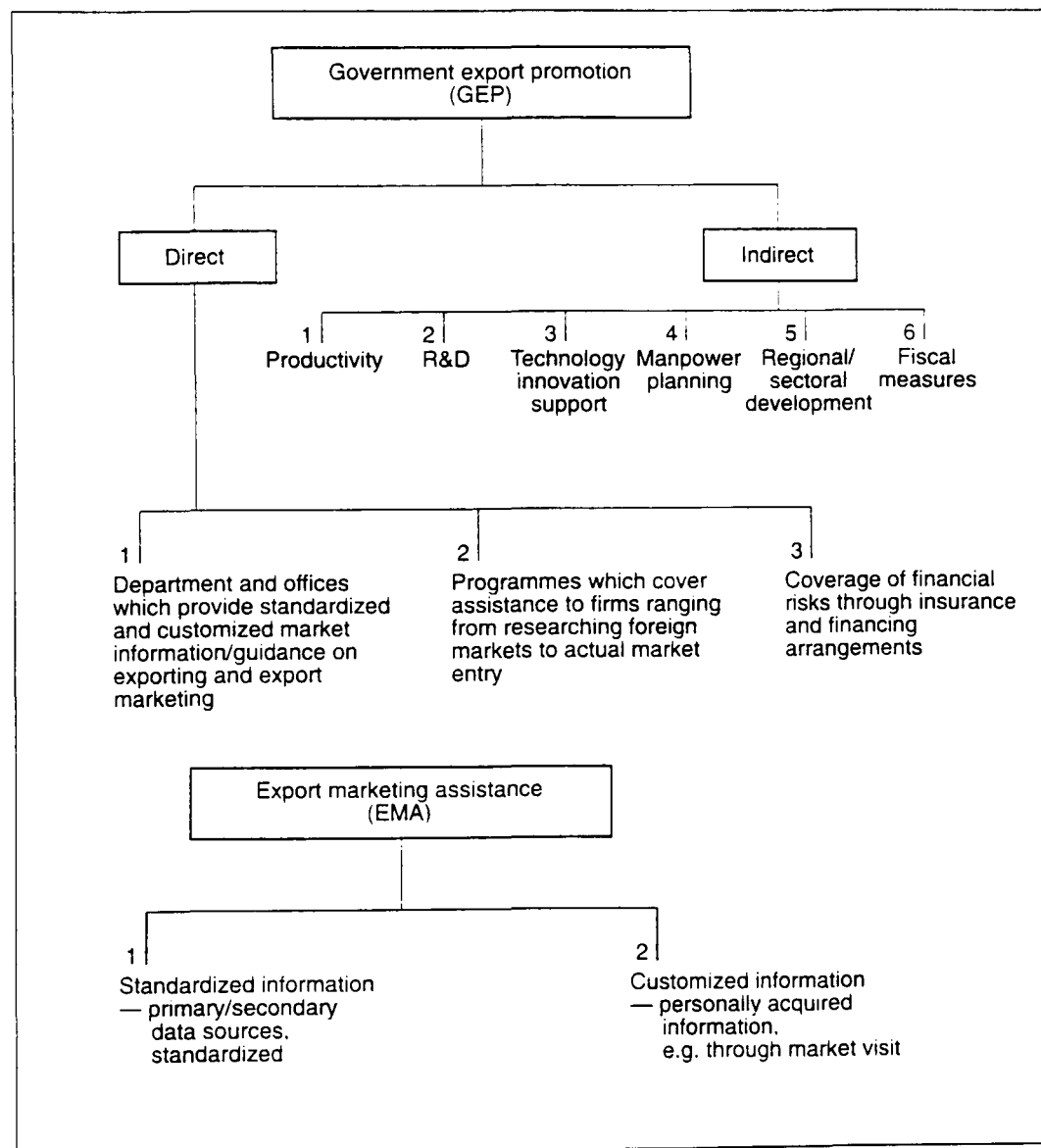


Figure 3.5: The Scope of Government Export Promotion
 (Source: Understanding the Role of Export Marketing Assistance: Empirical Evidence and Research Needs, Diamantopolous et al., 1993)

Diamantopolous et al. (1993) classify these measures into three categories: Firstly, those which provide standardised or customised information and advice on exporting in general and export markets in particular. The latter may include experiential information gained by the firm through market visits or participation in trade fairs. Secondly, programmes which render various types of assistance to firms, ranging from awareness to actual market entry. Thirdly, measures which cover firms' financial risks through insurance and export financing (see Figure 3.5, p. 171). Some of these facilities are provided by private rather than public sector export credit agencies.

The value of indirect measures which develop infrastructures and improve the domestic and/or international competitiveness and efficiency of firms cannot be underestimated. However, differentiation between these and direct export promotion measures is important. In the case of the former, they are normally integral elements of industrial policy implemented by various central government agencies and/or at regional level. In contrast, the latter are generally the remit of export promotion organisations which are charged by government with the specific task of developing exports, either solely or - in some countries - in collaboration with the private sector. In consequence, investigations into government export promotion activities - including the present research - tend to focus exclusively on the direct provisions of export promotion organisations.

Seringhaus and Botschen (1990) contend that specific goals underlying export promotion can be summarised as follows:

- i) "To develop a broad awareness of export opportunities and to stimulate interest among the business community;**
- ii) to assist firms in the planning and preparation for export market involvement;**
- iii) to assist firms in acquiring the needed expertise and know-how to successfully enter and develop export markets**
- iv) to support foreign market activity tangibly through organisational help and cost-sharing programmes".**

Seringhaus (1986) maintains that these goals hold particular relevance to under-resourced small and medium-sized firms. He further contends that:

"Stimulating such firms' interest and broadening their international scope and competitive competence seems to be the single most important objective for public export marketing assistance. The basic challenge for public policy-makers is to understand firms' needs relative to their export involvement and meet them effectively with assistance programmes. This understanding means providing the right information (assistance) to the right firm at the right time".

This view recognises that firms at the pre-export stage will have different support needs as they decide whether or not to initiate exports than will already active firms that are seeking to expand international operations. Furthermore, it indicates that different export support programmes and services will be required to assist firms at various stages of export development. According to Linden (1980), the broad focus of government assistance - and specific support measures - should recognise that firm's needs change over time and with experience. This view is supported by many researchers in the area (Czinkota and Johnston, 1981; Reid 1981; Cavusgil, 1983).

However, Root (1974) introduces a cautionary note. He concludes that it should not be the mission of an export promotion organisation to make an exporter out of every firm as this would only dissipate scarce resources. He also postulates that in selecting target client-firms, the agency's goal should be to maximise incremental export sales. To achieve this objective, EPO's should focus on firms which:

- i) have a product or products with high export sales potential and**
- ii) have a high support requirement".**

Thus, firms with high potential and low support needs (well-established exporters) and firms with high support requirements but low export sales potential (most non-exporters) would not be target clients. In practice, precluding these segments from seeking assistance is more problematic.

3.3.2 Comparison of Export Promotion Systems

Given common goals and objectives and that the type of assistance they can provide is restricted by the GATT, it is hardly surprising that the provisions of national export promotion organisation are broadly similar (Seringhaus, 1987; Elvey 1990; Camino, 1991). Where differences occur is in the extent to which programmes are provided by governments or the public sector. Seringhaus (1987) synthesises the alternative strategic approaches and organisational arrangements adopted in different countries in Table 3.5.

Characteristics of Export Promotion Policies

Organizational Arrangements	STRATEGY APPROACH	
	<i>loose coordination</i>	<i>integrated, strategic</i>
Government/ Public Sector:	cooperative approach to reduce conflict in objectives, programs between federal and secondary levels of government; some consultation with private sector on program development; strategic view within certain programs but not on the overall export promotion effort	clearly integrated strategic goal, task and responsibility assignment; specific firm, industry, market objectives which are guided, monitored and evaluated
Mixed Public/ Private Sector:	government involvement restricted, industry associations, chambers of commerce and trade promotion councils undertake cooperatively developed, contact-intensive foreign market activities	partnership approach under specific trade policy and/or jointly developed objectives; extensive sharing of private/public resources to conduct export promotion; strategic planning to effect firm commitment and export involvement
Private Sector:	extensive network of chambers of commerce and industry associations maintains close links with firms; provide information, research and counsel in planning preparation and development of export trade at firm level; minor role of government in export information and promotion in foreign markets	similar in scope to above, except infrastructure links with firms are obligatory; strategic planning emphasis to preparing firms for export involvement, and ongoing support to ensure experienced exporters are up-to-date on opportunities

Table 3.5: Strategic Approaches and Organisational Arrangements for the Delivery of Export Assistance

(Source: Export Promotion, the Role and Impact of Government Services, Seringhaus, 1987)

As can be seen, the relationship between government/public sector and the private sector varies considerably from country to country and export activities may be loosely co-ordinated or highly planned. The approach adopted also impacts on the funding of export promotion activities.

These differences are highlighted in an unpublished study document prepared by the Netherlands Foreign Trade Association (1987) on behalf of the eighteen members of the European Trade Promotion Organisation (ETPO). Export promotion approaches, funding mechanisms, and the proportion of public to private financing for export promotion in these countries are presented in Tables 3.6 to 3.9 and are discussed thereafter.

Country	Government	Semi-Govt.	Non-Govt.
Austria (FAC)	x		
Belgium (BFTO)	x		
Denmark	x(DFT)	x(MFI)	x(FDI)
Finland (FFTA)	x(MTI)	x(FFTA)	
France (FFTB)	x		
Germany (FOFTI)	x		
Greece (GEPO)	x		
Iceland (ECI)	x		
Ireland (IEB)	x		
Italy (IIFT)	x		
Netherlands (NFTA)	x		
Norway (ECN)	x		
Portugal (IFTF')	x		
Spain (HIEP)	x		
Sweden (STC)	x		
Switzerland (SODT)	x		
Turkey	x(EPC)	x(ICC)	
UK (BOTB)	x		

DFT = Department of Foreign Trade
MFA = Ministry of Foreign Affairs
FDI = Federation of Danish Industry
MTI = Ministry of Trade and Industry
FFTA = Finnish Foreign Trade Association
EPC = Export Promotion Council
ICC = Istanbul Chamber of Commerce

Table 3.6: Organisational Structure of ETPO Members Export Promotion Organisations

(Source: Unpublished ETPO Study Document, 1987)

Country	Govt. Funding	Subsc. Fees	EPO Earnings ¹	Levy on Import/Export
Austria				x
Belgium	x	x	x	
Denmark	x	x	x	
Finland	x	x	x	
France	x		x	
Germany		x		
Greece	x			x
Iceland	x		x	
Ireland	x		x	
Italy	x			
N'lands	x			
Norway			x	x
Portugal	x	x		
Spain	x			
Sweden	x	x	x	
Switzerland	x	x	x	
Turkey	x			
UK	x			

Table 3.7: Sources of Funding for Export Promotion
(Source: Unpublished ETPO Study Document, 1987)

Country	Govt. Funding %	Subsc. Fees %	EPO Earnings ¹ %	Levy on Import/Export %
Denmark	70	30		
Finland	34	33	33	
Greece	100			
Ireland	90		10	
Norway			10	90
Portugal	90			
Sweden	70	10	20	
UK	100			

Table 3.8: Percentage of Public and Private Sector Finance for Export Promotion
(Source: Unpublished ETPO Study Document, 1987)

¹ Including fees charged for services, consultancy and other income.

Country	Exports ¹ \$Bn.(1985)	Govt. Support \$Mn. (1985)	<u>Govt. Support x 100</u> Exports
Austria	17	²	
Belgium	49	17 ³	0.035
Denmark	16	37	0.231
Finland	13	2 ⁶	
France	93	24	0.026
Germany	178	7 ⁴	
Greece	5	5	0.100
Iceland	1	²	
Ireland	10	25	0.250
Italy	75	10	0.141
N'lands	52	24 ³	0.046
Norway	9	13 ⁵	0.144
Portugal	6	²	
Spain	22	41	0.186
Sweden	29	27	0.093
Switzerland	27	3	0.011
Turkey	8	²	
UK	79	35	0.045

- 1 Source: OECD, 1985
- 2 No information available
- 3 Agricultural Products excluded
- 4 Promotional Events excluded
- 5 Levy on Exports
- 6 Govt supported export promotional events, administered by FFTA not included (1986: 57 mn. FIM = \$10 mn.)

Table 3.9: Government Funding for Export Promotion
(Source: E.T.P.O. Unpublished Study Document, 1987)

A number of pertinent comments should be made relating to the information contained in these tables. Firstly, while national governments administer and fund export promotion activities in many countries, in others - notably Denmark and Finland - national industry federations play a significant role. This is also the case in Germany where government provides export information but most of the other activities are organised by chambers of commerce and industry associations (see Table 3.6). Trade or industry federation membership is mandatory for companies in countries such as Austria and Germany.

Secondly, as can be seen from Tables 3.7 and 3.8, some countries fund export promotion activities from a levy on exports (Austria, Iceland, Norway). Others rely - in part - on subscription fees from industry federations and/or income generated by the respective export promotion organisation (Denmark, Finland, Sweden). The trend is to encourage EPO's to generate extra funding by charging for services and undertaking consultancy. Ireland, for example, introduced fees for services during the course of the present research, a practice already widely established elsewhere. The Finnish Foreign Trade Association is - arguably - most advanced in this respect in that funds are obtained in equal proportions from government, industry subscriptions and EPO earnings. Thirdly, that governments in smaller or more peripheral countries spend proportionately more on export promotion activities than those in larger, more centrally located, European nations (see Table 3.9). In Germanic and Scandinavian countries, industry participation in - and financing of - export promotion is also more prevalent than elsewhere.

Despite differences in approaches to export promotion, both Bowen (1986) and Seringhaus (1987) observe that offerings of the advanced industrial nations are broadly comparable. Bowen's (1986) study of EPO's and export credit agencies provides a useful overview of export promotion systems in OECD countries indicating the degree of interaction between public and private sector, the extent of national and international coverage, the spectrum of promotional activities and market intelligence support and the range of export credit services. Based on a detailed review of services and interviews with government officials, an attempt is made to measure the relative efficacy of respective national systems. As can be seen from Table 3.10, each of fifteen factors is rated on a scale of 0-5 (where 5 points is the best score attainable). An overall rating is reached by double-weighting particularly important elements of government support (column 2) and export credit services (columns 14-17) and aggregating the scores. Austria, France, Canada and the UK all provide highly-rated services. Lowest-rated are those of the US, Germany, Switzerland and Japan, although the latter's performance reflects the fact that JETRO is principally involved in promoting imports.

COUNTRY	1 MAIN PROMOTIONAL ORGANISATION	2 GOVERN- MENT SUPPORT	3 PRIVATE SECTOR SUPPORT	4 NATIONAL COVERAGE	5 INTER- NATIONAL COVERAGE	6 TRADE FAIRS	7 TRADE MISSIONS	8 OTHER MARKETING SCHEMES	9 LIBRARIES	10 ON-LINE SYSTEMS	11 PUBLICATIONS	12 TAILORED ADVICE	13 EXPORT CREDIT AGENCY	14 EFFICIENCY	15 RISK TAKING	16 INSURANCE SCHEMES	17 LOW RATE FINANCE	18 OVERALL RATING %
AUSTRALIA	AUSTRALIA TRADE	●●●●	●●	●●●●	●●	●●●●	●●	●●●●	●●●●	●●●●	●●●●	●●●●	EXPORT FINANCE AND INSURANCE GROUP (EFIG)	●●●●	●●●●	●●●●	●●●●	61
AUSTRIA	FEDERAL ECONOMIC CHAMBER	●●●●	●●●●	●●●●	●●●●	●●●●	●●●●	●●●●	●●	●●●●	●●●●	●●●●	ÖSTERREICHISCHE KONTROLLBANK (OKB)	●●●●	●●●●	●●●●	●●●●	79
BELGIUM	BELGIAN FOREIGN TRADE OFFICE (OBCE)	●●●●	●●	●●●●	●●●●	●●●●	●●●●	●●●●	●●	●●●●	●●●●	●●	OFFICE NATIONALE DU DUCROIRE (OND)	●●●●	●●●●	●●	●●	59
CANADA	DEPARTMENT OF EXTERNAL AFFAIRS	●●●●	●●●●	●●●●	●●●●	●●●●	●●●●	●●●●	●●	●●	●●●●	●●●●	EXPORT DEVELOPMENT CORPORATION	●●●●	●●●●	●●●●	●●●●	72
DENMARK	EXPORT PROMOTION COUNCIL, FEDERATION OF DANISH INDUSTRIES	●●	●●●●	●	●●	●●●●	●●	●●	●●	●●●●	●●●●	●●●●	EXPORTKREDITRÅDET (EKR), DANSK EXPORTFINANCIERINGSFOND (DEF)	●●●●	●●	●●●●	●●	51
FINLAND	EXPORT PROMOTION BUREAU, FINNISH FOREIGN TRADE ASSOCIATION (FTTA)	●	●●●●	●●●●	●●●●	●●●●	●●	●●●●	●●	●●●●	●●	●●●●	VIENTTAKULUAILOS (VTL), FINNISH EXPORT CREDIT (FEC)	●●●●	●●●●	●●●●	●	57
FRANCE	CENTRE FRANCAIS DU COMMERCE EXTERIEUR (CFCE), POSTES D'EXPANSION ECONOMIQUE (PEE)	●●●●	●●●●	●●●●	●●●●	●●●●	●●	●●●●	●●●●	●●●●	●●●●	●●●●	COMPAGNIE FRANCAISE D'ASSURANCE POUR LE COMMERCE EXTERIEUR (COFACE), BANQUE FRANCAISE DU COMMERCE EXTERIEUR (BFCE)	●●	●●●●	●●●●	●●●●	77
W. GERMANY	GERMAN FOREIGN TRADE INFORMATION OFFICE	●●	●●●●	●●●●	●●	●●	●●	●●	●●	●●●●	●●●●	●●●●	HERMES KREDITVERSICHERUNG	●	●	●●●●	●●	45
IRELAND	IRISH EXPORT BOARD (ICT)	●●●●	●●	●●●●	●	●●	●●	●●●●	●●	●●●●	●●	●●●●	INSURANCE CORPORATION OF IRELAND (ICI)	●●●●	●●●●	●●	●●	56
ITALY	ITALIAN INSTITUTE FOR FOREIGN TRADE	●●●●	●●	●●●●	●●●●	●●	●●	●●●●	●	●●	●●●●	●●●●	SEZIONE SPECIAL PER L'ASSICURAZIONE DEL CREDITO ALL'ESPORTAZIONE (SAGE), MEDIOCREDITO CENTRALE	●	●●	●●	●●●●	48
JAPAN	JAPAN EXTERNAL TRADE ORGANISATION (JETRO)	●	●●	●	●	●●			●●				EID-MITL EXPORT-IMPORT BANK OF JAPAN	●●●●	●●●●	●●●●	●●●●	38
NETHERLANDS	NETHERLANDS FOREIGN TRADE AGENCY	●●●●	●●●●	●●●●	●●●●	●●●●	●●●●	●●●●	●●●●	●●●●	●●●●	●●●●	NEDERLANDSCHE CREDITVERZEKERING MAATSCHAPPIJ (NCM)	●●●●	●●●●	●●●●	●●	66
NEW ZEALAND	DEPARTMENT OF TRADE AND INDUSTRY	●●	●●●●	●●●●	●●●●	●●●●	●●	●●	●●●●	●●	●●	●●●●	EXPORT GUARANTEE OFFICE (EXGO)	●●●●	●●●●	●●	●●	53
NORWAY	EXPORT COUNCIL OF NORWAY	●●	●●	●●	●●●●	●●●●	●●	●●	●●	●●	●●	●●	GUARANTEE INSTITUTE FOR EXPORT CREDITS (GIEN), EXPORTFINANS	●●●●	●	●●●●	●●●●	50
SPAIN	NATIONAL INSTITUTE FOR EXPORT PROMOTION (INPE)	●●●●	●●●●	●●●●	●●●●	●●	●●●●	●●●●	●●●●	●●●●	●●●●	●●	COMPANIA ESPANOLA DE SEGUROS DE CREDITO A LA EXPORTACION (CESCEL), INSTITUTO DE CREDITO OFICIAL (ICO)	●●	●●●●	●●●●	●●●●	60
SWEDEN	SWEDISH TRADE COUNCIL	●●●●	●●●●	●●●●	●●●●	●●●●	●●●●	●●●●	●●	●●	●●●●	●●●●	EXPORTKREDITNÄMNDEN (EKN), SVENSKA EXPORTKREDIT (SEK)	●●	●●●●	●●	●●	55
SWITZERLAND	SWISS OFFICE FOR THE DEVELOPMENT OF TRADE (OSEC)	●●	●●●●	●●	●●●●	●●	●	●	●	●	●●●●	●●●●	GESCHAFTSSTELLE FÜR DIE EXPORTRISIKOGARANTIE (ERG)	●●●●	●●●●	●	●	41
UK	BRITISH OVERSEAS TRADE BOARD (BOTB)	●●●●	●●	●●●●	●●●●	●●●●	●●●●	●●●●	●●●●	●●●●	●●●●	●●●●	EXPORT CREDITS GUARANTEE DEPARTMENT (ECGD)	●●	●●●●	●●●●	●●●●	71
USA	DEPARTMENT OF COMMERCE EXPORT PROMOTION SERVICES	●●	●●	●●●●	●●●●	●●	●●	●●	●●●●	●●●●	●●	●●	FOREIGN CREDIT INSURANCE ASSOCIATION (FCIA), EXPORT-IMPORT BANK OF THE UNITED STATES	●●●●	●●	●●	●	47

Table 3.10: Export Services in OECD Countries
(Source: A World Guide to Export Services, Bowen, 1987)

While a major limitation of Bowen's study is that it fails to reflect users views, it does raise a number of interesting points. Firstly, countries with highly-rated services - such as Austria and France - adopt quite different approaches from one another. The same is true of countries where services are poorly rated. Thus, no firm conclusions can be reached concerning the relative merits of public versus quasi-private export support mechanisms.

Secondly, government emphasis on certain types of assistance is clearly different. This is particularly the case with trade fairs and overseas missions which are organised either by chambers of commerce or national industry federations in Austria, Denmark and Germany, but are generally government-organised in other countries such as Canada, France and the UK. Similarly, the degree of government funding for such events, if any, varies from country to country.

Thirdly, highly rated export services do not, necessarily, mean strong exports and vice-versa. For example, in the past two decades Germany and Japan have consistently produced outstanding export performances, yet their services are poorly rated. This apparent paradox can be explained by the international competitiveness of German and Japanese industry during the period, by the cohesive nature of industrial policy in these nations and in Japan's case by the influence of the Sogo Soshas (Kotler et al. 1985).

Finally, given that US government export support is so poorly rated, it is not surprising that much of the research in the area has emanated from there. Thus, as with the export literature reviewed in Chapter 2, caution should be exercised in applying findings of such research elsewhere.

Seringhaus' (1987) comparison of export promotion programmes in twelve advanced countries indicates that the main services available and their focus on particular stages of the exporting process are broadly similar (see Table 3.11) However, he also notes that support for inward visits by foreign buyers is not provided by Austria, France, Italy or Germany because these national governments prefer indigenous firms to venture abroad.

Stage of Exporting Process	Major Service Type	COUNTRY										
		Australia	Austria	Belgium	Canada	France	Japan	Netherlands	Sweden	United Kingdom	United States	West Germany
Pre-Export	Export Motivation Programs	•	••	••	•	•	•	••	•	•	•	•
	Information Services	•	••	•	•	•	•	•	•	•	•	•
Market Entry	Market Research Programs	•	••		•	•	•	•	•	•	•	••
	Trade Mission Programs	•	••	•	•	•	••	•	•	•	•	••
	Export Financing/ Insurance Programs	•	•	•	•	•	•	•	•	•	•	•
Export Operations	Foreign Buyer Programs	•		•	•		•	•	•	•	•	
	Trade Fair Programs	•	••	•	•	•	•	•	•	•	•	•

- programs offered by public sector/government
- programs available through or assisted by quasi-private institutions such as chambers of commerce, industry associations etc.

Table 3.11: Export Promotion in Twelve Developed Countries
(Source: Export Promotion: The Role and Impact of Government Services, Seringhaus, 1987)

Seringhaus and Rosson (1991) contend that most variations in service are attributable to the economic size of the country and its foreign trade sector, attitudes of the private sector towards foreign market involvement and the ability and willingness of government and business to respond to areas of greatest need in the development of international competence. They conclude that the similarity of programme portfolios suggests that advanced nations:

" attempt to cover the full spectrum of export market involvement; differentiate services and programmes over different export phases according to perceived need (and) recognise the relatively greater need for external assistance among small and medium sized companies."

The ETPO (1987) study also reveals that types of offerings do not vary greatly. As can be seen from Table 3.12, all countries have public or quasi-private institutions which provide export market information and most engage in contact-facilitating promotional activities such as trade fairs and missions. Many also grant-aid certain export activities or provide export credit services. However, assistance for export market research and strategic company development programmes for small firms are more prevalent in the Scandinavian nations and Ireland. An in-depth exploration of the specific services provided in Finland, Ireland and Norway and a discussion of the modus operandus of the respective national export promotion organisations is contained in Chapter 4 (p. 222).

	Market Info.	Market Res. Support	Promotional Activities	Financial Support ¹	Strategic Company Development
Austria	x		x	o	
Belgium	x		x	o	
Denmark	x	x	x	xo	x
Finland	x		x	xo	x
France	x		x	o	
Germany	x			o	
Greece	x		x	o	
Iceland	x	x	x		x
Ireland	x	x	x	xo	x
Italy	x		x	o	
N'lands	x		x	o	
Norway	x	x	x	xo	x
Portugal	x		x	o	
Spain	x		x	o	
Sweden	x	x	x	o	x
Switzerland	x		x	o	
Turkey	x		x	o	
UK	x		x	xo	

¹ o refers to export credit services,
x refers to grant-aid

Table 3.12: Export Promotion Measures among ETPO Members
(Source: Unpublished ETPO Study Document, 1987)

Research conducted in the LDC's by the International Trade Centre (ITC) in Geneva (1986, 1988) and extensively analysed by Seringhaus (1990) and Seringhaus and Rosson (1991), also indicates that EPO activities in these countries are very similar. This, again, is not surprising given that most are GATT signatories and must comply with this organisation's directives on international trade and that many of the EPO's in developing and newly industrialised countries were initially advised by the ITC and modelled on those of the advanced nations. A case in point is the Thai Export Board, developed with ITC support utilising Irish academics and advisers who were expert in the area.

These studies, based on data obtained from seventy developing countries reveal that, in virtually every respect, national EPO's activities mirror those of their counterparts in the advanced economies. Most organisations are heavily involved in overseas promotional programmes (Figure 3.6); undertake a wide spectrum of product and market development activities (Figure 3.7); provide extensive export management support (Figure 3.8); and offer active support to other public/private institutions involved in export-related training and development initiatives (Figure 3.9). Indeed, Rosson and Seringhaus (1991) conclude that export promotion approaches are broadly adopted and fairly well organised in the developing world.

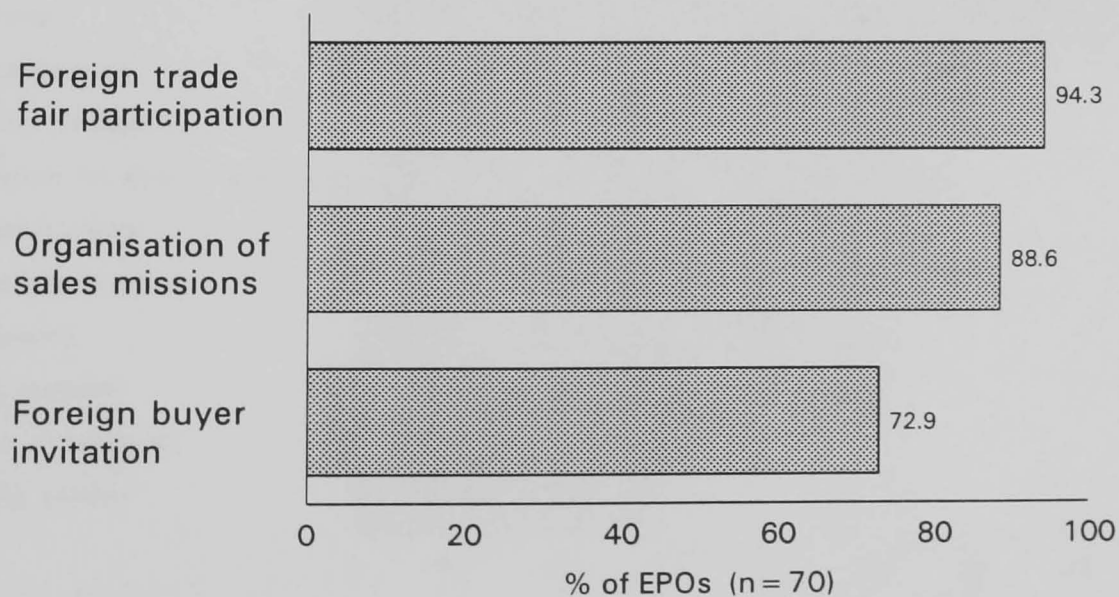


Figure 3.6: Overseas Activities by EPO's in Developing Countries
 (Source: Export Development and Promotion: The Role of Public Organisations, Seringhaus and Rosson, 1991)

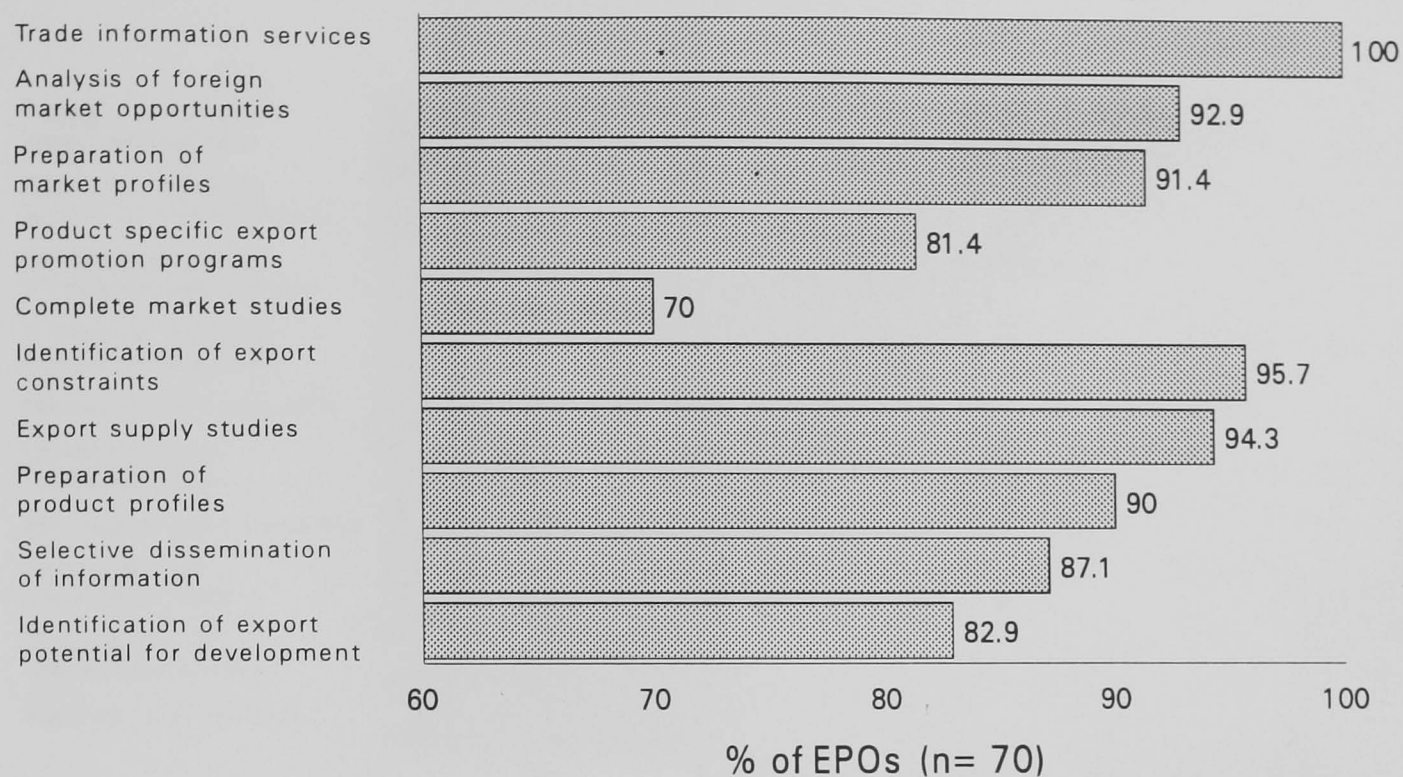


Figure 3.7: EPO Product and Market Development Activities in Developing Countries

(Source: Export Development and Promotion: The Role of Public Organisations, Seringhaus and Rosson, 1991)

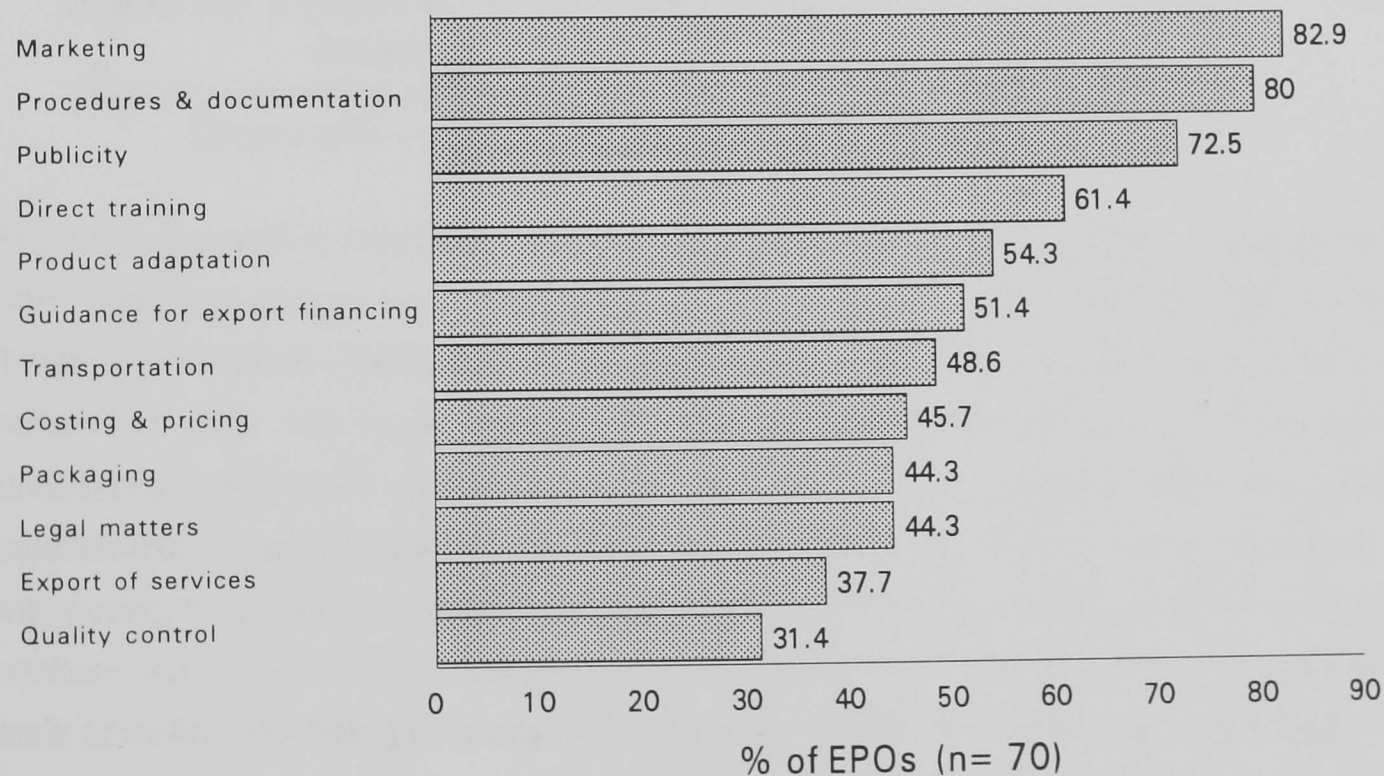


Figure 3.8: Export Management Support in Developing Countries

(Source: Export Development and Promotion: The Role of Public Organisations, Seringhaus and Rosson, 1991)

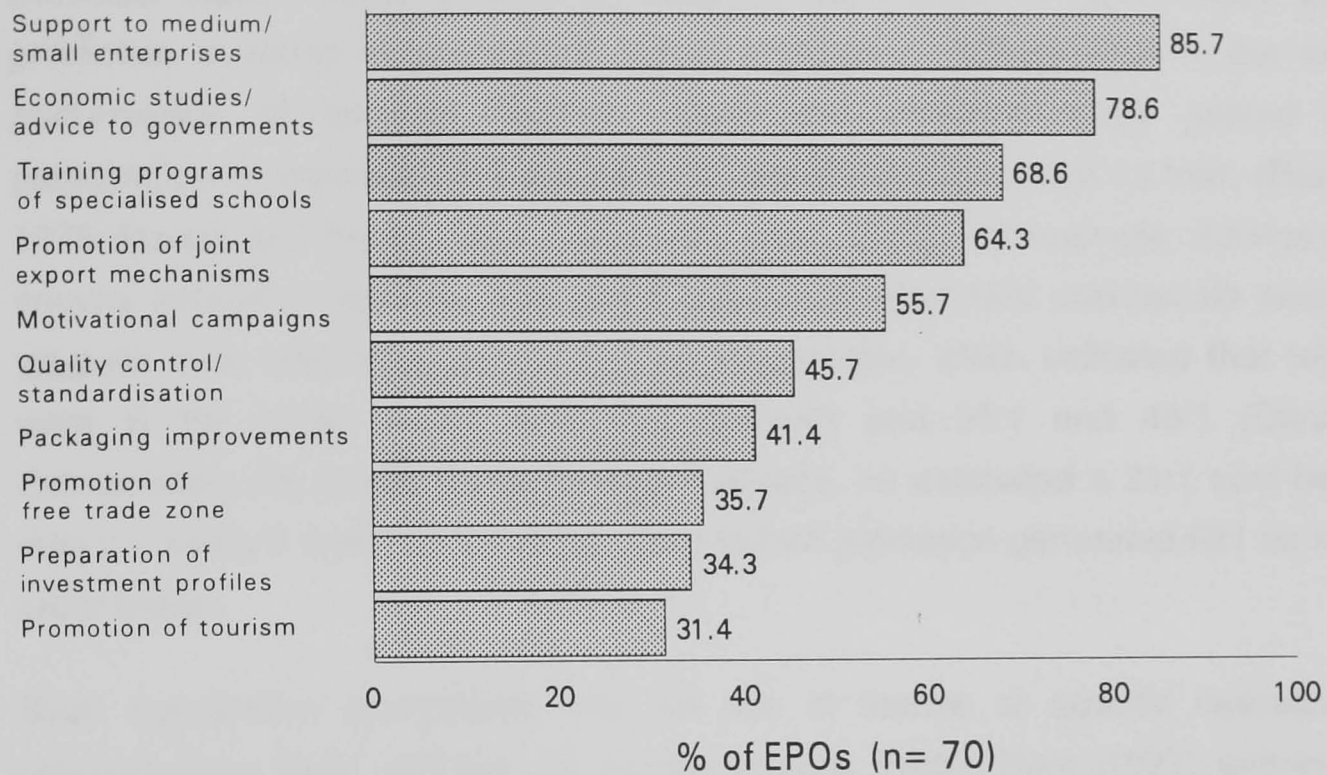


Figure 3.9: Support for Other Institutions by EPO's in Developing Countries

(Source: Export Development and Promotion: The Role of Public Organisations, Seringhaus and Rosson, 1991)

From the preceding discussion it can be seen that the normative ideas, frameworks and models proposed by authors such as Root (1971, 1974), Dymsha (1983) and Tesar and Tarelton (1983) can be - and have been - put into practice. It can also be concluded that the main issues concerning export promotion are now well understood and that policy-measures are not only comprehensive but also considerably sophisticated in developing and advanced nations alike. However, attempting to assess the impact of export promotion programmes remains a major concern for policy-makers seeking to demonstrate that public funds allocated to such activities are being properly and efficiently utilised. It is also recurring theme in the exporting literature and a topic which continues to attract considerable research interest and attention.

3.4 EVALUATION OF GOVERNMENT EXPORT PROMOTION ACTIVITIES

Previous studies have sought to measure the impact of government export promotion in terms of cost-benefit ratios, aggregate improvements in the export performance of targeted sectors, actual and projected sales gained from participation in international trade fairs or outward missions and so forth (Pointon, 1978; Brezzo and Perkal, 1983; Schwarting et al., 1982). For example, Pointon's UK enquiry sought to replicate Irish and Canadian Government cost-benefit analyses vis-a-vis total operations and individual programmes which indicated that returns were in the order of 8:1 and 10:1 (Ireland) and 35:1 and 40:1 (Canada). Extrapolating his results for illustrative purposes, he estimated a 21:1 cost benefit ratio (i.e every £ spent by government on export promotion generated £21 on a first order basis).

Such quantitative approaches and the use of narrow or specific indicators of outcome have been criticised on several counts. Firstly, Root (1971) argues that export promotion is substantially an information-gathering and knowledge-dissemination activity, for which there is no satisfactory means of measurement. Secondly, Seringhaus and Rosson (1990) conclude that:

"Such numbers falsely suggest unequivocal and direct causality between programme expenditures and sales results. The principal difficulty with such indicators is that many factors influence company export behaviour and results, and therefore the aggregate export performance of an industry or a country".

However, Seringhaus and Rosson (1990) also criticise other attempts to evaluate export assistance. They argue that surveys which take a broad approach and collect profile, experience and performance characteristics of service users also suffer from drawbacks such as incomplete questionnaires, partial representation of the target group of companies and - therefore - questionable representativeness of results regarding the impact of offerings. They further contend that measurement problems are exacerbated by vague notions of "effectiveness", unclear and/or unspecific programme objectives and the absence of agreed-upon parameters against which individual services can be measured.

The ITC (1987) concludes that five factors contribute to government's difficulties in evaluating export promotion offerings:

- the absence of precise targets;
- the unavailability or incompleteness of statistical information
- the use of information from a variety of sources
- that programme results flow from numerous actions
- that results are often of a general nature and cannot be measured.

Diamantopolous et al. (1993) suggest that empirical evidence confirms that there is still some confusion as to the exact impact of export promotion at firm level. In common with Olsen (1975) and Seringhaus (1986), they posit that the major contributory factors appear to be methodological measurement problems which continue to obfuscate research. These include:

Level of aggregation - The dominant use of global construct measures to operationalise research into the use and utility of export assistance means that any differences between bodies and/or services may not be detected because they tend to be measured collectively.

Lack of contrast groups - Many studies do not segment firms according to export experience. This may fail to reveal differences in perceptions and evaluations of services of firms at different export stages.

Operationalisation of impact - Single-item measures are often used to capture the impact of export assistance. However as the construct is multi-dimensional, multiple measures are certain to improve objective (quantitative) and subjective (qualitative) evaluations of the effect of export assistance. Greater attention should also be paid to construct validity and reliability.

Lack of parameters - Measuring the impact of export assistance can be difficult in the absence of parameters regarding the "size" of impact. In many cases results may not be directly observable or measurable, notably, if attitudinal, behavioral or strategic changes occur.

These methodological problems have implications for both academic enquiry and policy-formulation as prior research has had a tendency to resort to over-simplistic analyses of export promotion issues (see Chapter 5, p. 255) and the implementation of imprecise measures with outcomes which are difficult to evaluate.

Indeed, Seringhaus and Rosson (1990) contend that as a consequence of the difficulty of showing direct causal links between export promotion offerings and micro-level outcomes, unspecific programme and service objectives and quantification problems:

"adequate measures of programme impact on users are difficult to establish and very little can be said conclusively about the effectiveness of export promotion".

Nevertheless, they also conclude that numerous indirect, invisible and desirable effects may emanate from programme use. Companies may learn of other forms of export support; awareness of specific programmes may provide other useful sources of information; offerings may convince firms to rethink their export approaches and strategies and - perhaps, most significantly - export support may strengthen companies commitment to foreign markets.

Thus, despite the uncertainty that still exists regarding the precise impact of export assistance on firms' export behaviour and performance, most governments perceive such support to be generally beneficial at both macro- and micro-economic level. In consequence, policy interest in firms' export involvement is commonplace, irrespective of the diverse approaches adopted by individual governments and the differences in export support mechanisms and systems.

However, the literature also reveals considerable user dissatisfaction with export services. Although studies examine different national structures and systems - and in spite of the aforementioned methodological problems -there is a strong degree of consistency in conclusions which, typically, concur that many programmes are inadequate and unsuited to the needs of exporters. Moreover, that firms' awareness of services tends to be low, that levels of utilisation are variable and that users are, generally, less than satisfied with provisions. Indeed, Seringhaus (1986) argues that:

"Only a portion of the services offered by government may be needed, relevant or useful to a firm".

3.4.1 Awareness of Government Export Assistance

Low awareness of programmes and services is highlighted in many studies. Albaum's (1983) study of 129 small US manufacturers in Idaho, Oregon and Washington reveals that only 38% of firms were familiar with Department of Commerce (DOC) services. Reid's (1984) research into information needs of Canadian exporters finds that just over 50% of the respondents were aware of some form of government export assistance. Cavusgil (1983) cites a 1978 US Department of Commerce that indicates low awareness of services - notably, among small firms - a finding supported by other researchers (Ogram, 1982; Kedia and Chhokar, 1986; Kathawala et al., 1989). Like Seringhaus (1986), he concludes that levels of awareness increase with company size and are higher among exporters than non-exporters.

De Mortgage and Van Gent's (1991), analysis of three different studies conducted by two Dutch Banks and EVD the Netherlands EPO, reveals that awareness of EVD export assistance was much lower than that offered by other bodies. They report that, according to the Amsterdam-Rotterdam Bank (1983), less than 12% of Dutch SME's were aware of EVD services but that some 50% knew of chamber of commerce offerings. Bannock (1987) also identifies a lack of awareness of British Overseas Trade Board (BOTB) services as a problem for non-exporters and passive exporters in the UK.

Ritchie et al. (1984) conclude that low awareness levels among UK SME's was partly due to the proliferation of small business support agencies which made it more difficult for firms to find the appropriate agency to fulfil their needs. Secondly, that the publicity profile of some government agencies was low as they purposely did not promote their services because they did not have the resources to meet any increase in demand. They are also very critical of the reactive approaches adopted by many government agencies arguing that opportunities may be lost because small firms often fail to recognise areas of their activities where advice and assistance can be beneficial.

Nonetheless, Seringhaus (1986) notes a relatively strong awareness rating among Canadian non-exporters who were not planning to start exporting. Abdel-Malek (1978) also finds high levels of awareness of government export assistance in his study of smaller US manufacturers. Many other researchers suggest that exporters and non-exporters have some general knowledge of the existence of export stimulation measures, but do not know the exact details of particular programmes or services (Tookey, 1964; Olsen, 1975; Cunningham and Spigel, 1979; Cannon, 1980; Rabino, 1980; Reid, 1984; O'Rourke, 1985).

However, certain authors express concern that questioning firms on their general awareness of export assistance rather than about their knowledge of specific support programmes has resulted in ambivalent and ambiguous findings (Rao and Weirauch, 1973; Welch and Wiedersheim-Paul, 1979; Seringhaus, 1986). Moreover, Diamantopoulos et al. (1993) conclude that responses may reflect firms' recall of EPO publicity or media mention rather than interest-based awareness. The converse may also be true in terms of particular programmes or services. Respondent may recall only those offerings which they perceive to be useful to them or, indeed, ones which they may have used in the past. Therefore, it can be argued that selective retention may influence all findings on awareness of government export services or - indeed - those provided by other non-governmental sources.

Regardless of the contributory factors, low awareness of export services is identified in many countries and is a recurring theme throughout the export literature (Kedia and Chhokar; 1986; Kathawala et al., 1989; Phuong and Jian; 1990; Seringhaus and Botschen, 1991, McAuley, 1992; Hakam et al., 1993). It is most evident among smaller firms - especially those with limited export experience - and impacts on the utilisation of government export assistance. However, greater awareness of services per se will not - necessarily - guarantee increased usage unless offerings are regarded by firms as being appropriate to their needs (Albaum, 1983).

3.4.2 Usage of Export Services

Low usage of export assistance is observed in many of the aforementioned studies. Indeed, only 22 % of Albaum's (1983) US firms and approximately 18% of Reid's (1984) Canadian firms had used government export services. Cavusgil (1983) reports that US trade mission programmes were used by only 47% of larger companies and by less than 20% of small firms. He concludes that, as with awareness, greater usage rates correlate with increased firm size. De Mortgage and Van Gent (1991) indicate that 50-60% of large firms used EVD services or Netherlands embassies abroad, but that only 10-30% of smaller firms did so. Seringhaus and Botschen (1991) identify low usage of services among Canadian and Austrian exporters but are unable to discern whether this results from low awareness or deeper attitudinal factors.

Enquiries conducted in the UK offer similar findings. McFarlane's (1978) study of Queen's Award winners points to low utilisation of government export assistance among relatively successful exporters. Buckley's (1983) research also concludes that smaller UK companies have made less use of government export support than their larger counterparts. These findings are not altogether surprising inasmuch as Pointon (1978) maintains that UK services are more suitable for - and therefore more extensively utilised by - larger companies. Dewhurst and Burns (1983) also contend that many potential users, especially small businesses, tend to be discouraged by overly-bureaucratic procedures. Similar findings are reported in respect of small firms' usage of ECGD services (Samuels et al., 1992).

Seringhaus' (1983) Canadian research emphatically supports these views and concludes that only larger companies with substantial knowledge and expertise in export markets can utilise the services to best advantage. However, two other important variables impinge on usage rates. Firstly, the expectations of service users which leads firms to be indifferent to services they do not perceive to be useful and vice-versa. Secondly, the relevance of specific provisions to firms at different stages of their international development (Seringhaus and Rosson, 1990).

3.4.3 Satisfaction with Export Services

Several US studies suggest that firms may not seek help due to negative perceptions of government bodies and offerings. Simpson et al. (1981) claim that 75% of non-users had low opinions of export support bodies and questioned their ability to assist. Brady and Gill (1987) find that the helpfulness of the US Department of Commerce was less than desirable. Howard et al. (1988) report that smaller non-exporters gave low ratings to government services, international trade fair assistance and export seminars.

However, Abdel-Malek (1978) finds that a high proportion of smaller US firms were aware of government services, used them extensively and rated them highly. Pointon (1978) reveals that about half of his respondents had favourable perceptions of UK government support and that this positively influenced firm's exporting activities. Welch and Wiedersheim-Paul (1979), Schwarting et al. (1982) and Singh (1983) all report similar findings in separate studies conducted in Australia, Germany and India respectively. Cullwick and Mellallieu (1981) find high usage of export assistance among New Zealand exporting firms regardless of size or experience. Reid (1984) reports that some 49% of his respondents regarded Canadian Department of Commerce, Trade and Industry (ITC) services as an important source of export information. Bodur and Cavusgil (1985) note that 50% of their sample of Turkish exporters used government information sources, though respondents deemed them to be less useful than either non-governmental sources or the firms own contact and information networks.

To add to the criticism of offerings which are available, research also indicates a lack of congruence between the services firms desire and those offered by export agencies (Czinkota and Ricks, 1981; Czinkota, 1982; Seringhaus, 1986). This discrepancy not only impacts on firms' usage of government services, but also on levels of satisfaction thereof.

The provision of export information is widely criticised throughout the literature. Pointon (1978) considers BOTB information services to be more suited to the market intelligence needs of larger firms. Buckley (1983) finds that BOTB information on potential agents or distributors was out of date and unhelpful. According to Kaynak and Stevenson (1982), many Canadian firms regarded ITC information as "unimportant". Walters (1983) concludes that DOC export information was only of moderate use to US firms. Statistical data and market research provided by the DOC was also deemed to be too general to be helpful (Simpson et al. 1981). Cannon and Willis (1982) find that the highly generalised information provided by the BOTB was of limited value.

Such findings support Denis and Depelteau's (1985) view that services should:

"focus on identifying and satisfying precise information needs and stop contributing to the already abundant and often redundant body of general information already available"

Nevertheless, a number of studies do - in fact - conclude that small firms find export information services to be more beneficial than do larger companies and that such sources are very useful in the early stages of internationalisation (Czinkota, 1982; Seringhaus, 1986; Bannock, 1987).

In this context, firms' widely acknowledged preferences for experiential information rather than that obtained from secondary sources should also be recognised (Cunningham and Spigel, 1971; Johanson and Vahlne; 1977; Khan, 1980; Reid, 1980; Brooks and Rosson, 1982; Seringhaus, 1987). It is, therefore, not altogether surprising that the objective information provided by EPO's is not highly rated. Neither is it remarkable that as firms gain experience they tend to rely less on such information sources and perceive them to be less useful. As Bannock (1987) notes, smaller UK firms use a wide range of information sources but put some emphasis on official sources such as the BOTB. In contrast, experienced exporters:

"rely principally upon their representatives or subsidiaries or other sources of information overseas, including foreign trade press and on personal visits. Generally speaking they disdain the use of official sources of information (other than statistics)".

However, the preference for experiential information also contributes to relatively higher perceptions of benefit and levels of satisfaction with programmes such as trade fairs and trade missions which enable firms to gain market knowledge at first hand (Reid, 1983; Seringhaus, 1983, 1984; Walters, 1983). Most research indicates that firms tend to be more aware of - and rather more favourably disposed towards - government services which provide financial support for export activities and which require a high degree of involvement on the user's part (Seringhaus, 1987).

The predilection on the part of researchers to measure global rather than specific market support means that - apart from a number of enquiries into trade fairs - relatively few contributions focus on individual programmes. Gronhaug and Lorentzen (1983) reveal that nearly 75% of Norwegian firms surveyed had negative perceptions of export subsidy measures, point to discordant priorities between services desired by firms and those offered by government. They concur with Welch and Wiedersheim-Paul (1979) that programmes based on financial incentives have not had the desired impact.

Similar views are expressed by Olson (1975), Reid (1983), Roux (1983) and Barrett and Wilkinson (1985). Bradley (1985) concludes that:

"Direct policy support in the economic and financial arena ... assumes very little regarding the behaviour of firms."

The danger of adopting an undifferentiated financial incentive approach is significant. Not only does it influence unsuitable companies to seek export opportunities, but it also rewards companies already committed to exporting who are probably strong enough to succeed without additional financial support. Indeed, the Irish Government which offered tax breaks to exporters during the late 1960's and 1970's - until membership of the EC led to them being discontinued - found that small firm failure and MNE disinvestment correlated strongly with the withdrawal of such incentives after a statutory ten year period.

Lemaghen's (1987) pilot study of the BOTB's Export Marketing Research Scheme (EMR) reports that, despite providing additional financial support for a range of research activities, two thirds of UK firms were less than impressed with the programme. However, Diamantopoulos et al. (1991) find that almost 60% of their sample of Scottish food exporters used the EMR scheme, though - significantly - none of them considered it the best government service.

Findings in respect to government support for international trade fairs are rather ambiguous. The potential benefits firms derive from participation are widely recognised (Bonoma, 1983; Bello and Barksdale, 1986). These include opportunities to identify and target new prospects, gain access to key decision-makers, promote and sell products, meet existing customers, gather intelligence, assess competitors and enhance corporate image. Faria and Dickinson (1985) contend that the cost per contact also compares favourably with that on an industrial sales call. However, all the evidence suggests that trade fairs are much more beneficial to large companies with extensive customer bases who are prepared to plan their participation systematically (Lilien, 1982; Weinrauch, 1984; Faria and Dickinson, 1985; Kerin and Cron, 1987).

These studies also point to negative aspects of trade fairs including: their unknown effectiveness, difficulties in measuring efficiency and the use of fairs as a reward for managers and clients rather than as sound marketing tools. However, Seringhaus and Rosson's (1991) Canadian research shows the opportunity to gain useful knowledge of overseas markets is greatest among first-time exporters. As a consequence of involvement, such firms become more active in terms of product modification and/or new product development, greater participation in trade fairs and trade missions and visits or research into other foreign markets. Nevertheless, they also reveal that 60% of the firms they surveyed failed to recover the costs of participation.

Generally, evaluations of government export assistance tend to be rather negative and indicate high levels of dissatisfaction with such support, particularly in US research (Brady and Gill, 1981; Roy and Simpson, 1981; Kedia and Chokkar, 1986). Czinkota (1982) also concludes that:

"the more experience firms obtain in export activity, the lower their belief in government assistance"

This clearly reflects a learning-curve, growing confidence and a greater reliance on their own export skills and resources (MacAuley, 1992), it also suggests that firms reach a point where government support is no longer necessary.

Seringhaus and Botschen (1991) also find that the export competencies of Austrian and Canadian firms are usually developed within the firm, by recruiting staff with relevant know-how or through external management courses. Government services are less widely used for these purposes and - significantly - respondents indicate that they are likely to be even less important in future. Moreover, despite the fact that export provisions in these countries are highly rated (Bowen, 1986), the perceived utility of the range of government services is less than satisfactory and firms desire greater support in most aspects of export development.

However, criticism is most widespread in respect of the provision of export assistance to smaller firms. Many studies find that government attempts to stimulate export initiation are generally rather ineffective (Tesar 1974; Tesar and Tarelton, 1982). In Bannock's (1987) UK survey, only 1.18% of respondents indicated that they began exporting as a result of government encouragement. Strandkov (1986) finds that external change agents were of relatively minor importance in the decision and that less than 3% of Danish firms had been influenced by government motivational programmes. Nevertheless, the propensity of decision-makers and firms to internalise success and externalise failure may contribute to these findings.

Albaum (1983) is particularly scathing of US DOC services contending that there is an urgent need to reappraise their effectiveness, as programmes:

"that are not used and are not perceived to have much usefulness by those for whom they are intended really have little value to anyone"

He concludes that:

"Any government export assistance programmes should recognise that not all companies are at the same stage of export development. Therefore, ideally there is a need for a set of programmes, each one targeted to firms at different stages of export development".

In consequence, studies by Framnes and Welch (1982), Stenborg (1982), and Welch and Joynt (1984) highlight the need to provide alternative frameworks and support systems for small and medium sized firms. While these enquiries focus on specific small-firm initiatives - such as export manager for hire schemes, group exporting and small-business training and development programmes - introduced in Scandinavian countries, they reflect widespread recognition of the particular needs of the small-firm sector which support Thomas and Araujo's (1985) contention that:

"government policy designed to stimulate exports should not be confined to macro level inducements but should be aimed at directly influencing decision-makers in individual firms, and specifically tailored to the stage each firm has reached in the export process".

The need for greater targeting of services is a recurrent theme in the export promotion literature. Researchers have consistently criticised the lack of differentiated services and argued that firms have different support needs at various stages of export development (Czinkota, 1982; Cavusgil, 1984, Seringhaus, 1987). Thus, for example, companies at the pre-export stage are most likely require advice on how to begin exporting, general information on the types of assistance available from EPO's and other sources, broad export market intelligence and - most importantly - motivational support. However, as firms gain experience the balance of demand will shift to services which provide task-specific information, more detailed intelligence vis-a-vis markets and products and operational or strategic support.

The thrust of these arguments is that the provision of standard export assistance packages results in low usage and satisfaction levels which are exacerbated by low awareness of offerings in the first place. Indeed, Seringhaus (1987) argues that these three dimensions are inextricably connected inasmuch as the level of awareness of services can also reflect their perceived need, usage and utility.

Diamantopoulos et al. (1993) offer a response-hierarchy framework which encapsulates these relationships (see Figure 3.10). They argue that once firms are aware of export support programmes and understand what is on offer, they establish expectations regarding the degree of helpfulness of this assistance. The experience of firms following the actual use of a particular programme or service, together with prior expectations will jointly determine the perceived contribution of the helpfulness of this offering and - in turn - colour future expectations. It may be further argued that low satisfaction with specific programmes may well result in lower interest-based awareness of other existing or newly-introduced offerings, thereby reducing their usage and perceived utility.

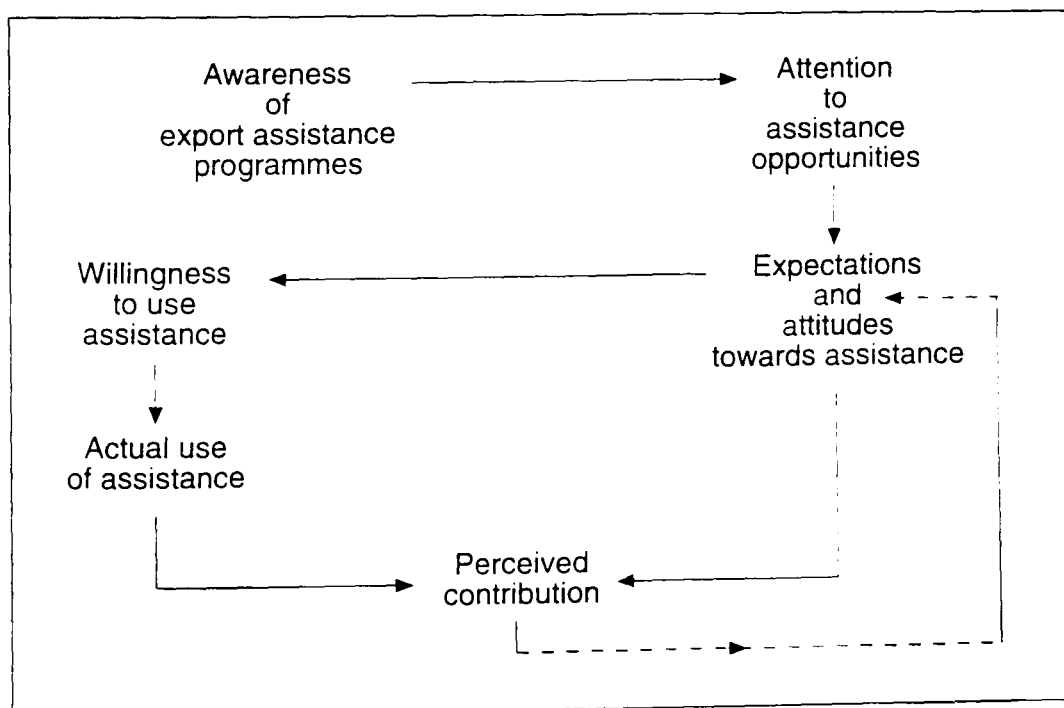


Figure 3.10: A Response-Hierarchy Approach to Export Promotion

(Source: Understanding the Role of Export Marketing Assistance: Empirical Evidence and Research Needs, Diamantopoulos et al., 1993)

If - as appears to be the case - much of this dissatisfaction stems from a failure to differentiate offerings, then the key to any improvements in offerings is the ability of EPO's to tailor services more precisely to meet users' specific needs. Nevertheless, however ideal this approach might be - and despite evidence that it is becoming more widespread - the provision of customised services presents problems for EPO's. Given their limited budgets, it remains unlikely that they will have either the human and financial resources or the in-depth product and market expertise to fully satisfy the diverse range of user needs.

In these circumstances - and despite their acknowledged limitations - the export stage models proposed by Bilkey and Tesar (1977) Cavusgil (1980), Czinkota (1982) and others (see Chapter 2, p. 104) provide some useful frameworks for segmenting firms at similar stages of export development. These, enable policy-makers to differentiate services offered to groups of firms with comparable needs and present EPO's with the opportunity of developing less standard offerings. When combined with greater targeting of priority sectors/industries and more intensive support for smaller, less experienced firms the potential for greater tailoring of assistance to specific segments - and more differentiated support for particular firms therein - becomes more feasible. Such approaches may not, necessarily, lead to highly personalised packages for each and every firm seeking export assistance. They will, however, result in a better match between firm's needs and government provisions generally and a more effective allocation of scarce EPO resources.

3.5 CONCLUSIONS FROM THE EXPORT PROMOTION LITERATURE

A number of important conclusions can be drawn from the literature in the area. Firstly, comparative studies of export promotion systems reveal that - despite differences in delivery and funding mechanisms - the nature of offerings are quite similar world-wide (Bowen, 1986; Seringhaus, 1991). Compliance with GATT directives is a contributory factor, together with the fact that many LDC systems have been modelled on those of advanced industrialised nations (Hibbert, 1991).

Secondly, export motivation programmes do not appear to have the desired impact in terms of stimulating export initiation. What evidence exists, suggests that the initial export decision is triggered by external and/or internal attention-evoking factors but that the role of EPO's is quite limited in this respect (see Section 2.3.4, p. 99). If - as seems to be the case - many small firms only seek export assistance once the decision to export has been taken, then, the emphasis currently placed on export motivation programmes might be usefully redirected towards other EPO activities.

Thirdly, the main focus of assistance - to a lesser or greater degree - is the provision of export information. The value of such offerings have been criticised as being more relevant to the requirements of large companies (Pointon, 1978), yet there is evidence that these firms tend to rely on internal or commercial sources (Walters, 1983; Bodur and Cavusgil, 1985). Moreover, although small firms regard government sources as more useful than their larger counterparts (Czinkota, 1982), obtaining export market information remains a problem for small exporters and is a significant barrier to export initiation (see Section 2.6, p.127). This suggests that a gap between provision and need still exists. Whether this is due to the nature of existing offerings, the preference of small firms for experiential information or other factors is investigated further in Chapter 6 (p.336).

Fourthly, offerings that provide practical support and which enable firms to gain experiential exporting knowledge or identify, develop and maintain foreign contacts are desired by firms and are more highly regarded than others (Denis and Depelteau, 1985). Indeed, Reid (1984) argues that:

"greater emphasis should be placed on programmes which encourage direct contact with the market, for example trade fairs....(which) can entail relatively low cost and have a greater chance of offering direct results."

In this context, prioritising services which enable small firms to establish their own networks - support for inward and outward visits, trade fairs, trade missions; greater help in identifying agents, distributors or other foreign partners, etc. - is important.

This objective is consistent with many of the recent theories on network approaches to internationalisation (see Chapter 2, p.104). However, as these networks invariably include relationships with overseas suppliers as well as clients, EPO's must recognise that their role may no longer be restricted solely to export assistance. Rather, they may be required to broaden their focus to encompass a wider spectrum of outward and inward internationalisation activities to support alternative - and increasingly popular - small-firm internationalisation strategies such as franchising, licensing, technology transfers and joint ventures.

Fifthly, many previous enquiries - particularly those emanating from the US - have criticised EPO offerings for being undifferentiated. These have called for better targeting of services to meet the requirements of firms at different stages of export development and - in particular - to focus more clearly on the needs of smaller exporters (Czinkota, 1982, Albaum, 1983). Evidence suggest that policy-makers have recognised these concerns and that many EPO's are now attempting to tailor services more effectively (Seringhaus, 1987). This is especially the case in countries with limited home markets and small-firm bases (Joynt, 1985; Lennon, 1988). However, as the majority of critical contributions predate these developments, any recent improvement in perceptions of services may not be fully reflected in the literature.

Clearly, standardised offerings are unlikely to address firm's specific needs adequately. Indeed, their inability to do so appears to be a major contributory factor to firms' negative perceptions of export services and to widely-reported low usage and satisfaction levels. However, even if every firm's requirements could be established precisely, it is unlikely that many EPO's would have the necessary resources to provide a highly individualised service. Thus, segmenting firms according to their stage of export development and customising offerings for groups of firms with like needs in priority sectors appears to be the most feasible method of optimising scarce EPO resources and - at the same time - increasing user satisfaction.

Sixthly, given that many of the problems associated with exporting would appear to be institutional and infrastructural (see Chapter 2, p.127), greater emphasis on assisting firms to overcome their human and financial resource limitations is clearly desirable. Policies designed to encourage investment in R&D, support technology innovation, increase productivity and promote regional or sectoral development are an integral part of this process. Along with fiscal measures, such as tax and investment incentive policies, they aim to improve competitiveness through structural and/or process changes at company level. Such policies, though not necessarily aimed at enhancing export performance, help improve firms' international competitiveness by establishing a supportive macroeconomic environment. Favourable, but realistic, exchange rates are also important for companies to be competitive in international markets and are essential if export promotion measures are to be truly efficacious.

In terms of direct measures, although tax incentives or other financial inducements for exporters contravene the GATT, better access to public or private sources of export financing and funding for export development programmes are feasible (Seringhaus and Botschen, 1991). Similarly, any actions taken to minimise documentary requirements for exporters, reduce red tape and provide coverage against foreign market risks are desirable. Improved access to export services and greater user friendliness - quality and attitudes of EPO staff, speed of response and so forth - would also be particularly beneficial to small firms.

Finally, although attempts to measure the impact of export promotion are fraught with methodological problems (Diamantopoulos et al., 1993), there is evidence to suggest that awareness and use of - and satisfaction with - export services are linked to firms' perceptions of the utility of EPO assistance and whether specific services subsequently fulfil their needs and expectations. In this context, the tendency among researchers to use global measurement constructs to assess government export assistance has not been especially helpful in policy formulation. Consequently, the need for additional research into its' constituent elements - i.e. individual programmes and services - is widely recognised.

In the light of these conclusions, the remainder of the present research focuses on the export behaviour and support needs of smaller computer software firms in Finland, Ireland and Norway. It attempts to evaluate awareness and usage of - and satisfaction with - the complete range of export promotion services in these countries and seeks to identify any potential gaps between firms' requirements and EPO provisions. Particular emphasis is placed on assessing the utility of specific programmes and services according to firms level of export involvement.

Prior to discussing the research methodology adopted and presenting the pertinent findings, conclusions and recommendations in later chapters, Chapter 4 outlines the salient environmental characteristics of each country and provides details of the respective national export promotion systems. It also contains background information on the global computer industry, international trends in software and the stage of development of the sector in the selected markets.

CHAPTER FOUR

BACKGROUND TO COUNTRIES, INDUSTRY AND SECTOR: ECONOMIC ENVIRONMENT OF FINLAND, IRELAND AND NORWAY AND OVERVIEW OF EXPORT PROMOTION IN THESE COUNTRIES. BACKGROUND TO THE GLOBAL COMPUTER INDUSTRY AND THE SOFTWARE SECTOR. SALIENT INDUSTRY CHARACTERISTICS IN THESE COUNTRIES.

CONTENTS

This Chapter presents the key economic indicators for Finland, Ireland and Norway and discusses the respective national export promotion systems. Thereafter, it outlines global trends in the computer industry, worldwide developments in the software sector and the salient industry and sector characteristics in these countries.

INTRODUCTION

The overview of countries selected for investigation, respective national export promotion organisations and computer industry sector contained in Chapter 1 (p. 42) requires further elaboration in order to develop the present research. In consequence, this chapter focuses in greater detail on the key economic indicators for Finland, Ireland and Norway and on the respective market environments during the period in which the empirical research was conducted. It presents additional information on the Finnish Foreign Trade Association (FFTA), C oras Tr acht ala (now Bord Tr acht ala) and Norges Eksportrad - the EPO's in these countries - and undertakes a comprehensive review of their respective programmes and services. Global computer industry trends are discussed further, particularly, in terms of developments which have impacted on the growth of the software sector. Pertinent information on the background to the computer industry and software sector in the countries under investigation is also provided.

4.1 KEY ECONOMIC INDICATORS FOR FINLAND, IRELAND AND NORWAY

4.1.1 GDP Growth

At the outset of the present research, both Finland and Norway had much higher levels of Gross Domestic Product (GDP) than Ireland. As noted in Section 1.5.5 (p. 45), this - in part - reflects an absence of natural resources in the latter and the respective economic benefits Finland and Norway have derived from forestry - or petroleum-related industries. However, this gap has narrowed during the late 1980's and early 1990's (see Figure 4.1). Since 1988, Ireland has achieved rapid growth, notably in 1990 when real GDP increased by 9%. Finland experienced a sharp decline in GDP in 1991-92, due not only to global recessionary pressures but also to the collapse of trade with the former USSR. Norway, which witnessed a slight decline in GDP in 1988, has achieved modest growth in the intervening period, largely as a result of increasing oil and gas production since the Gulf war (see Figure 4.2). In 1993, Ireland's GDP growth was 1.9%, Norway's around 1% and Finland's remained static. Forecasts for 1994 predict GDP growth of about 3%, 2% and 1% respectively (EIU country reports, 1993). The origins and components of GDP for each country are shown in Tables 4.1 and 4.2.

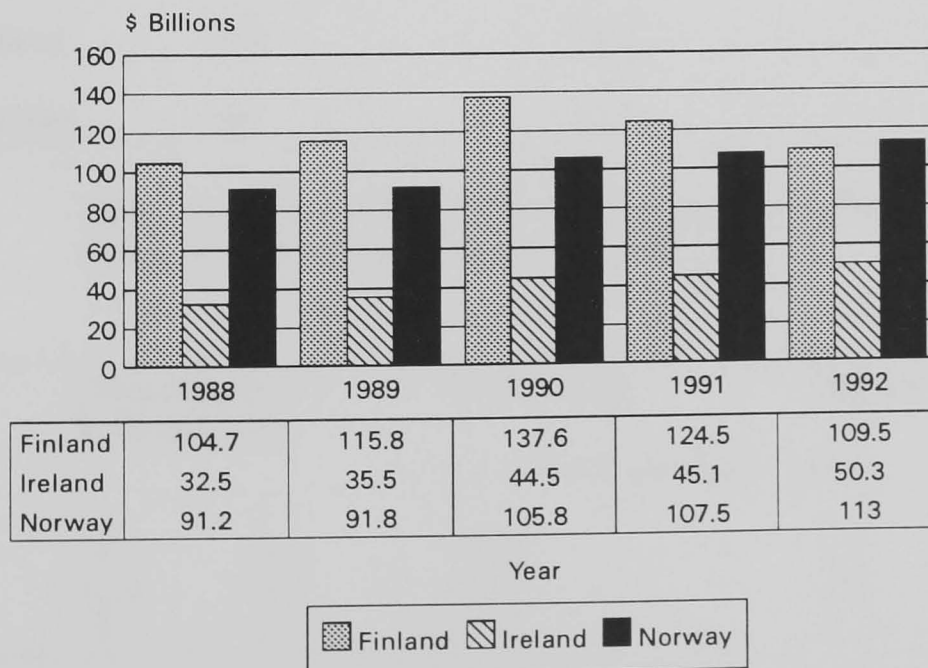


Figure 4.1: Gross Domestic Product 1988-1992 (US\$ Billions)
 (Sources: EIU country reports, 1993)

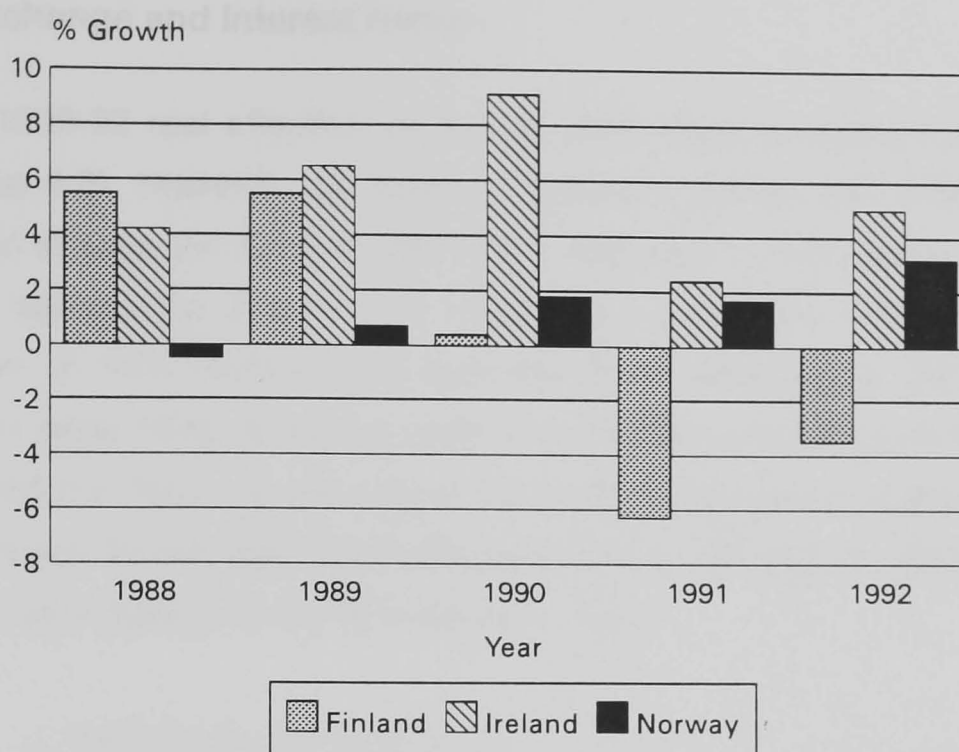


Figure 4.2: Real GDP Growth 1988-1992
(Sources: EIU country reports, 1993)

	Agriculture	Industry (% breakdown of GDP)	Services
Finland	6.3	30.1	63.6
Ireland	10.0	38.0	52.0
Norway	2.8	32.7	64.5

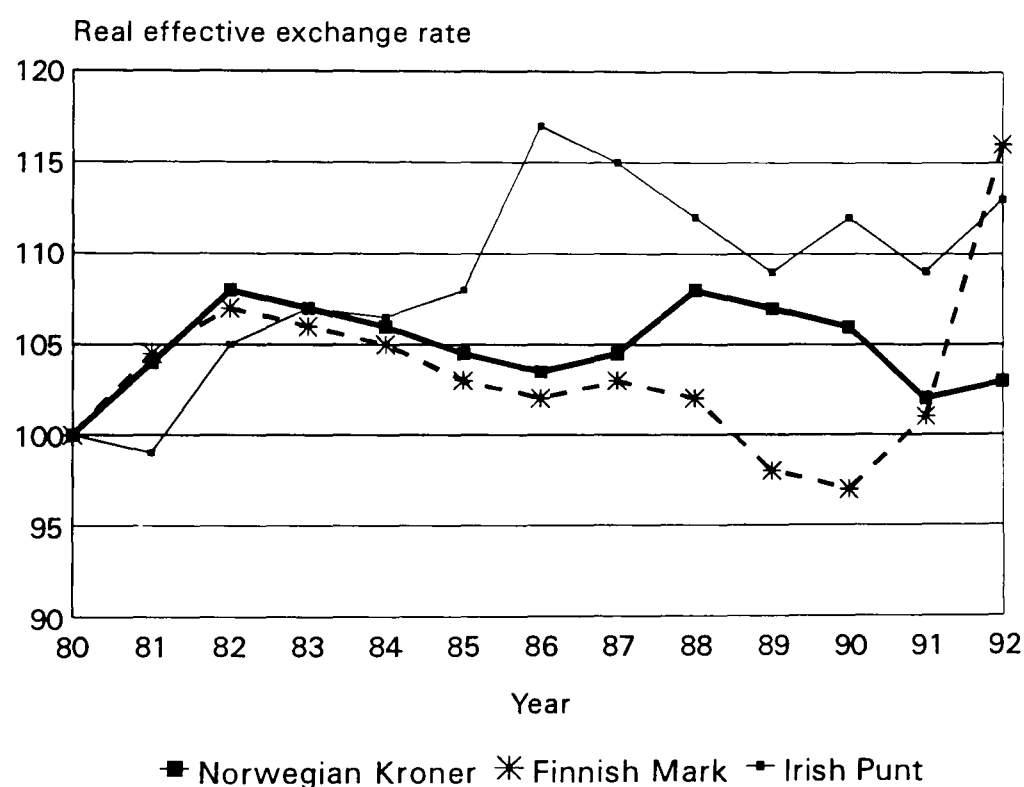
Table 4.1: Origins of GDP in Selected Countries, 1992
(Sources: EIU country reports, 1993)

	Consumption Private/Public		Investment	Exports	Imports
	(% of GDP at market prices)				
Finland	55.3	24.9	18.8	25.9	-24.7
Ireland	56.0	16.0	19.0	62.0	-53.0
Norway	51.8	22.1	18.5	43.4	-35.8

Table 4.2: Components of GDP in Selected Countries, 1992
(Sources: EIU country reports, 1993)

4.1.2 Exchange and Interest Rates

Between 1988-92 real effective exchange rates have remained relatively constant (see Figure 4.3). However, as noted in Section 1.5.6 (p. 49), Finland abandoned attempts to shadow the ERM in late 1991 - leading to a 14% fall in the value of the Finnmark against the ECU - and speculative pressures in late 1992 forced a devaluation of 13%. Ireland also suffered from instability in the ERM and was devalued in early 1993. Since the widening of ERM exchange rate bands to 15% in August 1993 the Punt has performed well and is expected to remain relatively firm. The Norwegian Krone has remained fairly stable, although it experienced a slight decline in value against the US\$ and DM in 1993.



	1988	1989	1990	1991	1992	1993
FM/US\$	4.19	4.29	3.82	4.05	4.48	5.85
IR£/US\$	1.53	1.42	1.66	1.62	1.71	1.45
NOK/US\$	6.52	6.90	6.26	6.48	6.21	7.10

Figure 4.3: Real Effective Exchange Rates, 1980-1992
(Sources: EIU country reports, 1993)

Inflation is low (Ireland 1.7%, Norway 2.2%, Finland 2.9% in 1993). It is expected to rise slightly in Ireland and Norway during 1994, to 2.5% and 2.7% respectively and remain the same in Finland. Interest rates in both Ireland and Norway have fallen to around 6-7% in 1993 and are expected to continue to fall in line with EC trends. However, Finland's rate remains relatively high at 9.5% due to the state of the economy and speculative pressures on the Finnish currency.

4.1.3 Employment

As can be seen in Table 4.3, the Finnish and Norwegian labour forces are both larger than Ireland's. However, the economically active population in Ireland is forecast to grow by about 3-4% p.a. during the next decade, but remain static - or decline slightly - in Finland and Norway. Between 1986-1990, unemployment in Finland averaged 4.4% and actually fell to 3.4% in 1990. It rose sharply to over 15% in 1992-93 as the effects of recession and a dramatic fall in trade with the former Soviet Union impacted on the Finnish economy. Unemployment levels in Ireland are traditionally high (16.7% in 1993) - in part due to high birth rates - and are not expected to decline significantly. In contrast, Norwegian levels have been much lower (averaging 5-6% between 1986-92) and it is a stated government objective to reduce unemployment to 3.5%. While all three countries have recently experienced slight falls in unemployment, the prospects for any future improvement will be highly dependant on global economic recovery.

	Finland	Ireland (^{'000})	Norway
Labour force	2,502	1,670	2,130
Employed	2,174	1,134	2,004
Unemployed	328	283	126

Table 4.3: Labour Forces and Unemployment, 1992
(Source: EIU country reports, 1993)

The percentage of the workforce employed in various sectors is shown in Table 4.4.

	Finland	Ireland	Norway
	(% of labour force)		
Agriculture	10.2	15.1	6.5
Manufacturing/ mining/utilities	23.4	21.2	19.0
Construction	7.5	6.8	7.8
Transport/ Communications	7.4	6.0	8.4
Distribution	14.2	17.4	17.6
Finance/ business	7.2	7.4	7.3
Other Services	30.1	26.1	33.4

Table 4.4: Distribution of Labour in Selected Countries, 1992

(Source: ILO Yearbook of Labour Statistics, 1993)

4.1.4 Structure of Industry

In common with other OECD nations, a high proportion of the labour force is employed in service industries - Finland 61%, Ireland 57%, Norway 69% -(OECD, 1993). These figures reflect the transformation of these countries from agricultural and/or manufacturing economies towards service-based economies. However, as can be seen from Table 4.4, agriculture remains an important sector for employment in Ireland, but is less so in Finland and Norway. Manufacturing accounts for 31% of all employment in Finland, 28.6% in Ireland and 24.8% in Norway (OECD, 1993). The most important manufacturing sectors in each country and their share of output are shown in Table 4.5.

	Finland	Ireland	Norway
	(% of total manufacturing output)		
Agricultural & food processing	12.0	28.0	20.0
Machinery & transportation	22.0	30.0	22.0
Textiles & clothing	4.0	4.0	2.0
Other Manufacturing	62.0	38.0	56.0

Table 4.5: Manufacturing Output by Sector, 1992
(Source: EIU, World in Figures, 1994)

The economic contributions of small firms in both the manufacturing and services sectors are of vital importance in the selected countries as, in each case, firms with less than 100 employees account for well over 90% of all enterprise. Although such figures are comparable with those of other industrialised nations - such as Germany 99% (OECD, 1990) and the US 98% (SBA, 1989) - they are significant in one major respect: In common with many other small economies, they reflect the existence of a relatively smaller number of large companies which can act as "locomotives" for economic development and trade growth.

Thus, with the exception of a few large - often, state owned - enterprises which dominate the forestry, metal and engineering sectors in Finland, the food processing and packaging sector in Ireland and the oil and shipping related sectors in Norway (and notwithstanding the presence of a number of large MNE subsidiaries in the chemical and computer-related industries in Ireland), most other industrial sectors have small-firm bases. In terms of services, despite the presence of sizeable firms in the financial sector in each country - and excluding public services - small firms also play an extremely vital role in employment and wealth creation.

Using the same classification (i.e. <100 employees), approximately 21% of the Finnish labour force is employed in small manufacturing firms which account for some 20% of industrial output. In addition, 39% of the labour force works in small service firms (Ministry of Trade and Industry, 1993). In Ireland these firms account for more than 65% of all private sector jobs, some 40% of manufacturing employment and around 30% of all manufacturing output (EIM/ENSR 1993). In Norway, 46% of the manufacturing workforce is employed in small companies and almost 70% of service jobs are provided by the small-business sector (Norwegian Industrial Foundation, 1993).

Overall, small firms provide at least 60% of manufacturing and service jobs in each of the selected countries, account for between 20% and 30% of manufacturing output and are highly active in service sectors. While these statistics are similar to those of other small open economies (for example, Denmark and Holland), the sector's share in employment is substantially higher than it is in either Germany (44%), the UK (47%) or the US (35%). The sector's contribution to industrial output is also greater than in these countries where big business tends to dominate important manufacturing industries (EIM/ENSR, 1993).

Small-firm participation in exports is also significant. In Finland and Norway over 40% of small firms are involved in exporting and account for approximately 16 and 20% of exports, respectively (Finnish Foreign Trade Association, 1993; Norges Eksportrad, 1993). In Ireland this figure is higher, 60% of small firms have export sales which account for over 27% of Irish Exports (Bord Tráchtála, 1993). These statistics compare favourably with an EC-12 average of 10% (EIM/ENSR, 1993) and with the contributions of small US firms which account for less than 10% of exports (SBA, 1989). Given the economic importance of smaller firms in Finland, Ireland and Norway, policy-makers attach significant importance to measures designed to stimulate the development of the small-business sector, increase the competitiveness of firms therein and encourage international expansion. This emphasis is particularly evident in terms of export promotion policy and the support provided to small firms (see Section 4.2, p. 222).

4.1.5 International Trade

Between 1988-92, all three countries increased their participation in international trade. Irish exports rose from \$18 Bn. to almost \$ 29 Bn., Norway's from \$23 Bn. to over \$35 Bn. and Finland's from nearly \$22 Bn. to \$26.1 before falling back to \$23.5 Bn. (see Figure 4.4) Similarly, Ireland and Norway's imports rose during the period, Finland's increased until 1990 and then fell sharply in 1991-92 (see Figure 4.5). The impact of the global economic downturn in the early 1990's is clearly evident in these figures, as are the particular - and aforementioned - problems faced by Finland. However, despite these circumstances and the small trade deficits experienced by Norway in 1988 and Finland in 1989-90, the trade balances of all three countries have been positive in a difficult period and have improved, notably in 1991 and 1992 (see Figure 4.6).

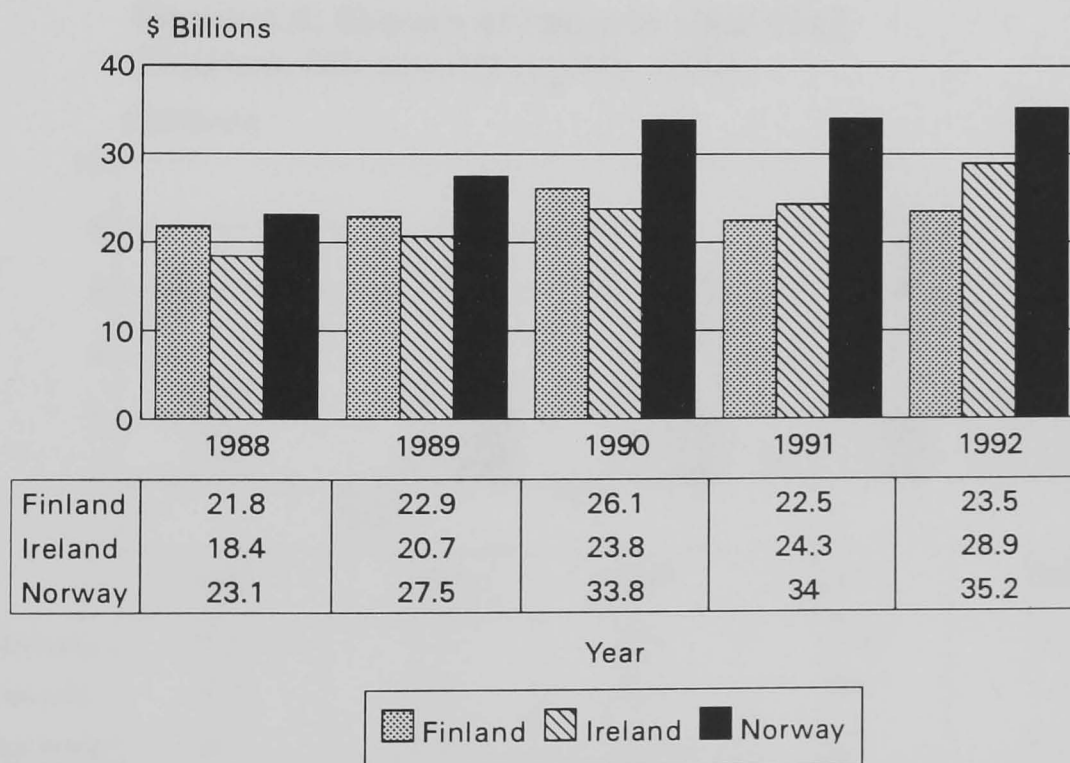


Figure 4.4: Export Growth 1988-1992
(Sources: EIU country reports, 1993)

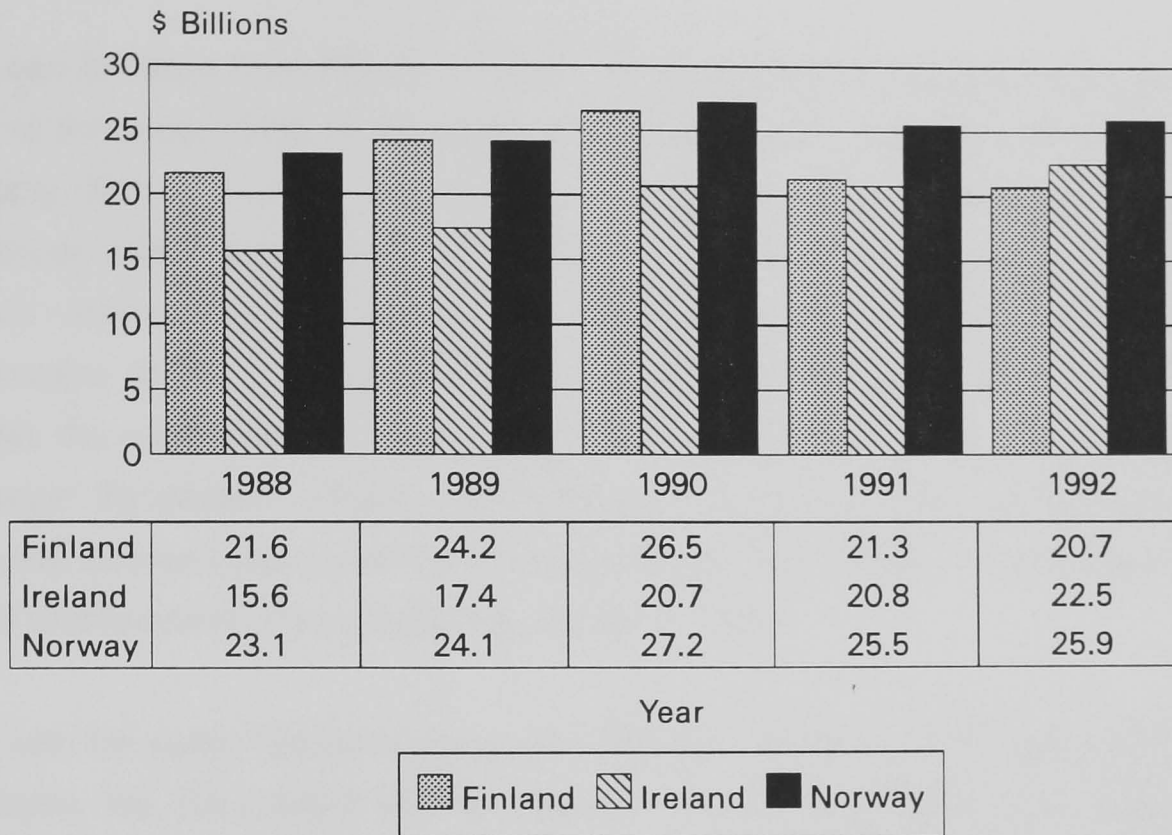


Figure 4.5: Growth of Imports 1988-1992
(Sources: EIU country reports, 1993)

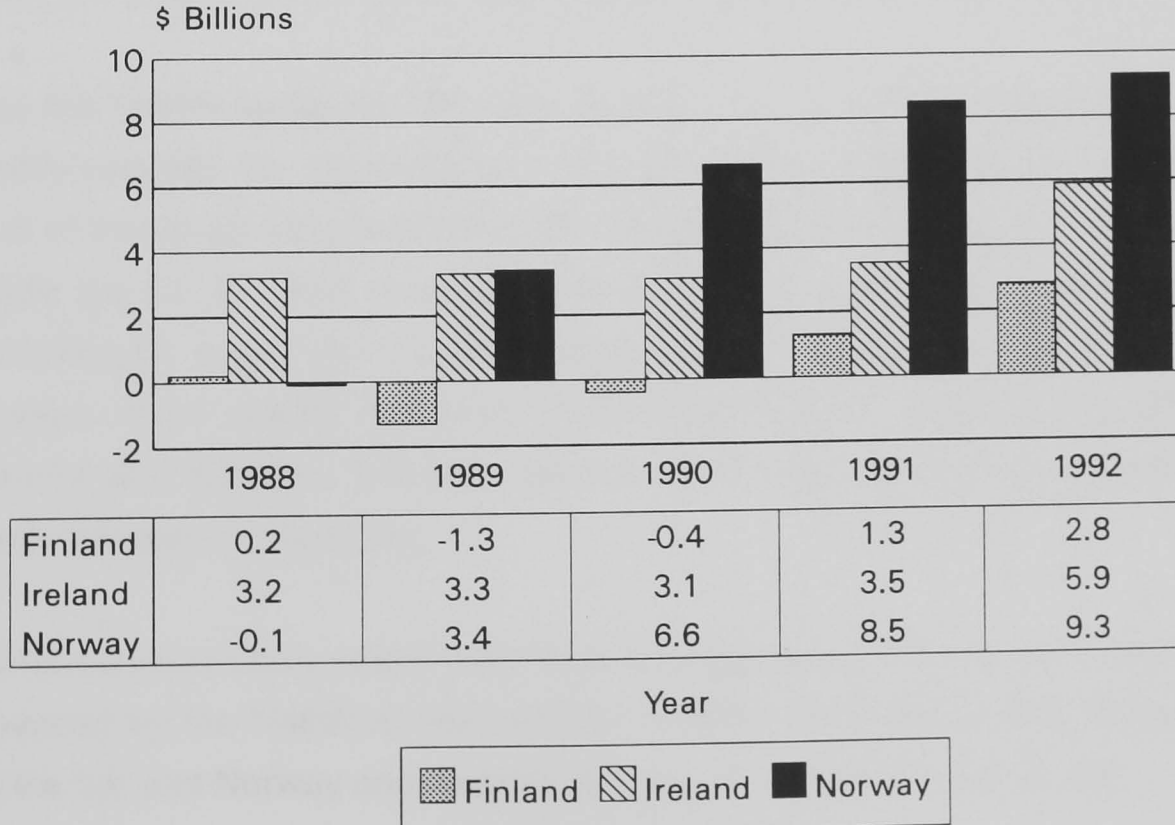


Figure 4.6: Balance of Trade, 1988-1992
(Sources: EIU country reports, 1993)

4.1.6 Major Trading Partners

As can be seen from Figure 4.7 and 4.8, trade with EC member states is important for all three countries. In Ireland's case EC markets account for 74% of exports and supply 66% of imports. The growing importance of the EC to Finland and Norway between 1988-92 is evident from a rise in the proportion of exports to - and imports from - the community. This trend is likely to continue as both countries are now members of the European Economic Area and are negotiating to join the EC in 1995. An examination of major export destinations and origin of imports by country support Burenstam-Linder's (1961) thesis that trade is favoured between countries of with similar cultures and the notion of "psychic distance" postulated by Vahlne and Wiedersheim-Paul (1973) and Carlson (1975).

As can be seen, Finland's trade with Sweden and the USSR was strong in 1988. Despite the unravelling of the bi-lateral barter trade agreement and the virtual collapse of trade with the latter in 1991, there has been a recent upturn in trade - notably with the newly-independent Baltic states and Russia - and evidence of Finland's rising influence in the region. Sweden remains an important trade partner.

Since the 1950's, when the UK accounted for over 70% of Irish exports, Ireland has steadily reduced its' dependency on Britain as an export market, primarily as a result of improved exports to other EC countries and - most recently - by expansion outside the EC in 1993. However, the UK remains Ireland's major trading partner accounting for over 30% of exports and more than 42% of imports. The UK is also Norway's major export market accounting for 24% of total exports, followed by Germany and Sweden. The latter also accounts for 18% of all Norwegian imports, closely followed by Germany.

Such patterns not only reflect cultural and geographic proximity, but have also been influenced by the historical ties between Finland and Sweden and Russia; Ireland and the UK and Norway and Sweden discussed in Section 1.5.5 (p. 45).

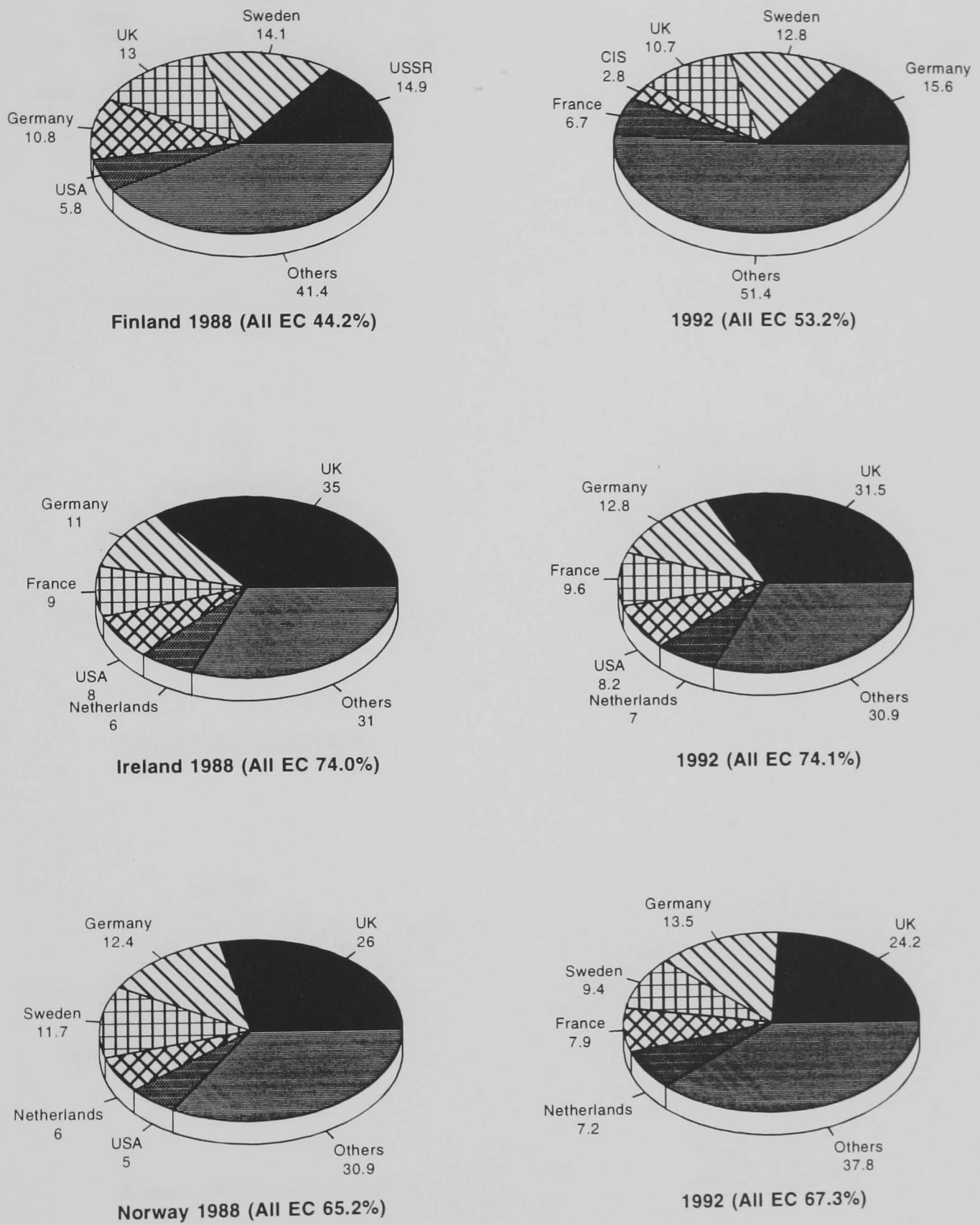


Figure 4.7: Major Export Destinations in 1988 and 1992
(Sources: EIU country reports, 1993)

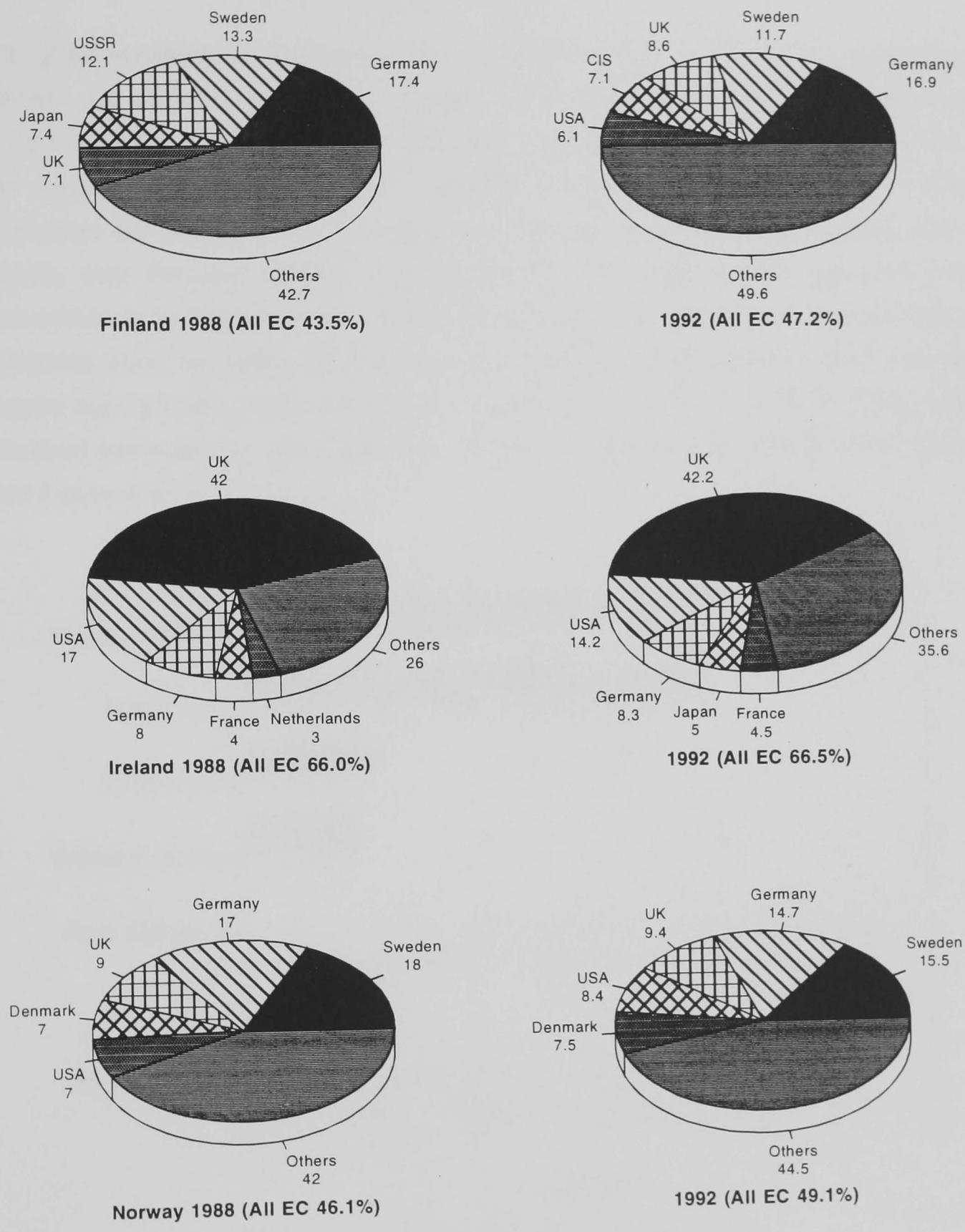


Figure 4.8: Origin of Imports in 1988 and 1992
(Sources: EIU country reports 1993)

4.1.7 Principal Exports and Imports by Product

The latest available full-year export and import statistics (1992) for the respective markets are shown graphically in Figures 4.8 to 4.10. Taken together, paper and wood products constitute Finland's principal exports accounting for almost \$10 Bn. and nearly 45% of total exports. However, machinery, equipment and metal fabrication are also important sectors and exports of these products have risen steadily over the past decade to almost \$9 Bn. This trend reflects government's determination to reduce Finland's economic and trade reliance on timber-related industries such as paper production and furniture manufacturing. Major imports include over \$10 Bn. of raw materials - including iron ore, non-ferrous metals and industrial components - and more than \$2 Bn. of crude oil and petroleum products (see Figure 4.9).

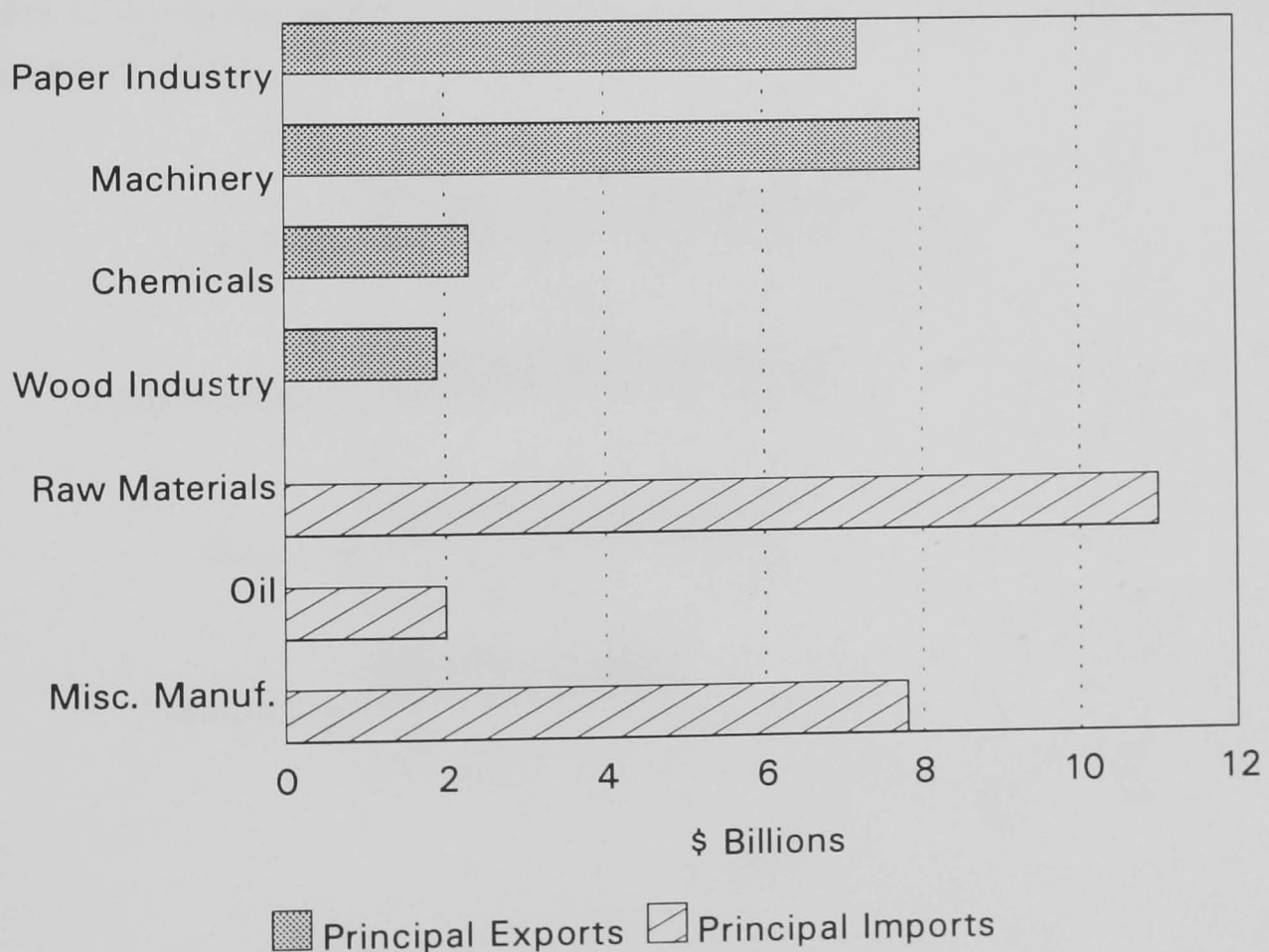


Figure 4.9: Principal Exports and Imports, Finland, 1992
 (Source: EIU Finland Country Profile, 1993/4)

Ireland is a major exporter (\$7.7 Bn.) and importer (\$8 Bn.) of machinery and transport equipment. Dairy products, foodstuffs, meat and livestock are also import sectors with over \$6 Bn. in exports. Bulk chemicals to the value of \$3 Bn. are imported, most of which are formulated, packaged and re-exported by MNE subsidiaries based around Cork. Manufactured goods account for exports of \$4.3 Bn. and imports of \$3.3 Bn. (see Figure 4.10).

In common with Finland, Ireland has sought to reduce its dependence on agricultural exports and expand its manufacturing base. Much of this has been achieved by offering generous incentives to foreign investors - such as excellent relocation packages, 10% corporation tax, etc. - especially to high-technology electronics firms. Indeed, despite the recent departure of Digital and demise of Wang, Ireland has been successful in attracting and retaining FDI in the computer industry. Apple, Dell, Intel, Microsoft and Motorola have large Irish operations and exports of computer-related goods have risen to almost \$6 Bn. (Financial Times, November 6, 1992).

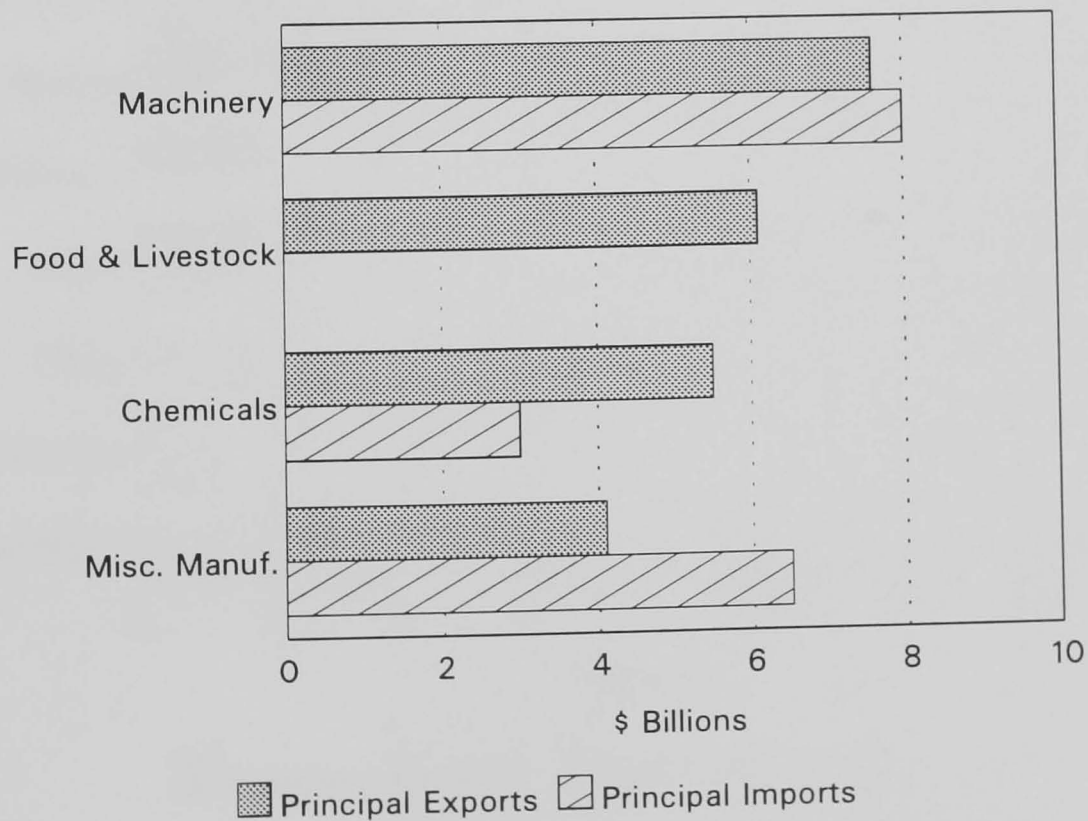


Figure 4.10: Principal Exports and Imports, Ireland, 1992
 (Source: EIU, Ireland Country Report 4th Quarter 1993)

As can be seen from Figure 4.11, Norway's major exports are oil, gas and related products which account for \$17.5 Bn and almost 50% of all exports. Fish products, iron and steel, machinery, non-ferrous metals and ships and oil platforms each generate over \$2 Bn. in exports. Major imports are Machinery (\$6.3 Bn.), transport equipment (\$2.4 Bn.), food, drink and tobacco (\$1.6 Bn.) and clothing (\$1.4 Bn.). Norway's high dependence on oil exports means that downward shifts in the price of crude can have a major negative impact on trade balances, particularly as production costs are higher in the North Sea than in the Middle East. Conversely, crises such as the Gulf war or OPEC price rises improve Norway's trade position. As with other major oil-producing nations, there is a need to expand and diversify the economic base to compensate for the eventual exhaustion of oil reserves.

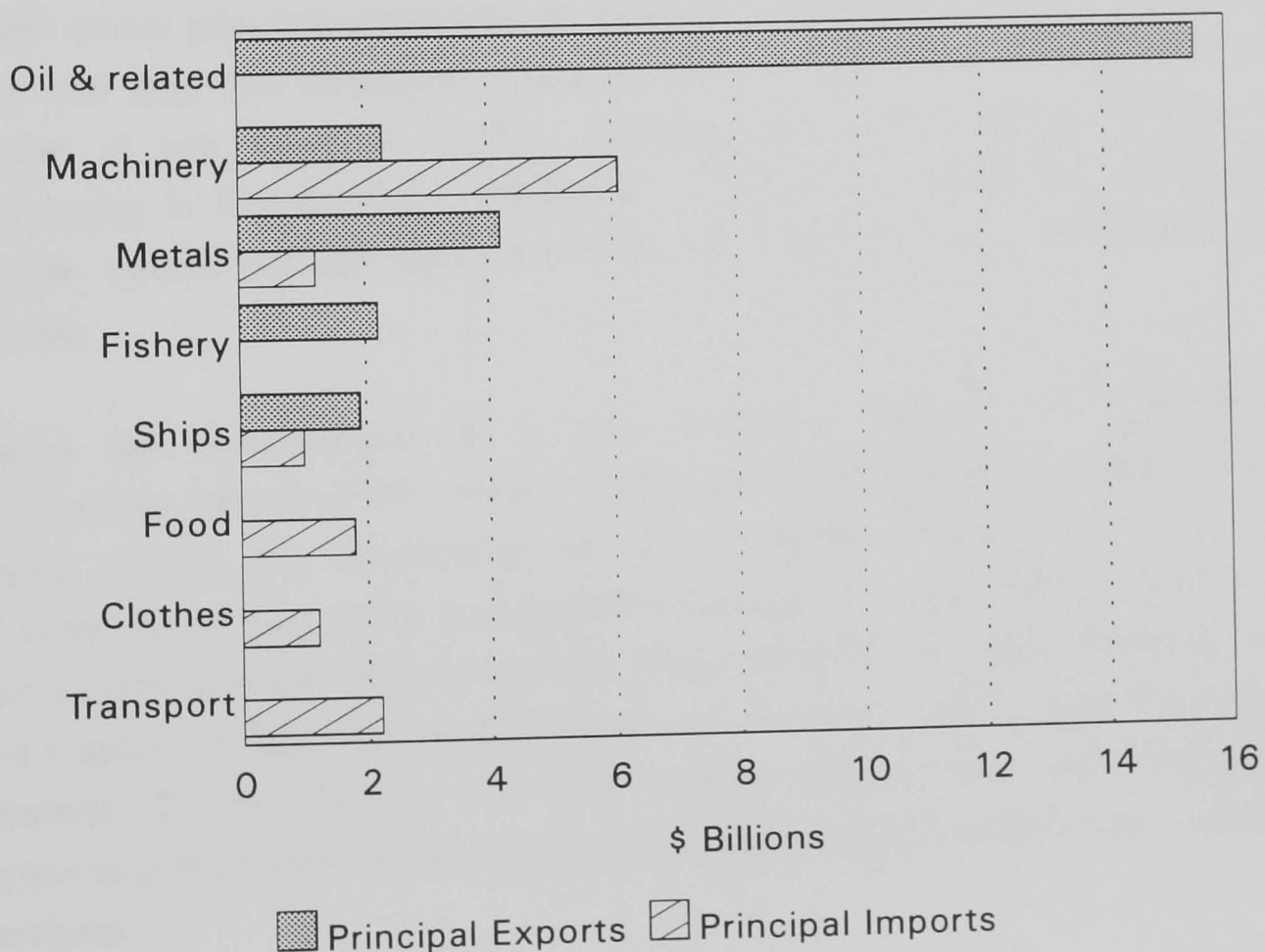


Figure 4.11: Principal Exports and Imports, Norway, 1992
 (Source: EIU, Norway Country Report 4th Quarter 1993)

4.1.8 Country Comparisons

As can be seen from the preceding discussion and information contained in Section 1.5.5 (p. 45), Finland, Ireland and Norway provide the basis for a good comparative study. They are similarly sized nations in terms of population and are all small open economies. Although GDP is higher in Finland and Norway, due - in part - to the existence of greater natural resources, the gap between these two countries and Ireland is closing quite rapidly. They are all parliamentary democracies and - subject to national referenda - Finland and Norway are both likely to join Ireland in the European Community in 1995. Geographically, they are all somewhat isolated from their major trade partners in the E.C. although each has strong traditional trade links with neighbouring countries. Historic and cultural similarities also exist (see p. 45).

In terms of economic structure, all have small-firm bases with over 60% of all private sector jobs being provided by small manufacturing or service firms which have less than 100 employees. Relative industrial strength is concentrated in a number of key industrial sectors - timber, paper and pulp processing and engineering in Finland, food processing in Ireland and oil-related industries in Norway. Ireland is more highly dependent on agriculture than either Finland or Norway.

Ireland has compensated for a lack of natural resources by attracting a considerable volume of FDI, notably in chemicals, pharmaceuticals and computer-related sectors. EC membership and the availability of relatively cheap, well-educated labour has made it an attractive location for non-EC firms seeking a to gain a foothold in the SEM. In contrast, Finland and Norway, with high labour costs and outside the EC, have traditionally attracted fewer mobile investment projects. However, EC membership and their location vis-a-vis the newly-independent republics of the former Soviet Union may increase foreign investment into Finland in particular.

The highest concentration of large firms are within the aforementioned sectors. However, these are - generally - smaller than their counterparts in the large industrialised nations. The sectors highlighted - and larger companies therein - make a significant contribution to GDP and account for a large proportion of exports. Nevertheless, the export orientation of small Finnish, Irish and Norwegian firms is high, so too is their overall contribution to exports.

As is the case in many smaller open economies, exports constitute a significant component of GDP and small firms play an important role in economic development and export trade. Thus, it is, not surprising that the thrust of government economic policy is directed at developing the domestic and international capabilities of the small-business sector. This emphasis is manifest not only in terms of export promotion measures, but also in the broad spectrum of government policies designed to support the sector and increase its' competitiveness.

In this context, the countries selected for the present research are not only comparable, but reasonably representative of other small nations in which small firms are crucial to economic development. Unlike, many larger economies, where policy and research enthusiasm for small-business issues reflect the decline of traditional, large-scale, industries - and where small-firm exports, although highly desirable, are still regarded as incremental - these smaller nations have had no real option but to adopt small-firm orientated policies.

In these circumstances, it may be posited that the approaches they have adopted to small-business development and - in the context of the present research - to export promotion in particular offer useful perspectives to policy-makers in other small emerging economies. They also are pertinent to those in larger countries which have witnessed substantial economic restructuring and have experienced the detrimental effects of intensified global competition during the past decade.

4.2 EXPORT PROMOTION IN FINLAND, IRELAND AND NORWAY

As both Seringhaus (1987) and Elvey (1990) conclude, export promotion services are broadly similar throughout the advanced industrial nations although variations exist in terms of delivery mechanisms, sources of funding and the extent of government and private sector involvement and interaction (see Chapter 3, p. 164). Finnish, Irish and Norwegian export services are no exception for, as noted in Section 1.5.6 (p. 49), they provide similar offerings, but are structured and financed differently from one another (see Section 3.3.2, and Tables 3.6 to 3.9, p. 174).

Despite such differences, Bowen's (1986) evaluation of export services and export credit facilities in OECD countries rates them closely, with Finland ranked 9th overall, Ireland 10th and Norway 14th (see p. 179). Moreover, provisions in all three countries - notably, in respect to the delivery of tailored advice and targeted marketing schemes - are more highly rated than those of larger advanced nations which allocate greater public or private resources to exporting (see Table 3.10, p. 179). In fact, it may be postulated that Finnish, Irish and Norwegian offerings are underrated insofar as the lower ratings obtained in areas such as international coverage, trade missions, libraries and publications reflect the size and scope of EPO operations and smaller client bases rather than the quality of these services per se.

However, in common with most other enquiries in the area, Bowen's (1986) study does not provide detailed information regarding specific programmes and services. Nor, like many other investigations into export promotion, does it determine levels of awareness and usage of - and satisfaction with - individual EPO services. These limitations are widely criticised in the literature and recognised as an inherent weakness in research in the area (see Chapter 3, p. 192). Consequently, the present research pays special attention to such issues and a detailed overview of the complete range of EPO services in Finland, Ireland and Norway is contained hereafter.

4.2.1 Export Promotion in Finland

The Finnish Foreign Trade Association (FFTA) - known also as Suomen Ulkomaanka Uppalitto - promotes Finland's foreign trade. The FFTA is a semi-governmental organisation which is maintained by the Confederation of Finnish Industries (with some 800 member firms), the state and the Finnish Furniture Exporters Association and serves all firms engaged in export trade. It employs about 150 staff, including 16 at regional offices outside Helsinki.

Funding is obtained in a ratio of 34/33/33 from the Ministry of Trade and Industry (MTI), Federation membership fees and charges for services. In 1988 the FFTA's budget was approximately \$8 million. However, the MTI also provide direct grant-aid - ranging from 40-60% of total cost - to firms participating in export-related activities including establishing overseas facilities, hiring foreign consultants, market research, trade fairs and missions and training young export executives. In 1988 some \$24 million was allocated to such support, thus, the total spend on export promotion was in the region of \$32 million. In 1992, overall expenditure was almost \$45 million and MTI's contribution to the FFTA was just over \$5 million.

The FFTA makes export advisory services available to Finnish companies, provides information on export markets and trade opportunities, produces publications on Finland's export supply and offers services related to import trade. It organises Finnish participation at over 120 international exhibitions and trade fairs, together with other promotional events and inward visits. The FFTA is also operational liaison centre for commercial attaches stationed in some 60 Finnish diplomatic missions abroad. These attaches are recruited from the private sector for a five year period by the MTI. Among the many services these posts offer are agency/distributor identification and assessment. Clients outside Finland are furnished with information on Finland's industry and market as well as on prospects of doing business. On request, they are also introduced to Finnish exporters and importers. A computerised register of Finnish exporters and their products and services is available to clients at home and abroad.

Specific services provided by FFTA are listed in Table 4.6 together with a brief description of each offering. In addition to these services a number of special programmes are offered:

Regional Export Advisers (REA's) - A network of 16 advisers based in regional offices throughout Finland offer basic and specific advice to exporting firms. In addition REA's will actually seek out firms with export potential who are not currently exporting. They will help firms research foreign markets, select those which offer the best prospects and assist them develop a marketing and action plan. They will also help these firms establish contacts in the foreign market, identify buyers and recruit agents/distributors. This scheme was established in 1980, assists over 2000 firms each year and has a high rate of use and re-use, providing evidence of considerable user satisfaction.

Export Consultants - This provision was initiated in 1985 and the FFTA now provides some 25 consultants. One consultant is attached to 4 or 5 companies for a two year period and assists firms in the first intensive stages of exporting when expenditure is high, but company resources and expertise are limited. Consultants provide a similar type of assistance to the REA's but on a more sustained and concentrated basis. After two years the firm should be sufficiently competent and confident to continue exporting on its own, however, many retain their consultant in an advisory capacity. No grants are available as fees are already heavily subsidised.

Group Export Managers - The Export Consultants scheme also offers group export managers to assist in the formation and activities of export cooperation groups. In 1988, over 1000 firms belonged to 48 such groups. Counselling is provided to groups on both a market-and sector-specific basis. In terms of value for money this scheme ranks highly with both the FFTA and participating companies and is one which the FFTA are most keen to expand and develop.

Export Managers for Hire - This service has been offered since 1976 and over 400 firms have benefitted from the scheme. At any given time, between 5-10 experienced export managers - often seconded from industry - are employed by the FFTA. Each export manager is "hired" by firms to carry out a specific task, rather than a general brief. This may be quite complex, such as the development of the firm's export marketing strategy, but more often involves tackling a specific problem or market. Normally, each export manager carries out 2 or 3 assignments simultaneously. The scheme has not been an unqualified success, partly because of the difficulty of obtaining such expertise at salaries FFTA can afford to pay and also because firms are increasingly choosing to engage the services of commercial consultants.

<u>Finnish Foreign Trade Association (FFTA) Services</u>	<u>Nature of Services</u>
Valikoiva vientitietopalvelu (VVP)	Export bulletins and information provided free to Finnish exporters. These are also provided to foreign firms seeking contacts or partners in Finland.
Tietopalvelut ja tiedonhauut kansainvälisistä tietokannoista, markkinaselvitykset	Export market research projects which are commissioned by firms and charged on an individual basis.
Maakatsaukset	Tailored market reports which are specifically commissioned by clients.
Kehitysmaissa avautuvia projektivientimahdollisuuksia koskeva tiedote	Support for UN/IBRD projects. The MTI also provide loans to enable firms to prepare bids.
Osallistuminen yhteisesti järjestettäviin vienninedistämistapahtumiin	Advance information on forthcoming trade fairs and promotional activities organised by FFTA (free of charge).
Kehitysmaarikien kehitystä seuraileva maariskibarometri	Market screening and foreign market risk appraisal.
Juristien sopimuspalvelut	Information and advice on foreign market legislation.
Kirjasto	Library facilities, including the Euro-Info-Centre.
Kaupallisten sihteerien palvelut	Information from overseas embassies or trade posts, including agent or distributor identification service.
Tietoja ulkomaankaupan määräyksistä	Information and advice on foreign trade regulations.

¹ Most FFTA chargeable services are costed on an individual basis

Table 4.6: Finnish Export Services (FFTA and MTI) 1/2
Source: Interviews with key informants and EPO literature

<u>Ministry of Trade and Industry (MTI) Assistance</u>	<u>Nature of Assistance</u>
Avustukset vientituotteiden markkinoinnin edistämiseen	Subsidies to establish overseas offices or facilities, conduct export research, prepare sales brochures and promotional materials, etc. Grants of up to 50% are available for plans which must be approved by MTI in advance.
Avustukset yrityskohtaisiin näyttelyosallistumisiin	Subsidies to support companies participation costs in exhibitions and trade fairs. Up to 50% of the stand costs and travel expenses for one person are allowed.
Avustukset vientimarkkinointihen -kilöstön palkkaamiseen	Subsidies towards the costs of hiring new export sales personnel. Up to 50% of the first year's salary is grant-aided but the scheme is limited to SME's.

Table 4.6: Finnish Export Services (FFTA and MTI) 2/2
Source: Interviews with key informants and EPO literature

As can be seen from Table 4.6, there is a clear delineation between export services - which are provided by FFTA - and financial support for export activities which is granted by MTI. However, firms may apply to FFTA and MTI for grants to participate in trade fairs but cannot obtain financial assistance from both for the same event.

Export Credit in Finland is provided by Vientitakuulaitos (VTL) and by Suomen Vientiluotto OY (FEC). The former offers a conventional range of export insurance services to protect firms against non-payment due to political and other risks. The FEC (Finnish Export Credit) is a joint-stock company that promotes exports by granting medium- or long-term credits. It finances exports of capital goods, construction and consulting projects and also offers credits for consignment stocks abroad, foreign leasing of Finnish equipment and - in certain cases - equity investments abroad.

Export training is the remit of Vientikoulutussaatio, the Finnish Institute for International Trade (FINTRA) which is partly funded by the MTI and supported by the FFTA. It also generates income from fees and offers a variety of export training programmes, seminars and foreign language courses, some of which are specially designed for small firms. In addition, FINTRA provides in-house programmes for larger companies. (A review of FINTRA activities is contained in Cellich et al., 1989).

4.2.2 Export Promotion in Ireland

As noted in Section 1.5.7 (p. 50) C oras Tr acht ala (CTT) was merged with the Irish Goods Council in 1991 to form Bord Tr acht ala. As this occurred during the course of the present research - and after the administration of the mail questionnaire - this study will refer to CTT, however, the modus operandus of Bord Trachtala is basically similar to its predecessor. It is a state-sponsored limited-liability company with major responsibility for promoting export services to firms. With over 70% of enquiries coming from firms with less than 100 employees, the Board has a small-firm export department and a specific government remit to support the small business sector. It has a staff of over 300, some 30% of whom are based in 3 UK offices and in 20 other key export markets (most EC countries, Canada, China, Japan, Russia, Singapore, Saudi Arabia, Sweden and the US). It also employs a network of trade consultants in countries without direct EPO or diplomatic representation. As well as the head office in Dublin, it has regional offices in Cork, Limerick, Sligo and Waterford.

Funding is provided by central government, although the consultancy and fees for services account for some 10% of revenues. Since late 1987, much greater emphasis has been placed on generating income from fees and most services are now offered on a chargeable basis. In 1988, CTT's budget was \$30 million. In 1993 Bord Tr acht ala's overall budget was \$57 million, however, it has been reduced to \$52 million for 1994. About \$2 million is generated from technical assistance programmes, consultancy and training for developing countries which is funded by the EC, the UN or Ireland's own Overseas Development Co-operation Programme.

The Board provides information and research on export markets obtained from published sources and networks of overseas offices. It offers a special advisory service in which staff and regional officers proactively visit over 1000 firms annually, providing assistance on export-related matters. It also has a design and product development advisory service to assist firms develop - or modify - products, packaging and promotional material for export markets. In addition to an Irish exporters handbook and guides to exporting it produces a range of reports on opportunities in key export markets for specific industry sectors. A market information centre at head office in Dublin contains a wide assortment of published and on-line information and houses the European Business Information Centre (EBIC), one of over 40 set up in Europe by the EC SME Task Force.

In terms of promotional activities, some 40-50 Irish stands are organised at international trade fairs each year with 200-300 firms exhibiting their goods. Typically, 12-15 general or sectoral trade missions are organised annually with over 200 participating firms. Inward visits by groups of foreign buyers are also arranged on a regular basis and in any given year upwards of 1250 buyers are brought to Ireland. In addition, as part of an export development programme reviewed hereafter, market study groups and exploratory missions are arranged for groups of first-time exporters. In the first instance, these generally focus on the UK market.

Supplying foreign buyers with information on Irish goods is an important activity and an Irish Export Directory and various sectoral guides are published for overseas companies seeking to source Irish goods. These include CONNECT, a database of the electronics and software industries in Ireland, launched in 1992. Overseas offices also have annual targets for effecting introductions between foreign and Irish firms. Prevailing export market conditions and the Board's prioritisation of particular sectors and countries determine targets for each office in any given year. Prospects are "matched" with Irish firms who can meet their requirements in terms of price, lead-times, quality, volume, etc. and thereafter, Board staff assist both parties to develop the relationship. This process often involves inward and outward visits and extensive highly-personalised support.

Specific services provided by CTT - and which continue to be offered by Bord Tráchtála - are contained and summarised in Table 4.7. However, a number of other programmes merit further elaboration:

Export Development Programmes - Several programmes are available to firms. Firstly, an Export Development Programme of 18/24 month duration. This involves eight stages, beginning with a series of export appraisal workshops held in various locations and organised by Board staff. Subsequent stages include an information gathering phase, a period when the Board conducts detailed research for the firms and a group study visit to an export market. Having made any necessary adjustments to their offerings, stage six involves an exploratory sales visit to the export market. Thereafter, the Board assists firms to develop and implement export marketing strategies. Each stage acts as a filter so that support is increasingly targeted towards highly-committed firms with good export potential. Since 1986, over 1500 firms have attended export appraisal workshops and more than 200 have completed the programme and started exporting. A number of sectoral programmes have been offered on this basis, including one exclusively for computer software firms in 1992-93.

Secondly, since 1988, an Export Development Programme for Small Firms has been provided by the Irish Management Institute with support from CTT/Bord Tráchtála and the Allied Irish Bank. Over a twelve month period firms attend a series of two-day workshops, develop formal marketing plans and visit identified target markets in small groups. Each firm is allocated an experienced export counsellor who advises on conducting research, identifying agents, etc. for the duration. The fee of about \$5000 is subsidised, market visits are grant-aided and firms can avail of Irish Export Board assistance throughout. Over 100 small firms have completed this highly-rated programme.

Grouping for Exports - Since 1984, CTT has been active in seeking to promote group marketing as an effective method of exporting for small firms. The concept is that three or more companies agree to co-ordinate some or all of their export marketing activities. These may include office facilities, sales representation, research and promotional material. Not only are costs shared but they are also eligible for grant-aid and CTT engages export staff on the group's behalf. Some 40 groups have been established in sectors such as clothing, furniture and joinery, healthcare and pharmaceuticals and involving over 150 firms. Target markets have included Germany, the UK, the US and China. While there is a high attrition rate, especially during the first year of a group's formation, many have been successful. (A more comprehensive discussion of the scheme, together with several case studies, is provided by Lennon, 1988.)

Targeted Marketing Consultancy - In January 1990, CTT launched a programme designed to provide marketing inputs and incentives to encourage firms to undertake major export development. Over 30 CTT/exporter contracts were signed, with the aim of generating an additional \$600 million of exports. Consultants advise participating firms on the preparation and implementation of marketing plans and support up to \$1 million is available to individual companies on the programme. Grants of 66% are available, 50% of which is repayable. Bord Tráchtála is currently working with some 40 firms, thresholds have been lowered so that firms planning to spend \$100,000 or more on export development are eligible for support and the programme is currently being expanded.

Special Trading Houses - Although not directly under CTT control, the government's 1988 initiative is worthy of mention. It sought to increase exports by encouraging the formation of licensed trading companies to wholesale Irish goods and services. Such organisations could not manufacture in their own right - although an individual firm or group of firms could establish a separate export marketing company - nor could they market products within Ireland. Special trading houses could qualify for a rate of 10% corporation profits tax and investors in them would be eligible for tax relief under the business expansion scheme. In order to satisfy EC requirements, suppliers of goods or services would be Irish firms with less than 200 employees. Applications for licenses would be vetted by CTT and approved by the Department of Industry and Commerce.

While the scheme initially attracted over 200 applications and led to the rapid establishment of some 20 Special Trading Houses, it has not been an unqualified success. Along with adverse global economic conditions, the restriction of trading solely Irish goods and low uptake within the small-firm sector have been contributory factors. The anticipated expansion in the number of special trading houses has not materialised and although some have been quite successful in developing exports others have failed to survive.

These programmes demonstrate the government's commitment to assisting indigenous small firms to generate direct or indirect export business. Nevertheless, they also reflect policy-maker's concerns that Ireland has become over-reliant on the export activities of MNE subsidiaries. Although their contributions are invaluable, there is no guarantee that these MNE operations will not close or relocate elsewhere.

<u>Market Place Services</u>	<u>Nature of Service</u>
Market Introduction	Helps firms find and meet suitable buyers, agents, etc. in target market. Identified contacts are profiled, meetings arranged and logistical support can be provided. Cost: IR£ 450-600 (\$700-900)
Market Scan	An initial report to enable firms to make a quick assessment of a market's potential Cost: IR£ 450-600 (\$700-900)
Market Investigation	Comprehensive market report on country and sector including market size, trends, competition, channels, promotion, market entry, legislation/standards. Guidelines on future action are also provided. Cost: IR£ 1000-1500 (\$1500-2250)
Market Feedback	Live market reaction to product or service. Views of key buyers, profiles of companies contacted and competitor comparisons in terms of price, quality and acceptability Cost: IR£ 500-700 (750-1000)
Agent Assessment	Audit of an existing agent/distributor to determine suitability and effectiveness and evaluation of alternative options. Cost: IR£ 450-600 (\$700-900)
Market List	Provides up-to-date contact lists of firms in a nominated sector and country. Cost: IR£ 50 (\$75)
Market Mailshot	Direct-mailing of company brochures or materials to potential clients in market Cost: IR£ 75-150 (\$110-225) for 20 contacts
Market Information	Access to all information held in the Market Information Centre. Listing of data sources specific to firm (FREE). On line searches, compilation of specified information. Cost: IR£50 (\$75) for each specified search
PR Advisory	Advice for firms wishing to appoint PR consultants in a specific overseas market. Overseas office staff will select, brief and shortlist agencies and evaluate proposals in conjunction with the firm. Cost IR£ 300-500 (\$450-750)

Table 4.7: Irish Export Services (CTT/Bord Tráchtála) 1/2

<u>MarketPlace Services</u>	<u>Nature of Service</u>
Field Assistance	Free enquiry service at all Board offices and tailored support. Board Staff can act for firm or accompany them in the market. Cost IR£ 150-300 (\$225-450) per day
Office Facilities	Use of Board's overseas office facilities and phone/fax, etc. at cost. Cost IR£50 (\$75) per day Ireland House Business Centre, London Cost £12-96 (\$20-150) per day
Interpreters & Couriers	Use of commercial interpreters or couriers Cost: Billed to exporter at local rates
Trade Consultants	Access to Network of Trade Consultants in countries without Board representation. Cost: Billed at local commercial rates
<u>Other Services</u>	
Market Research Advisory	Advice on conducting export research either in-house or through consultants.
Product Design Advisory	Specialist advice/grant-aided programmes for firms seeking to develop or modify products, packaging and sales literature for export markets.
Trade Fairs/ Trade Missions/ Incoming Buyer Visits	Organisation of Board's annual portfolio of promotional activities. Financial support up to 50% of costs of participating firms.
Export Sales Personnel Grant Scheme (ESPG)/ Sales Performance Incentive Scheme(SPIS)	Grant-aided schemes to cover up to 50% of the costs of an overseas sales person and to offer performance-related incentives for export development. ESPG and SPIS have recently been withdrawn in favour of the TMC programme (below).
Targeted Marketing Consultancy Programme (TMC)	Grants of up to 66% are available to firms undertaking long-term export development strategies. Up to 50% of grant is repayable
Shared Office Projects	Support for establishing a shared overseas office, operating in conjunction with the Group Marketing initiative

Table 4.7: Irish Export Services (CTT/Bord Tráchtála) 2/2
Source: Interviews with key informants and EPO literature

The Irish government operates an export credit insurance scheme through the Insurance Corporation of Ireland. This provides exporters with cover against non-payment due to sovereign/political or commercial risk, delays in payment due to documentation problems and so forth. It also offers a number of preferential finance schemes. In addition, insurance against non-payment is also available in the commercial market, although in most cases this is designed for protection against political risk - where default occurs as a result of action by governments - rather than the failure of the buyer to pay. Commercial organisations, such as the major banks and the Industrial Credit Corporation, provide letter of credit arrangements, short- and medium-term finance and forfaiting facilities.

Unlike Finland and Norway, Ireland has no single organisation responsible for export training. Between 1986-90, AnCO the Irish industrial training authority (now FAS) offered three overseas export marketing programmes which focused on the UK, Europe and the USA. In these, young graduates were attached to small-firms wishing to develop exports. Following a period of initial training in Ireland and the UK, Belgium or the US, graduates spent up to six months in the firm's target market, conducting research and prospecting the market. A parallel programme provided a series of company development workshops, at least one of which was held outside Ireland. Firms were charged a subsidised fee of between \$3-6,000 - depending on target market - and graduates were paid a modest training allowance. These programmes were discontinued in 1990, ostensibly due to a change in FAS' remit which led it to refocus training provisions towards the needs of unemployed school-leavers.

Both the European and US programmes were offered in conjunction with the Northern Ireland Training and Employment Agency and were financed, in part, by the International Fund for Ireland. (A review of the European programme and its modus operandus, together with an evaluation of the benefits derived by Northern Ireland firms and graduates is contained in Bell et al., 1990).

Since 1990, Bord Tráchtála have offered an Export Training Programme wherein recent graduates are attached to firms for a 1 year period during which they undergo specialist export training. This programme is a revised version of one provided by CTT prior to the AnCO/FAS offerings. Other marketing development programmes are offered by Irish universities - notably, University College Dublin and University College Galway - and the Irish Management Institute. In many cases these are supported by government agencies and - given the importance of exporting to firms and the economy - often contain a significant export development element.

4.2.3 Export promotion in Norway

Norges Eksportrad is Norway's Export Promotion Organisation. Founded in 1946, it coordinates measures to develop Norwegian exports. A special unit, the Small- and Medium-sized Business Exports (SMB-E), was set up in 1985 specifically to assist smaller firms with less than 100 employees. In addition to the head office in Oslo, it has over 40 overseas posts and over 200 staff. It collaborates closely with Norway's foreign service and Norges Eksportrad staff are attached to diplomatic and consular missions abroad. Important activities include the provision of export information, establishing useful overseas contacts, and support for promotional events such as trade fairs and missions.

As indicated in Section 1.5.6 (p. 49) the activities of Norges Eksportrad are funded by a 3/4 per mille levy on commodity exports - excluding ships and oil platforms - together with fees for services which account for some 10% of revenues. In 1988 its budget was about \$17 million, this rose to almost \$28 million in 1992. Direct grants and loans to exporters are also provided by the Norwegian Industrial Foundation which has a staff of sixty and an annual budget of approximately \$20 million. Companies can apply to the Foundation and/or Norges Eksportrad for grants of up to 50% of the costs of setting up an overseas office, adapting products for export or visits to international markets. Grant-aid is also available to defray losses incurred during the first year of export operations.

Specific services offered by Norges Eksportrad are contained in Table 4.8. However, a number of particular programmes offered by the SMB-E merit amplification:

Internationalisation Programme - Small firms than seeking to export can avail of this scheme. The process begins with firms completing a detailed questionnaire on their organisation, management, product range and possible target markets. SMB-E staff then visit the firm, complete a report on its' product profile and export capacity and attempt to identify a suitable market. This report is forwarded to the Norges Eksportrad office in the foreign market where Overseas Promotion Officers (OPO's) conduct primary market research and identify at least three agents or distributors for the client firm, which has the final choice in any appointment. While overseas offices charge for this service, client firms can apply for grant-aid from Norges Eksportrad for up to 30% of the costs of market research and agency identification undertaken by OPO's. They can also obtain up to 50% of the cost of visiting the market.

Export Managers for Hire - Through the SMB-E, small firms can hire an experienced export manager for a period of a year or two on a full- or part-time basis. In exceptional circumstances, the firm may retain the manager's services for three years. Part-time managers are usually local consultants, full-time ones can be recruited from a register of skilled professionals wishing to change jobs, but are more frequently individuals already identified by the firm. The role of the consultant/manager is to develop the firm's export strategy during the period of assistance, but many remain with the company thereafter. SMB-E financial support includes 50% of the manager's salary or consultant's fee, 50% of his business expenses and 100% of his travel costs.

Since it was established in 1985, the SMB-E department has built a client base of over 400 small firms. Some 100 export managers have been hired to assist more than 200 companies and about 15-20 firms a year have been encouraged to export through the internationalisation programme. To be eligible for SMB-E assistance, firms must have less than 100 employees, a turnover of below \$1.6 million and not be wholly-owned subsidiaries of large companies. They should be financially sound, be well-established in the domestic market, possess products with export potential and have the capacity, desire and motivation to develop export activities.

<u>Eksportrad Services</u>	<u>Nature of Services</u>
Forutsetningsanalyse	Export feasibility study to assess firm's capacity to start exporting (FREE).
Markedsinformasjon	Basic export market information is usually provided free or for a nominal fee.
Markedsanalyse	Provides firms with a brief analysis of an export market and an overview of product trends, competitive factors, distribution, price levels and recommended approaches. Cost: NOK 10000-30000 (\$1500-4500)
Markedsrapporter	Market reports can be commissioned at costs which are individually calculated to reflect the amount of work they entail. Cost: Specially negotiated
Markedsbesøk	Market visits can be arranged by overseas offices. These generally include 6-8 visits to companies and key contacts. Firms can be accompanied by local Eksportrad staff, have an interpreter and get help with hotel reservations, etc. Cost: NOK 6000-20000 (\$1000-3000)
Representasjonssøk / Valg av samarbeidspartner	Search for overseas representatives. Staff based in Norges Eksportrad office in the foreign market identify at least three potential agents/distributors and prepare profiles to assist firms select them. Cost: NOK 10000-40000 (\$1500-6000)
Produkttest	Product testing to establish whether the offering is acceptable in the market and determine the suitability of packaging, accompanying promotional material, etc. Cost: NOK 7000-20000 (\$1000-3000)
Bransjeaktiviteter	Sectoral activities such as specialist export courses, seminars or workshops for specific sectors. Cost: NOK 3000-20000 (\$500-3000)
Toll og statistikk	Information on tariffs and trade statistics can be obtained on request. Cost: Variable

Table 4.8: Norwegian Export Services (Norges Eksportrad) 1/2

<u>Eksportrad Services</u>	<u>Nature of Services</u>
Assistanse i.f.m. uteetablering	Grants for establishing overseas offices are available to firms. Up to 50% of costs may be met by Norges Eksportrad and/or the Norwegian Industrial Foundation.
Assistanse i.f.m. markedsaktiviteter	Grants for export marketing activities such as costs of conducting export research, identifying overseas representation (up to 30%) or visiting the market (up to 50%). SME's can also obtain grants to employ an export sales representative.
Assistanse i.f.m. messer / seminarer	Up to 50% of the costs of participating in overseas exhibitions or trade fairs may be subsidised.
Assistanse i.f.m. FN-prosjekter og prosjekter via multilaterale org.	Support for UN/IBRD projects. Loans for major contracts are available from the Norwegian Industrial Foundation
Juridisk bistand	Firms can get the services of a specialist legal adviser to assist them negotiate and draw up overseas contracts. Cost: NOK 5000 (\$750) per day + expenses
Presseaktiviteter	Norges Eksportrad's press service can help firms promote their product or service in export markets. This service includes preparation of press releases and product announcements. Cost: From NOK 1500 (\$225) upwards
Publikasjoner	A wide range of publications are produced which provide information on Norwegian exports and trade opportunities (FREE)

Table 4.8: Norwegian Export Services (Norges Eksportrad) 2/2

Source: Interviews with key informants and EPO literature

Export Credit in Norway is provided by the Guarantee Institute for Export Credits (GIEK) which covers a range of commercial and political risks. Firms can obtain export development loans from the Norwegian Industrial Foundation. These are repayable over an eight year period, with the first two years interest free and the remainder at levels below the commercial rate. The Foundation also offers foreign currency loans of up to \$3 million for overseas acquisitions.

Export Training is provided by Norges Eksportskole which, together with FINTRA in Finland, is part of the Organisation of Scandinavian Institutes of Export (NES). The Eksportskole is a non-profit organisation and part of Norges Eksportrad. Offerings including the International Management Programme, the Export Graduate Programme and courses for export sales personnel and export secretaries. In addition, short-courses, seminars and workshops are provided on export financing, negotiation skills and internationalisation strategies. Some 2,000 participants attend 80 such programmes every year.

4.2.4 Comparison of Finnish, Irish and Norwegian Export Services

A number of pertinent points can be made from the preceding discussion. Firstly, despite differences in funding and organisation, services offered by the respective EPO's are remarkably similar. Clearly, the exact nature of offerings vary, but their aims and objectives are broadly comparable. Individual services provide export market information and offer assistance in conducting export market research. Additionally, each EPO organises a range of promotional activities such as trade fairs and trade missions and supports participating firms financially. To this extent, services available in Finland, Ireland and Norway are comparable to those offered elsewhere, although information services and promotional activities are more limited due to lower overall demand. Also, as evident in the preceding sections, Finnish programmes are not as extensive as those in Ireland or Norway as they are provided by a semi-government body.

Secondly, and especially noteworthy is the degree to which offerings - and particularly programmes such as Export Managers for Hire and Targeted Marketing Consultancy - seek to provide proactive, small-firm orientated approaches with a high emphasis on export development. Also manifest is an ability and willingness to tailor services to the specific needs of individual firms. In this respect, these nations EPO offerings are better focused than those of large countries. However, it must also be recognised that smaller client bases are a contributory factor.

4.3 GLOBAL TRENDS IN THE COMPUTER INDUSTRY¹

A major phenomenon in the last three decades has been the rapid evolution of the computer industry. Traditionally - and up until the early-1980's - it was dominated by large "hardware" manufacturers such as IBM, Digital and Unisys who produced mainframes. Most had incompatible proprietary operating systems and application software was often developed by the users' own staff or by the hardware producer/supplier.

Within this structure, the large hardware manufacturers held a dominant position and were effectively able to "lock" customers into proprietary systems as switching hardware suppliers was both costly and disruptive. Thus, for example, once a customer had opted for IBM hardware, they had no real choice but to use IBM operating systems and applications and to upgrade to new IBM equipment. Independent software producers were also forced to develop applications which operated in a particular hardware environment.

From the late 1970's onwards patterns began to change with the growth of the semiconductor industry dominated by Intel and Motorola. The rate at which these manufacturers were able to increase the computing power of microprocessors led to the introduction of the first personal computers (PC's) by Apple Corporation in 1979 and IBM in 1982. Initially, PC's were widely regarded as a niche market, but since the early 1980's some 100 competitors have entered the PC market which is estimated to grow to over \$120 Bn. world-wide by 1994 (see Figure 4.12). In spite of Apple's strong market position, IBM compatibility is now the de facto industry standard in the PC segment. However, competition from new entrants is so intense that these arch-rivals have formed a joint venture to develop the next generation of PC's.

¹ Information in this section has been obtained from a number of sources including Dataquest, Datamation Annual Reports, Input, the Economist, the Financial Times and the Sunday Times. A useful overview of the state of the EC computer industry in the 1990's is provided by Peters (1992) and McNamee and Ryan (1991) review the global competitive strategies of firms operating in the PC segment.

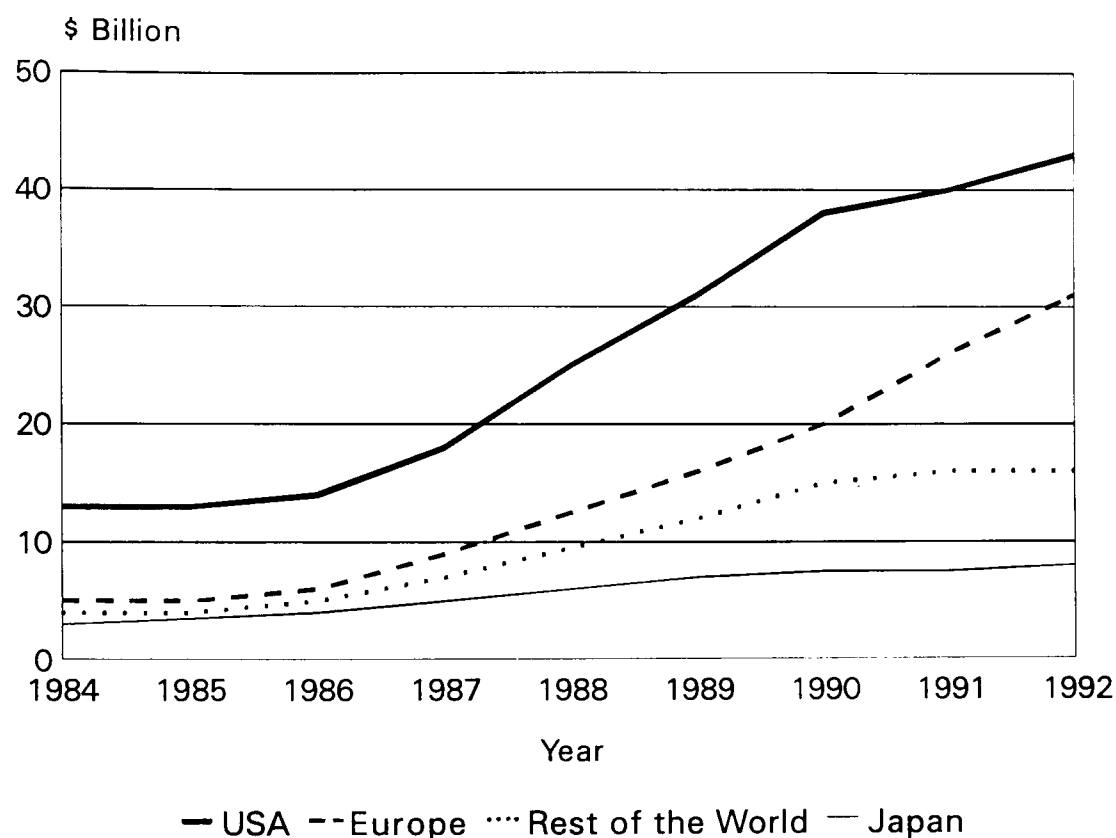


Figure 4.12: World Market Growth of PC's by Region 1984-1992
(Source: Dataquest, 1993)

The rapid growth of PC's signalled the start of a major industry trend, that of "downsizing". As can be seen from Figure 4.13, PC's now account for almost 50% of total industry sales and the stand-alone workstations have rapidly captured over 10% of the market. The ever-increasing power of micro-processors and continued downsizing is manifest by a rise in sales of portable computers - such as lap-tops and notebook computers - and even smaller palm-tops and notepads.

In the past five years many mainframe manufacturers have also downsized from mid-range to mini-computers. For example IBM's systems 34 and 36, which dominated the mid-range market, have been replaced by the AS400 mini-computer. However, global sales of mainframes and mini-computers fell by 16% in 1992 and their overall market share is expected to decline further. In contrast, the stand-alone workstation segment is projected to grow significantly as market leaders Sun Microsystems, Hewlett Packard, Olivetti and others gain market share. Indeed, many workstation-based systems have a greater capacity and flexibility than mainframes at a fraction of the price.

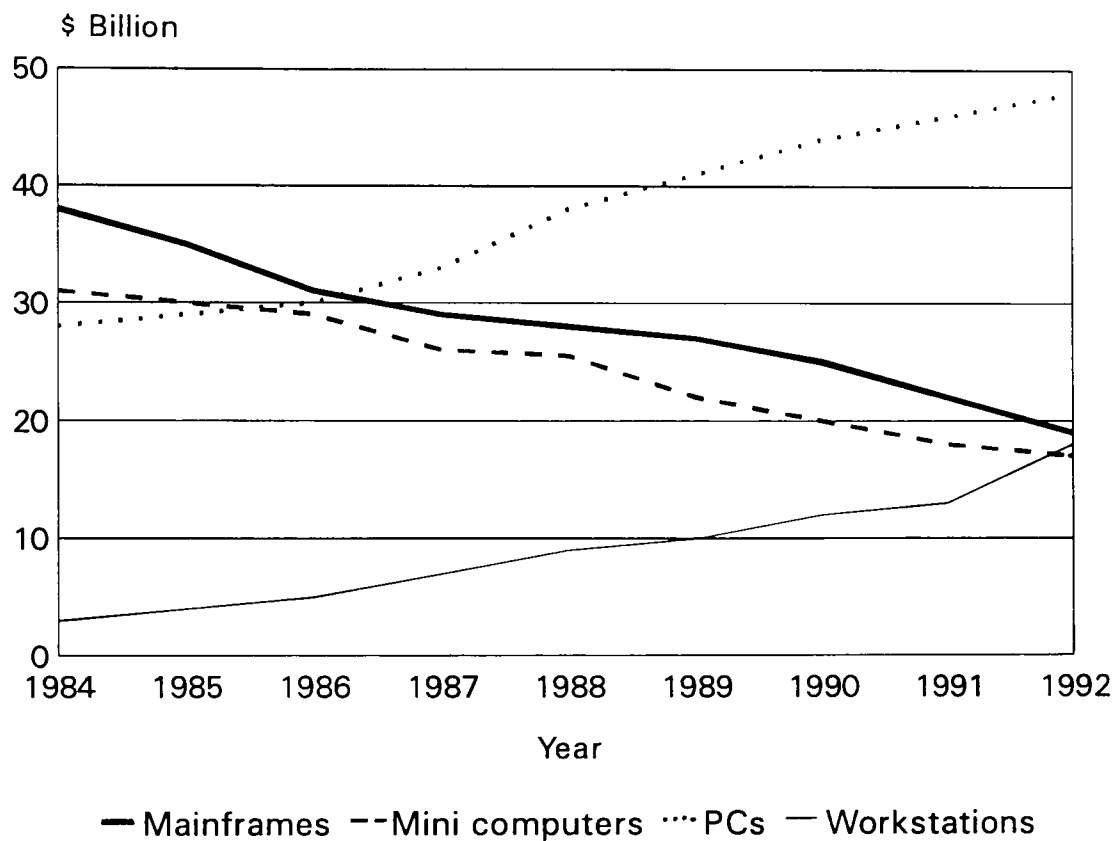


Figure 4.13: World Computer Sales by Type 1984-1992
 (Source: Datamation Annual Reports, McKinsey, 1993)

Industry experts are divided as to whether or not these trends signpost the deathknell of the mainframe. IBM and other mainframe manufacturers are convinced that adverse economic conditions have led firms to postpone replacing older hardware and that there is pent up demand in the market, especially for open systems. Furthermore, different applications require different system architecture to run efficiently and while PC's are well designed to cope with highly user-interactive programmes using graphics, spreadsheets, etc., they are presently inadequate to host large on-line processing systems. As long as on-line transaction processing applications remain important to large organisations, it is unlikely that there will be a significant decline in demand for mainframes, but growth is likely to be very modest. In these circumstances, the current industry concept is for "right-sizing" rather than "down-sizing". This notion implies the adoption of appropriate computer hardware and systems for specific tasks.

Another significant development since the mid-1980's has been the shift from proprietary operating systems to open systems which allow users to standardise operating systems across different hardware platforms. Thus, the use of proprietary systems is in decline and systems such as Novell's Unix - which has over 10,000 commercial applications and a whole software industry supporting it - are rapidly growing in popularity. Proprietary systems declined at 5% per annum between 1984-92 while Unix grew at an annual rate of 28% (X/Open Organisation 1993). IBM has been forced to market its own Unix machine and Microsoft, the global leader in software applications, has recently launched Windows NT into the open market.

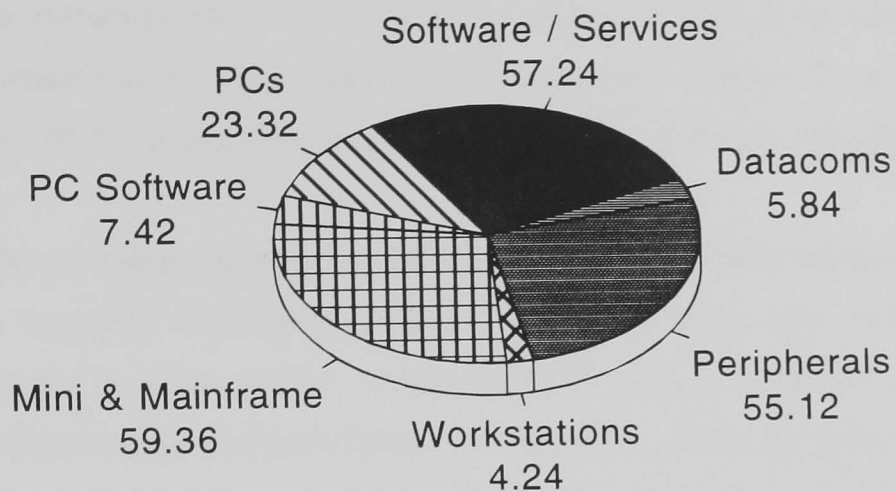
These developments have impacted significantly on the computer industry. The hardware sector reveals the classic signs of market maturation. Prices of all types of hardware - mainframes, PC's, micros and workstations - are being driven downward continuously. The likes of IBM, Digital and Unisys have experienced massive losses, been forced to restructure and shed vast numbers of employees. Phillips has withdrawn from micro-computer manufacturing, Wang was forced to file under Chapter 11 bankruptcy protection in the US in early 1993 and Groupe Bull is currently in severe financial difficulties (Sunday Times, November 28, 1993).

Other computer manufacturers have been acquired (Acorn by Olivetti, Apricot by Mitsubishi, ICL by Fujitsu, Nokia Data by Fujitsu and ICL, Nixdorf by Siemens and Zenith Data Systems by Groupe Bull). Compaq and IBM have launched a range of budget PC's - the latter under the Ambra brand - to compete with low-cost producers such as Amstrad, Dell, Elonex and Opus. Many PC manufacturers - for example, Commodore, Tandy, and Apple - have shifted production to low-wage Pacific-rim countries or are outsourcing components and sub-assemblies from there. Large hardware providers, such as IBM and Unisys, have started to refocus on their software, consultancy and service activities and have developed and launched open system offerings - for example IBM's RS 6000 - to try and regain their competitive advantage.

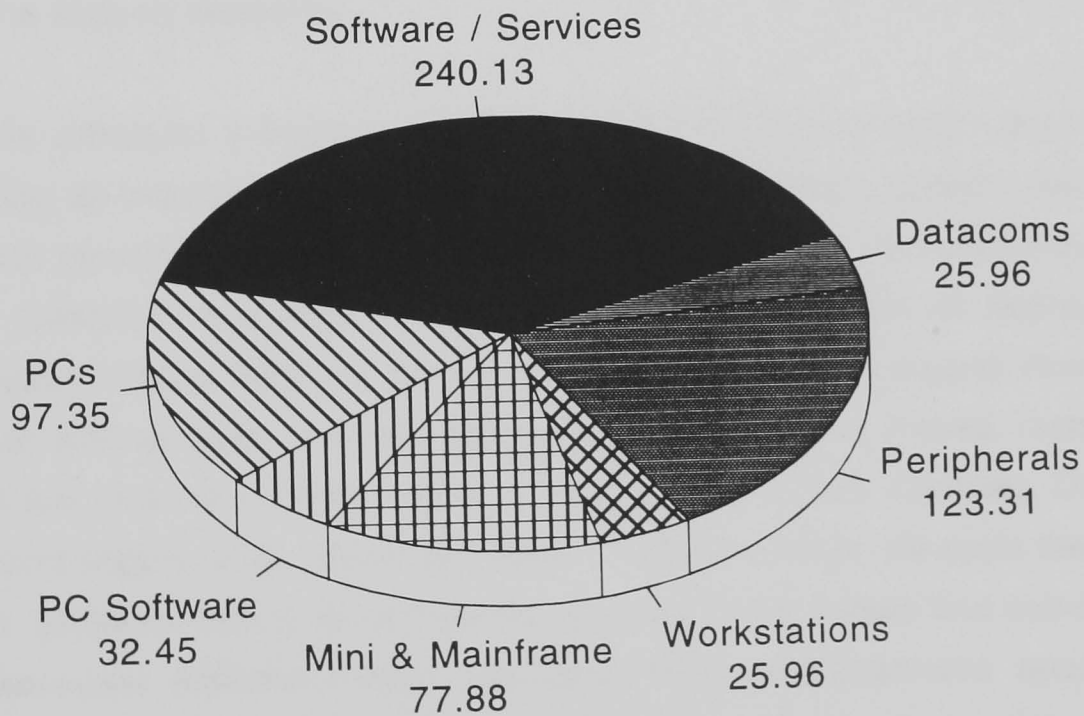
Evidence suggests that computers have become a commodity product, that offerings are fairly standard, profit margins are low - often below 20% - and price is now the major purchasing criteria. Unable to support large sales forces, many firms now market products through various channels such as dealers, value added resellers and systems integration specialists. In contrast firms in the computer software sector have grown strongly. Worldwide sales of software and services - including data processing, consultancy and training - rose from approximately \$64 Bn. in 1984 to over \$ 270 Bn. in 1992. During the same period, global sales of PC software alone expanded from \$6.5 Bn. to nearly \$33 Bn. (see Figure 4.14).

Much of this growth can be attributed to major hardware manufacturers - such as IBM, Digital, Siemens-Nixdorf, Unysis and others - who also have significant software and consultancy interests. For example, currently, IBM alone has software sales of over \$9 Billion. These major players have encouraged third parties to produce software packages for their hardware platforms. However, an important trend has been the rapid emergence of large independent software vendors such as Cap Gemini Sogeti, Borland, Computer Software Associates, Lotus Development and Microsoft.

Without doubt, the most striking performance among independent software developers has been that of Microsoft. During the past fifteen years it has evolved from a small firm with less than thirty employees into a corporation with annual sales revenues of \$4 Bn. and profits of almost \$1 Bn. in 1992 (Financial Times, 12th November, 1993). As noted in Section 1.5.4 (p.42), it provides MS-DOS the operating system for almost 90% of all PC's sold and is the world's most successful packaged software supplier with word processing and spreadsheet offerings such as Word and Excel. Other major PC software developers are Lotus Development - whose products include Lotus 1.2.3 - Wordperfect, who make word processing software, Computer Associates who developed Supercalc and Borland International. Many of these packages are now pre-installed on PC's. This practice of marketing hardware, software and peripherals in a "bundle" is becoming increasingly prevalent and provides further evidence of the shift in the balance of power within the industry towards software (see Appendix IV).



1984 (\$212 Billions)



1992 (\$649 Billions)

Figure 4.14: Computer Industry World Market 1984 and 1992
 (Source: Datamation Annual Report, Mckinsey, 1985,1993)

Novell, who own Unix and the X/Open Organisation - a consortium of firms collaborating on Unix-based applications - are currently the major players in the ongoing development of open systems. However, as has been noted, most large hardware manufacturers have also recognised the need to move in this direction, as have Microsoft and Lotus. Borland who acquired Ashton Tate, the database market leader, in 1991 are also developing networking software for corporate applications.

In addition to these global companies, there are literally tens of thousands of small software houses worldwide involved in developing and marketing specialised packages for a wide variety of applications. Many of these firms offer "bespoke" software developed specifically for an individual client, or tailor existing packages to suit their particular requirements. They often provide consultancy, training and upgrading facilities as part of a full-service contract. In common with their larger counterparts, these agreements often take the form of a single or multi-site licence in which the client buys the right to use the software and thereafter pays an annual fee for the support elements.

While the computer industry is global, a number of observations should be made concerning its internationalisation which are pertinent to the present research. The expansion patterns of both hardware and microprocessor manufacturers generally support "establishment chain" theories. Large US firms such as Apple, Compaq, IBM, Digital, Wang, Intel and Motorola have established overseas manufacturing plants, as well as sales and marketing support operations. Indeed, many of these facilities are located in "silicon glen" in Scotland (Amstrad, Compaq, Digital, IBM) and Ireland (Apple, Intel, Motorola). However, Wells (1968) life-cycle theory is also much in evidence with a trend towards sourcing PC materials and sub-assemblies from lower-cost ASEAN nations (Amstrad, IBM) and Japanese acquisitions of European companies. Moreover, intense global competition has led to contraction and retrenchment. For example, Digital have recently closed their Irish plant to consolidate production in Scotland and most other large US companies have shed employment at home and abroad.

In contrast, software firms do not appear to be pursuing "establishment chain" strategies to the same extent. Clearly, many of the larger firms have foreign sales and marketing subsidiaries but only a few have set up overseas production facilities. Microsoft, who have a production facility in Ireland is a case in point. Their investment was based on three criteria; improved access to the EC, a favourable tax regime with corporation tax of 10% and cost savings in software packaging - such as printing manuals, copying and modifying packages for European markets - and distribution. However, most of the original software development is still carried out at corporate headquarters in the US.

The tendency of software firms to restrict overseas R&D and production operations reflects a number of considerations: First, the availability of skilled software designers and their concentration in particular locations (for example, silicon valley in California); Second, a reluctance to dilute their competitive advantage by disseminating intellectual property or divulging proprietary knowledge inherent in software offerings; Third, widespread use of English as the main language for writing programmes; Fourth, the relative ease of distributing a high value, low volume product by physical and - increasingly - electronic means. In addition, the nature of product and service offerings, the need to provide high levels of support, the global nature of the computer industry and complex interrelationships between software developers and hardware manufacturers and/or vendors suggest that market selection and entry patterns proposed by the Upsalla school may not be wholly appropriate for the software sector.

However, a high concentration of small firms and the relative "newness" of the sector may be contributory factors and these patterns may change as the industry matures. Evidence of considerable software development skills is emerging from other countries - notably, India and Russia - and it is conceivable that, in the foreseeable future, larger software firms will establish R&D and production facilities in these markets to take advantage of lower labour costs. It is also highly plausible that such countries might eventually challenge the current dominance of advanced western nations as indigenous industries emerge.

4.4 NATIONAL INDUSTRY AND SECTOR CHARACTERISTICS

As noted at the outset (Section 1.4.1, p. 34) none of the countries in this research have a significant share of world software markets, nor do they rank as major exporters of computer-related goods or services. Moreover, as small economies, domestic consumption of computer hardware, software and services is relatively modest. Nevertheless, because of a variety of factors - the presence of Nokia in Finland, FDI by large computer-related manufacturers in Ireland and software development spin-off from Norway's oil and shipping industry - they have all experienced significant growth in demand for computer products and services and an expansion in local production and supply. Moreover, as the computer industry as a whole has developed in these countries, national policy-makers have recognised the export potential presented by the expanding computer software sector. This section overviews the salient national characteristics of the computer industry and the software sector.

4.4.1 Domestic Consumption of Computer-related Goods and Services

According to INPUT (1991), in 1990 the market for computer software and services in Western Europe was \$68 billion. Having grown at around 20% per annum during the 1980's, it is projected to expand by 15% p.a. to over \$155 billion by 1996. Sales of computer hardware, peripherals and other computer-related products were \$180 billion in 1990 and are forecast to rise by 6-8% p.a. to \$270 by 1996. The total Western European market for computer goods and services is projected to grow from around \$220 billion in 1990 to more than \$420 billion in 1996. Taken together, France (23%), Germany (19%) the UK (18%) and Italy (10%) account for 70% of all sales. Finland (1.9%), Ireland (0.8%) and Norway (2.2%) are relatively small markets, together accounting for less than 5% of Western European sales. Domestic demand for software and related services is projected to grow by 13-14% p.a., slightly below the European average, with sales of hardware and other computer goods expanding at around 7% p.a. (see Table 4.9).

	1990	1992	1994	1996
	(US\$ Billion)			
Finland				
Software & services	1.19	1.34	2.01	2.63
Hardware, peripherals, etc.	3.06	3.44	3.94	4.57
Total computer-related	4.25	4.78	5.95	7.20
Ireland				
Software & services	0.58	0.71	0.95	1.17
Hardware, peripherals, etc.	1.26	1.50	1.71	2.05
Total computer-related	1.84	2.21	2.66	3.22
Norway				
Software & services	1.46	1.82	2.34	3.04
Hardware, peripherals, etc.	3.42	3.98	4.63	5.40
Total computer-related	4.88	5.80	6.97	8.44

Table 4.9: Actual and Projected Demand for Computer Goods and Services in Selected Countries 1990-96
(Sources: Input, 1991, Dataquest, 1993)

4.4.2 Production of Computer-related Goods and Services

At the outset of the present study in 1988, Finland, Ireland and Norway were highly comparable in terms of consumption, production and exports of computer related goods and services. Consumption in both Finland and Norway at about \$3.5 billion was approximately twice that of Ireland, as is still the case (see Table 4.9). A lower level of economic activity in Ireland and a smaller population were - and remain - contributory factors. However, output of hardware, software and other computer-related goods or services in Ireland (around \$4 billion in 1988) was higher than that of Finland and Norway by a factor of 2:1. Since then Irish output has risen to about \$8.2 billion in 1992, while that of Finland and Norway has grown more modestly to approximately \$3.1 billion and \$2.7 billion respectively (see Table 4.10).

	Output	Domestic Market	Exports
		(US\$ Million, 1992)	
Finland			
Software & Services	1240	858	382
Hardware, peripherals, etc.	2186	1240	946
Total computer-related	3426	2098	1328
Ireland			
Software & services	1320	596	724
Hardware, peripherals, etc.	6900	700	6200
Total computer-related	8220	995	6925
Norway			
Software & services	1248	989	259
Hardware, peripherals, etc.	1789	955	834
Total computer-related	3037	1944	1093

Table 4.10: Output, Domestic Sales and Exports of Computer Goods and Services for Selected Markets (US\$ Million, 1992)

As can be seen from Table 4.10, Irish exports of computer-related goods and services are also substantially higher than Finland's and Norway's. They are also growing more rapidly, having more than doubled since 1988, while Finnish and Norwegian exports have risen by about 7-8% per annum.

A number of pertinent observations should be made in relation to these figures: Firstly, a vast proportion of Irish output (80-90%) is attributable to subsidiaries of MNE's and destined for export (see p.245). These include PC's (Apple and Dell), microprocessors (Intel and Motorola) and packaged software (Microsoft). Secondly, Irish figures for software are understated insofar as many PC's, included in hardware, are shipped with pre-installed software. Thirdly, in contrast to Ireland, a high proportion of Finnish and Norwegian output is integrated. Hardware and/or software forms part of a complete system - CAD/CAM equipment, shipping management systems, etc. - and is classified accordingly for export purposes. Finally, some services - such as data processing - tend to be provided locally and higher demand in Finland and Norway is due to greater economic activity.

Taking all these factors into account - and excluding the contributions of larger indigenous companies and MNE subsidiaries for the purposes of the present research - the activities of small independent software developers in Finland, Ireland and Norway are remarkably similar. When the sampling frame was constructed in late-1990, some 160-180 such firms were listed in each country, of which approximately 65-75 were identified as exporters (see Chapter 5, p. 259). In all, 209 small software firms were surveyed and useable responses, evenly distributed by market, were obtained from 98 firms. Of these, more than 80% had less than 100 employees, almost 80% had a turnover of below \$7.5 million, and about 70% had been established for less than 10 years (see Chapter 6, p. 286). Overall, they contributed 3,000-4,000 jobs to the respective national economies, produced goods and services to the value of \$400-500 million and generated export revenues of \$130-250 million per annum.

Taking into account nil-responses and excluding of firms known to be non-exporters or which did not meet other selection criteria (ownership, size, etc.), the economic contributions of smaller software firms in terms of employment and output are considerably higher, their impact on exports is probably also understated. However, their value to the Finnish, Irish and Norwegian economies is not in doubt, given the rapid global expansion of the sector and the undoubted export potential it offers.

4.5 SUMMARY

This chapter has discussed the economic environment of Finland, Ireland and Norway. It has provided information on the modus operandus of the respective national export promotion organisations and the services and programmes they offer. It has also outlined global trends in the computer industry and the software sector. Finally, it has presented the salient characteristics of both the computer industry and software sector in the selected countries vis-a-vis domestic consumption, production capacity and export orientation.

Given that the present enquiry is cross-national, sector-specific and policy-orientated, all this information provides an essential background for the empirical research contained hereafter and several salient points should be restated.

Firstly, there are marked similarities between the countries selected in terms of population, economic size and structure, peripheral geographic location, political systems and - even - cultural and historical factors. Although differences exist in respect to key industry sectors, they all have small-firm economic bases. As small, open economies they are highly dependent on exports, especially Ireland. Larger indigenous companies and/or MNE subsidiaries account for a sizeable proportion of exports, but the export orientation of smaller firms is high and their contributions are significant.

Secondly, despite differences in funding and delivery mechanisms, export promotion activities in Finland, Ireland and Norway are very similar and compare favourably with those provided elsewhere. Indeed, because of the aforementioned national environmental characteristics, their emphasis on assisting and supporting the small-business sector is higher than that of many other larger advanced nations. In consequence, the programmes and services offered by the respective EPO's are of considerable interest to policy-makers and researchers, not only in other small nations, but also in larger countries seeking to improve the international competitiveness of the increasingly important small-business sector.

Thirdly, the world market for computer-related goods and services has grown rapidly, even throughout the recent global economic downturn. A major trend within the industry has been the increasing importance of computer software as the hardware sector shows all the classic signs of maturity. Although both hardware and software segments are dominated by large, predominantly, US or European MNE's major opportunities exist for niche players to develop and provide an extensive array of specialist software applications.

In global terms none of the countries selected can be considered as major consumers or producers of computer goods and services, although Ireland has attracted a number of important FDI projects in both PC manufacture and software publishing. However, despite its' relatively small size, the structure of the software sector in each country - and the numbers of independent software developers therein - is remarkably similar, as are the sector's contributions to employment, output and exports.

In view of the information technology revolution, the global nature of the computer industry and its' domestic and export growth potential, development of the software sector is an important policy-maker priority. In this respect, the findings of the present research provide useful perspectives concerning the internationalisation of smaller software firms. Although especially pertinent to policy-makers in Finland, Ireland and Norway, they also offer valuable insights for other non-dominant countries seeking to stimulate the export expansion of their own nascent software sectors.

Given all these factors, Finland, Ireland and Norway provide a good basis for a comparative study. Findings relating to the internationalisation of small software firms will contribute to the existing literature, especially as only a few previous enquiries have focused on high technology sectors. They will highlight areas in which the characteristics of software firms differ from those of other more traditional manufacturing firms, such as a higher service component - tailoring offerings, training, maintenance and upgrading agreements etc. - ease of distribution by electronic means, the use of multi-site licenses, value added retailers, systems integrators and other factors which may impact on firms' international activities and export support requirements. The findings relating to export assistance, although specific to software firms, will provide additional insights into the needs of small firms. However, they will also lead to specific policy recommendations regarding EPO assistance for smaller computer software firms which will be generalisable and pertinent to policy-makers in other countries.

CHAPTER FIVE

RESEARCH METHODOLOGY

CONTENTS

This Chapter presents the research approach and methodology. It begins by discussing the general criticisms of previous export enquiry and the specific limitations of prior investigations into government export assistance. The guidelines offered for research in the area influenced the approach adopted in this study. Thereafter, a comprehensive discussion of the research process and methodology adopted is contained.

INTRODUCTION

As indicated at the outset (Section 1.4, p. 31), previous export enquiry has been widely criticised as "ethnocentric" in nature (Cavusgil, 1982); "self-centred", for failing to take cognisance of the existing body of knowledge (Aaby and Slater, 1989); "suspect" on methodological grounds (Cavusgil and Nevin, 1981; Czinkota and Johnston, 1982; Kaynak, 1985) and "much too fragmentary and unprogrammatically to yield coherent results" (Reid, 1983).

These criticisms are interrelated, for, until recently, most studies have investigated export activities in a specific country, typically the US or region/s thereof (Bodur, 1986; Katsikeas, 1991). Many have also used non-stratified samples, paying insufficient attention to firm size, prior experience or industry considerations, even to the extent of not isolating exporting firms from non-exporters when reporting findings. Conversely, other investigations have focused very narrowly on a single sector in a particular country. In all these circumstances, the scope to generalise findings is rather limited and conclusions are frequently contradictory (Miesenbock, 1988; Aaby and Slater, 1989). Moreover, many studies are one-off "snap-shots" which appear to be disinterested in - or unaware of - earlier contributions. This leads Cavusgil and Nevin (1981) to assert that:

"a tradition of building upon previous research is not well established in international marketing".

In consequence, Czinkota (1982) recognises a need for:

"more awareness of the international literature on the part of researchers...which could eliminate some of the attempts to reinvent the wheel in different parts of the world".

He further suggests that the lack of systematic longitudinal research must be addressed. Kaynak (1985) and Bodur (1986) are among those who also exhort researchers to adopt a comparative, cross-national approach and to replicate previous studies as ways of overcoming such introspection.

Methodological concerns highlight the fact that many export enquiries, notably those emanating from the United States, are almost exclusively based on quantitative approaches. Data is collected via questionnaires, then analysed - using a variety of statistical techniques - and hypotheses are tested. However, Kamath et al. (1987) contend that the "dominant use of a logical-empiricist methodology" has "bedeviled" export research by producing conflicting results which are:

"conveniently rationalised as the outcome of differences in industries, countries, sample sizes, time periods and so on, and are the result of all the bias and errors involving questionnaire construction and data collection"

Proponents of these methodologies maintain that such problems stem from flawed survey design, deficiencies in analysis and failure to employ more powerful statistical techniques and insist that more "rigour" is required (Cavusgil and Nevin, 1981; Czinkota, 1982; Albaum and Peterson, 1984; Kaynak, 1984; Seringhaus, 1986, Aaby and Slater 1989; Katsikeas, 1991; Diamantopoulos et al. 1993). Nevertheless, Dymsha (1984) who is critical of the extensive use of mail questionnaires as the sole method of collecting primary information, asserts that such data sources may often contain inherent response biases which no amount of sophisticated qualitative analysis will overcome. Hirschmann (1986) also argues that as many of the key factors in marketing are related to beliefs, behaviours, perceptions and values, such issues can be best explored by adopting more qualitative methods such as observation and interviews.

5.1 RESEARCH APPROACH

In truth, these divergent views on appropriate methodologies for export enquiry are a microcosm of the much wider debate regarding the nature of research that reflects the fundamental differences between "positivist" and "phenomenological" traditions. The main features of these alternative paradigms are succinctly synthesised by Easterby-Smith et al. (1991) in Figure 5.1.

They conclude that while the benefits of quantitative methods and the positivist paradigm are economy and speed in data collection and ease of analysis, they tend to be inflexible and are not particularly effective in understanding processes, generation of theories or providing direction for policy-makers. Thus, while they are especially appropriate for testing hypotheses, determining associations between a large number of variables and establishing the reliability and generalisability of data (Hart, 1987), they measure the frequency of occurrence of phenomena rather than offer perspectives on how or why they occur (Gordon and Langmaid, 1988).

Conversely, many phenomenological approaches and associated qualitative methods can be resource-intensive and analysis and interpretation of data is often much more complex (Jones, 1981). In comparison to quantitative methods, the reliability and validity of quantitatively-derived findings is often seriously questioned because of the "soft" nature of the data, the potentially subjective influence of the researcher and the lack of well formulated methods of analysis (Miles and Huberman, 1984; Griggs, 1986; Hart, 1989). Nevertheless, qualitative methods do enable researchers to examine change processes over time and in more depth and often provide rich and unique insights (Chisnall, 1987, Easterby-Smith et al., 1991). Hart (1987), concludes that such methods are particularly appropriate for any research which involves identifying and exploring complex behaviour and for enquiries which are exploratory in nature.

	<i>Positivist paradigm</i>	<i>Phenomenological paradigm</i>
<i>Basic beliefs:</i>	The world is external and objective Observer is independent Science is value-free	The world is socially constructed and subjective Observer is part of what observed Science is driven by human interests
<i>Researcher should:</i>	focus on facts look for causality and fundamental laws reduce phenomena to simplest elements formulate hypotheses and then test them	focus on meanings try to understand what is happening look at the totality of each situation develop ideas through induction from data
<i>Preferred methods include:</i>	operationalising concepts so that they can be measured taking large samples	using multiple methods to establish different views of phenomena small samples investigated in depth or over time

Figure 5.1: "Positivist" vs "Phenomenological" Paradigms
(Source: Management Research, Easterby-Smith et al., 1991)

In the past, there has been a marked preference for quantitative methods in marketing research - including exporting - despite the fact that many marketing issues are behavioural in nature. This is not wholly surprising if Galtung's (1981) taxonomy of intellectual styles is correct. He contends that the "saxonic" view that "data unite, theories divide" contributes to a preference for facts and verifiable evidence among Americans and other anglophone nations, but also leads to weaknesses in theory formation and paradigm awareness. Conversely, "gallic" and "teutonic" styles both place theoretical arguments at the centre of their intellectual process so that "discrepancies between theory and data would be handled at the expense of data". Given that modern marketing theory is widely accepted as having emanated from the US (Sheth, et al. 1988; Hunt, 1991) a predilection for quantitative approaches is understandable, if not altogether satisfactory.

Nevertheless, evidence suggests that a growing number of management researchers now subscribe to the view that quantitative and qualitative methodologies are not, necessarily, mutually exclusive in practice. For instance, Smith (1975) suggests that the collection of data from various sources, using different methods, can help to establish the reliability of each set through a procedure known as "methodological triangulation". Strauss and Corbin (1990) conclude that qualitative data may actually help to clarify quantitatively-derived findings. Smith (1991) and Heath (1992) contends that by combining qualitative and quantitative methods the inherent disadvantages of each can be overcome.

Moreover, Easterby-Smith et al. (1991) advocate the use of an appropriate "mix" of methods arguing that this not only provides richer perspectives on marketing phenomena under investigation but also reduces the risk of irrelevant findings and inappropriate conclusions. Thus, what may be needed, above all, is a shift in mind-set among export researchers in order to accommodate the best aspects of both research traditions. In consequence, the present research seeks to utilise a mix of quantitative and qualitative methodologies.

In respect to government export promotion, Seringhaus' (1986) synthesis of methodologies adopted in previous enquiry is also pertinent to the present study. As can be seen from Table 5.1, he criticises a number of methodological and measurement aspects including the propensity to use global export assistance constructs, the lack of contrast groups, the use of non-stratified samples and methods of data collection and analysis. In offering guidelines for future research, he further suggests that greater emphasis be placed on conducting comparative cross-national research and on segmenting firms according to their phase of export development, level of activity and consequent support needs. A recent review of the export promotion literature by Diamantopoulos et al. (1993) confirms that many of these criticisms have yet to be addressed (see Section 3.4, p. 186). However, as can also be seen from Figure 5.2, they have influenced the approaches adopted in the present research.

Methodology/ Measurement	Past Studies	Recommended Practice	Present Research
Government assistance construct	Global	Specific and individual	Specific and individual
Contrast groups	None or ex-post	Quasi-experimental and ex-ante	Comparative (see below)
Export involvement phases	Broad definition	Distinction of phases and companies needs and activities	Comparative by export stance ¹
Geographic focus	Domestic companies only	Comparative, looking for similarities and differences in export assistance	Comparative cross-national
Industry focus	Mainly non-stratified samples	Stratified, exploring export assistance within or across sectors	Single sector, small firms
Research design	Descriptive cross-sectional	Causal, longitudinal	Multi-stage with longitudinal potential
Sampling techniques	Non-probability sampling	Probability sampling procedure	Census of firms known to meet the selection criteria
Data collection method	Single method with emphasis on personal interview	Combination of methods including personal interviews	Various methods ²
Impact measures	Single method, multi-item measures looking at opinion and performance	Multi-method, multi-item measures looking at opinions/performance. Recognise that mgmt. expectations and objectives condition appraisal and impact.	Multi-method, to explore opinions by both country and stance ³
Validity of measures	Little concern with threats to validity	Multiple measures, concurrent and discriminant validity, predictive validity in context of longitudinal research designs.	Multiple measures (quantitative and qualitative) ⁴

¹ Firms classified according to export performance ratio.

² Including key informant interviews, mail-survey, personal interviews and in-depth discussions with expert witnesses.

³ Utilisation of quantitative and qualitative techniques

⁴ Including methodological triangulation

Figure 5.2: Suggested Improvements in Research on Government Export Promotion and Approaches Adopted in the Present Study
(Source: Adapted from Seringhaus, 1986)

In light of the preceding discussion, a number of decisions were taken at the outset of the present research; Firstly, as indicated in Section 1.4.1 (p. 31), that a comparative, cross-national, single-sector approach would be adopted, Secondly - and in spite of valid criticisms of previous export enquiries - that an attempt to develop the body of knowledge in the area would build up on existing concepts and theories and incorporate the findings of prior research. Thirdly, that both quantitative and qualitative techniques would be used to collect and analyse data from software firms and obtain information from national EPO's. This would not only provide richer data, but also help to establish the reliability and generalisability of pertinent findings. Finally, that the research would be designed as part of a longer-term agenda to conduct longitudinal studies and/or comparative investigations in other countries or sectors once the present study was completed.

5.2 RESEARCH METHODOLOGY

In order to expand on the brief overview of the research approach contained in Section 1.6 (p. 51), the methodology adopted in this study is now discussed in greater detail. Having reviewed the literature on small-firm export behaviour and government export promotion, a multi-stage approach was adopted for the empirical research. As can be seen from Figure 5.3, this involved six subsequent phases. Each of these had specific objectives within the overall research process which are elaborated hereafter.

5.2.1 Phase 1 - Selection of Countries, Sector and Sample

The initial empirical phase involved the choice of countries, identifying a suitable sector and selecting the sample. Several issues require further amplification: Namely, the criteria used for country, sector and company selection. The choice of firms to participate in the follow-up interviews is discussed in Section 5.2.5 (p. 272).

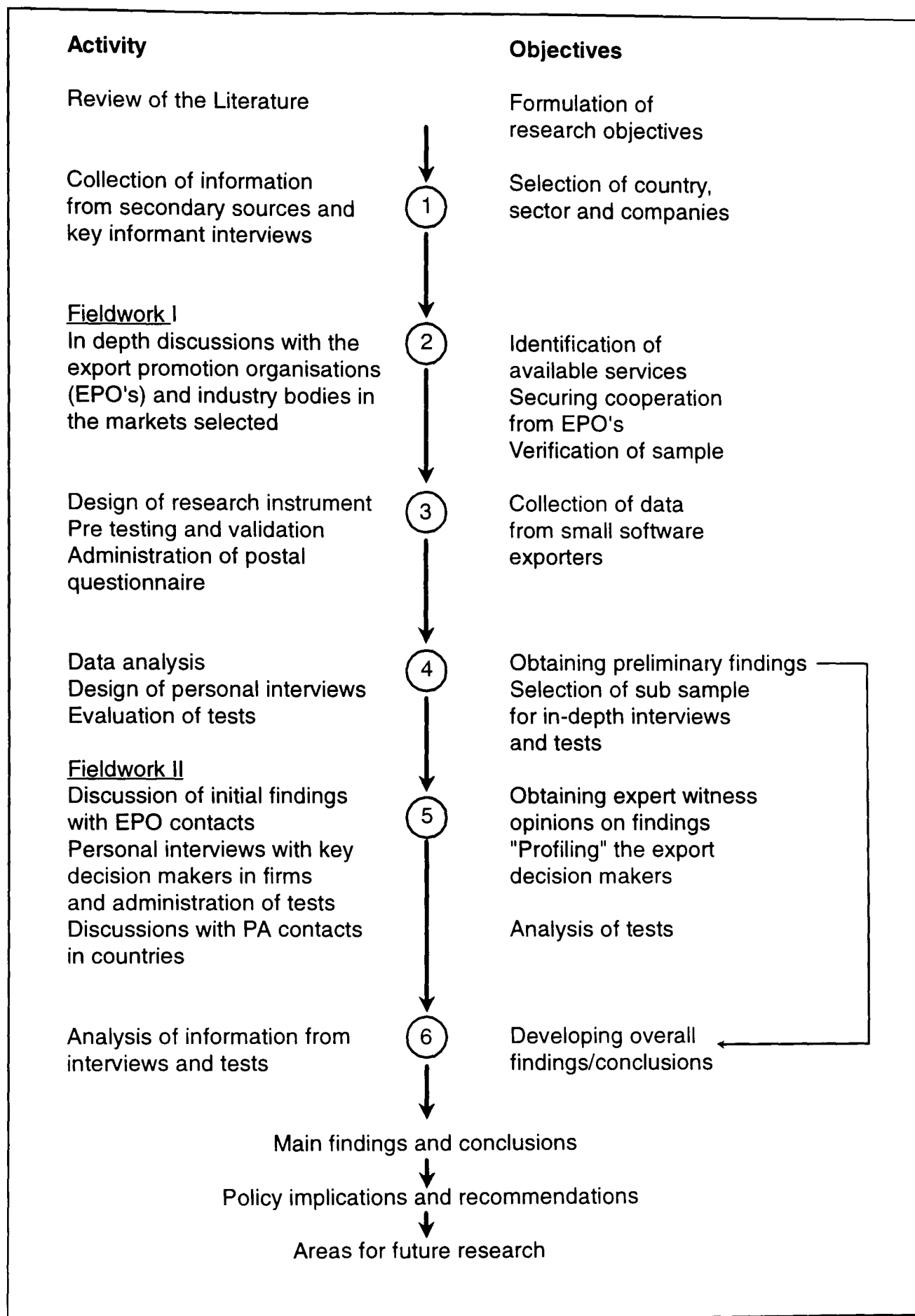


Figure 5.3: The Research Process

5.2.1(i) Criteria for country selection

The choice of countries, which preceded the decision on sectoral focus, was based on secondary sources such as Bowen's (1986) review of export services and an unpublished ETPO study document (1987) obtained from key informants in Córas Tráchtála. It was influenced by the following criteria:

- Evidence of innovative and targeted export support for small firms provided by export promotion organisations
- Small firm economies with similar characteristics
- Small domestic markets leading to a dependence on export activity
- Peripheral geographic location

These and other secondary sources - Economist Intelligence Unit country profiles and reports; OECD, UN and GATT statistics; etc. - indicated that **Finland, Ireland and Norway** met all of the above criteria and offered a good basis for a comparative study. Similarities between these countries' market environments, historical development and cultural characteristics have already been outlined in Section 1.5.5 (p. 45) and discussed in depth in Chapter 4 (p. 204). Comparisons between national export promotion systems have also been summarised in Section 1.5.6 (p. 49) and elaborated in Sections 4.2.1 to 4.2.4 (p. 223).

Another important consideration in the choice of markets was the need to avoid any accusation of ethnocentricity and/or researcher bias. In fact, for reasons that are discussed hereafter - see Section 5.2.3(ii), (p. 267) - Northern Ireland was used as a location for pre-testing the questionnaire and validating interview and test procedures. However, none of this data was utilised in the present research.

5.2.1(ii) Criteria for sector selection

Important determinants in the choice of sector were that it should:

- be a high technology area
- have strong potential for worldwide growth
- offer good export opportunities
- be comparable in size and structure in the selected countries
- be a priority development area for the respective EPO's

Secondary data sources and discussions with key informants in the FFTA, CTT and Norges Eksportrad indicated that the **computer software** sector met these criteria. Again, information provided in Section 1.5.4 (p. 42) and Chapter 4 (p. 239) supports this decision especially as the sector is projected to continue expanding rapidly throughout the 1990's. Moreover, EPO contacts indicated that they were anxious to improve their support mechanisms for small software exporters.

The desire to focus on a high technology sector also reflects the notable absence of export-related research within such industries heretofore. With certain exceptions - such as Czinkota and Johnston's (1983) study into avionics, instruments and materials handling equipment - previous studies have tended to investigate traditional industries (clothing and textiles, engineering, food and drink and so forth), or indeed, have not adopted a sectoral approach at all.

Furthermore, most previous investigations have focused on manufacturing industries which have a rather limited service element. Given the recent interest in the internationalisation of service firms (Buckley et al., 1992) and a high service component in many software offerings - especially those developed for special applications or targeted at specific niches - it was anticipated that new and useful research insights would be obtained.

5.2.1(iii) Criteria for company selection

Companies selected for further investigation were:

- independent, indigenous software firms
- known, or believed, to be current exporters
- firms with less than two hundred employees.

The sample frame was developed using Kompass directories for Finland, Ireland and Norway. In total, some 500 software firms were identified, of these, 209 met the above criteria. This sample frame was cross-checked and verified utilising EPO and industry association databases and errors or omissions were rectified.

As can be seen from Table 5.1, the total number of firms in each market and those selected for the mail-survey are broadly comparable. Response rates and the number of firms selected for the follow-up interviews are also shown (see Section 5.2.5, p. 272).

	Finland	Ireland	Norway	Total
	(n)	(n)	(n)	(n)
Firms in sector	170	175	155	500
Firms surveyed ¹	73	71	65	209
Total response (%)	43 (58.9)	43 (60.6)	34 (53.3)	120 (57.4)
Useable response (%) ²	34 (53.1)	38 (57.6)	26 (45.6)	98(52.4)
In-depth interviews ³	8 (23.5)	9 (23.6)	7 (26.9)	24(24.5)
(% of useable response)				

¹ Questionnaires were sent to all known firms meeting the selection criteria

² Excluding incomplete returns

³ Interviews were conducted exclusively with managing directors

Table 5.1: Sample Frame

5.2.2 Phase Two - Initial Fieldwork

As is already evident, the cooperation of the respective export promotion organisations was important in the selection of countries and sector. A major objective during the second phase was to secure the ongoing support of key informants in the respective national EPO's, not only in order to gain information on EPO services and programmes, but also, to gain their support throughout the ensuing phases of the research process.

5.2.2(i) The role and involvement of the EPO's

Field visits in late 1990 secured EPO cooperation in important areas such as finalising the sample, fine-tuning and tailoring the mail-questionnaire translating accompanying letters into Finnish or Norwegian and so forth. Additionally, key contacts in these organisations kindly agreed to act as "expert witnesses" in reviewing findings, without seeking to impinge in any way on the independence of the research or on the confidentiality of individual cases. Visits were also made to national industry associations, although these revealed that they were not proactive in terms of export promotion activities.

5.2.3 Phase Three - Operationalising the Research

Initial data was gathered by means of a postal questionnaire. Although questions were in English, the instrument was tailored for each market so that monetary values were expressed in the national currency and so as the names of government bodies, specific export services and programmes and training offerings were in Finnish, English or Norwegian. A letter explaining the purpose of the study, confirming national EPO's awareness and support thereof and guaranteeing absolute confidentiality was also prepared in each language (Copies of these documents are contained in Appendix II and EPO assistance with translations is once again gratefully acknowledged). The questionnaire and all correspondence was addressed to the managing director in person.

5.2.3(i) Design of the mail questionnaire

The purpose of the postal questionnaire was to obtain data on the firms' background; their levels of international activity; export problems and obstacles and awareness, usage and satisfaction levels vis-a-vis EPO services (see Figure 5.4). It was designed to elicit general information at the start and become increasingly specific with regard to core issues (i.e., export problems and EPO provisions).

Basic information provided a demographic profile of the firm - age, size, experience etc. - in order that these variables could be cross tabulated with export performance indicators, perceptions of government services etc. Subsequent chi-square analyses enabled all these relationships to be explored.

The instrument contained a mix of dichotomous, open-ended and scaled questions, but as it was quite long, ease of completion was paramount. Wherever possible firms were asked to circle or tick responses, figures were banded and attitudinal questions used numerical rating scales rather than seeking verbal answers. This not only facilitated respondents, but also produced statistically analysable data. The instrument was pre-coded to allow this data to be analysed utilising SPSSx software.

Provision was also made for the collection of qualitative data by means of open-ended questions. Respondents were invited to express their opinions on export services in general and give reasons for their satisfaction or dissatisfaction with specific offerings. Similarly, they were asked to comment on any small-firm export initiatives they had been involved in and on export training programmes they had subscribed to. These replies were analysed manually and supplemented by opinions elicited through further probing during the in-depth interviews (see Section 5.2.7, p. 276).

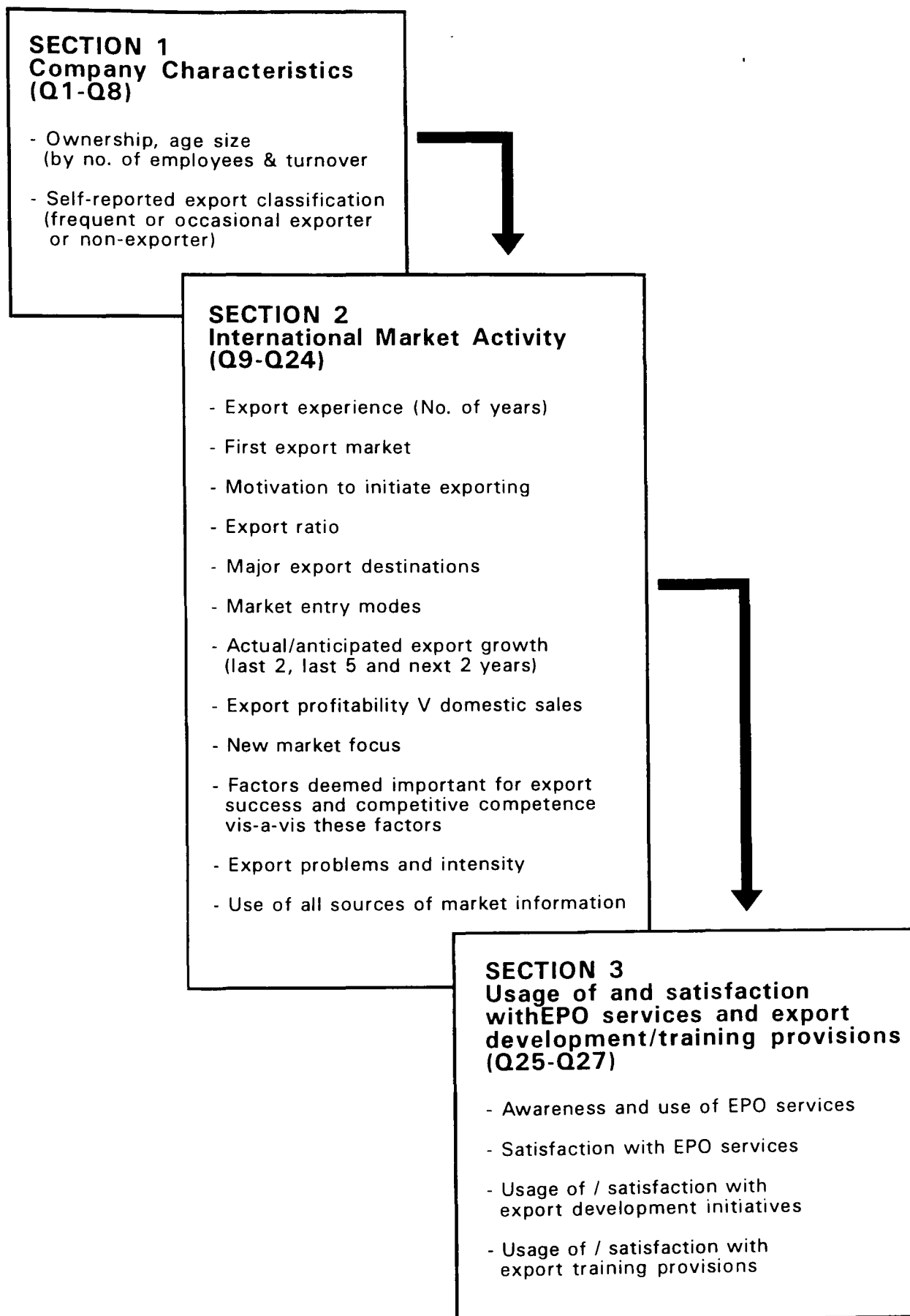


Figure 5.4: Structure of the Questionnaire

5.2.3(ii) Pre-testing and validating the questionnaire

A number of steps were taken to test and validate the instrument. Firstly, drafts were sent to the respective EPO's to ensure that details concerning their offerings were accurate, that respondents would recognise the listed programmes and services and that elements of the questionnaire which had been translated into Finnish and Norwegian were grammatically correct. Secondly, adopting the guidelines recommended by Reynolds et al. (1993) in their comprehensive review of the literature, an English version was pre-tested on 12 companies in Northern Ireland. This was slightly modified to list export services and programmes available to these firms. The choice of Northern Ireland (NI) as a pilot location was based on several factors:

- The sample size in each of the selected countries was, at most 75 firms. Even assuming a high response from the main survey, the total number of useable replies was not expected to exceed 100. In these circumstances, pre-testing in target countries was avoided reduce the risk of lower overall response rates.
- Company characteristics within the software sector in NI were considered to be very comparable to those in the Republic of Ireland. Ease of access to NI firms meant that, should the case arise, face-to-face discussion of any problematic aspects of the questionnaire could take place.

In the event, the pre-test revealed no significant problems concerning the content validity or structure of the questionnaire and the terms used. Data obtained was comprehensive and "fit for the purpose" and there was no evidence that respondents had difficulty with any of the questions.

5.2.3(iii) Administering the instrument

The postal-survey was administered between January and April 1991 to a total of 209 firms (see Table 5.1, p. 263). The first mailing in mid-late January elicited 74 responses (35.4%) of which 59 (28.2%) were useable. Reminder letters and facsimiles were sent in mid-February and finally, a second copy of the questionnaire was posted to all non-respondents in early March.

An overall response rate of 57.4% was obtained, however, 22 firms were discounted from the original sample (12 returned by the post office as "gone away", 6 which had recently ceased trading and 6 which turned out to be subsidiaries of larger companies and thus did not meet the selection criteria). From this sample of 187 a total of 98 useable responses were obtained (52.4%). A comparison of firms that responded immediately and those who replied after a reminder revealed that the groups did not differ in any significant respect (age, turnover, export ratio, etc.) and both were analysed in the same way.

As indicated in Table 5.1 (p. 263), responses by country were broadly comparable, although a slightly lower - but very acceptable - response rate was obtained from Norway. This may have been due to the death of the Norwegian King shortly after the survey was mailed and the ensuing closure of firms for several days. Such an explanation is conjecture, however no other contributory factors can be offered. Finnish and Irish response rates were particularly satisfactory, the latter much to the astonishment of the software sector specialist at CTT who attributed the high response to "sympathy for a poor researcher from the 'wee' North"!

The overall response rate was at the high end of expectations, exceeding that reported for many export-related postal surveys (Czinkota, 1982). They reflect the adoption of widely recommended guidelines for ensuring a high response (Green et al., 1988; Fosgren, 1989; Churchill, 1991). Namely:

- Careful targeting of the mailing to ensure that only firms that met the selection criteria were included.
- Inclusion of a covering letter in the appropriate language stating the objectives of the study, advising that the research was being conducted with the approval of the national EPO - for the ultimate benefit of firms in terms of future EPO provisions - and assuring respondents of confidentiality. This was personally addressed to the managing director, thanking him for his assistance.
- Provision of a pre-paid addressed envelope for the return.
- Sending a reminder letter and facsimile four weeks after the first mailing and a second mailing two weeks later.

5.2.4 Phase Four - Data Analysis

As discussed in Section 1.6 (p. 51) analysis of the data from the postal survey was conducted in several stages. Preliminary analysis explored the association between the firms' demographic characteristics and the export performance variables for classification purposes. The original intention was to use an SPSSx package to generate clusters of like firms in terms of their age, size (by number of employees and turnover), extent of export experience, level of export sales, past export growth and expected growth in export revenues.

This approach proved unsatisfactory, for although two clusters could be formed - one containing high-involvement exporters, the other with firms who only exported a small proportion of their output - these clusters did not have distinctive objective characteristics. Thus, for example, there did not appear to be any relationship between the size and age of firms and export performance indicators. In the absence of any easily identifiable firm characteristics, these clusters were - largely - meaningless for segmenting firms for policy-making and export support purposes. In consequence, further analyses were carried out using the chi-square statistic. These indicated that:

- relationships existed between the various export performance variables (export ratio, previous export growth and experience of exporting). Using Pearson's χ^2 probability, these were all significant at a 95% confidence level, $\alpha = 0.05$.
- the relationship between firms' export ratio and their self-reported export performance was also significant at a 95% confidence level, $\alpha = 0.05$

However, no association was found between firms' export performance and their size - either by number of employees or turnover - or age. Nor was there any relationship between past export performance and anticipated export growth.

On this basis, the export ratio - export sales as a % of total sales - was adopted as a single key export performance measure and responding firms were classified according to export "stance" as:

"Occasional" exporters (where export ratio was <10%)

"Frequent" exporters (where ratio was between 10-50%)

"Aggressive" exporters (where export ratio was >50%).

As noted in Section 1.6 (p. 51), export ratios have been widely used in previous export investigations (Czinkota and Johnston, 1982). However, researchers have tended to use different cut-off points and a variety of terms to classify firms - for example; Experimental, Active, or Committed exporters with export ratios of less than 10%, 11-40% and more than 40% respectively (Cavusgil, 1984); Passive or Active exporters with ratios of less or more than 20% (Piercy, 1981).

In many cases, these different classifications reflect the export intensity of the sector/s investigated and - arguably - national export orientations. Nevertheless, a 10% cut-off point is quite often used to segment low- and high-involvement exporters. As well as adopting this threshold in the present research, an "aggressive" category was also established because a significant number of the software firms surveyed were exporting a high proportion of their total output.

The above classification, enabled the data to be analysed further in two ways; Firstly, on a cross-national basis, to explore possible variations in response between Finnish, Irish and Norwegian firms in respect to export activities, export competencies and problems, awareness and use of - and satisfaction with - EPO services. Secondly, by "stance", to ascertain whether any variance existed between **occasional, frequent** and **aggressive** exporters vis-a-vis the aforementioned factors. This classification was also used to select a quota sub-sample of representative firms for in-depth study during the follow-up phase (see Section 5.2.5, p. 272).

Two complementary approaches were adopted in order to explore exporting competencies and problems. Firstly, using a five-point Likert scale, key decision-makers were asked to rate the importance of 17 variables for export success (see Q.21 and Q.22 of the mail instrument, Appendix II). These factors are those used by Czinkota and Johnston (1982) and others in previous research. Utilising the same criteria, respondents were then asked to rate their firm's competitive advantage or disadvantage in these areas, again on a five-point scale. In addition to establishing the relative importance of specific factors, this process sought to identify performance "gaps" in areas perceived to be critical for success and thus determine broad export development issues. Secondly, informants were asked to indicate the degree to which widely-recognised export problems impacted on their firms in order to isolate particular support needs. These were measured on a three-point scale so that currency fluctuation, export documentation and other factors could be identified as "not a problem", or a "minor" or "major" problem (see Q.23 of the instrument in Appendix II).

In terms of awareness and use of - and satisfaction with - export services, respondents were asked to indicate whether or not they knew of particular offerings. Frequency of usage was measured on a three-point scale. Satisfaction with each service was measured on a five point scale ranging from very dissatisfied to very satisfied (see Q.25a/b in Appendix II). Firms were also asked if they had been involved in specific development or training programmes. Again, satisfaction was measured on a five-point scale (see Q.26a/b and Q.27a/b in Appendix II).

In addition to frequencies and mean values, the main statistical technique employed at this stage of the data analysis was the Kruskal-Wallis one way analysis of variance (K-W ANOVA). This nonparametric test makes minimal assumptions about the underlying distributions of data and is especially appropriate for analysing interval data, particularly when the predicting variables are interval but non-linear in their effects. Comments elicited from firms regarding attitudes towards - and opinions of - EPO offerings were analysed manually. Techniques used to test specific hypotheses and explore particular propositions are discussed in Section 5.2.8 (p. 279).

5.2.5 Selecting Firms for In-depth Interviews and Tests

Two criteria were used to select firms for further investigation during the second fieldwork visits. Firstly, those firms where the managing director had completed the questionnaire personally; secondly, the firms' export "stance". For each country, a quota sample of around 25% of firms which had provided useable responses was established. These firms were chosen in roughly the same proportions as the overall country response by export stance. In total, appointments with 26 MD's were made by telephone and confirmed by letter or fax. However, two of these - one each in Finland and Ireland - were cancelled by the MD at the last minute due to urgent travel and were unable to be rescheduled at short notice (see Table 5.2).

	Finland (n)	Ireland (n)	Norway (n)
<u>Export Stance</u>			
Occasional	4	(1)	1
Frequent	2+(1)	2	2
Aggressive	2	7	4

(1) cancelled interview

Table 5.2: In-depth Interviews with Managing Directors

5.2.6 Design and Selection of Follow-up Instruments

The in-depth interviews sought achieve a number of objectives. Firstly, to obtain a profile of export decision-makers in terms of their age, level of education, previous employment, overseas experience, foreign language skills, etc. - and to investigate their attitudes and attributes. Given their widely-recognised importance in the internationalisation process, greater understanding of these factors was essential. The second objective was to enrich the quantitative data obtained in the mail survey by exploring - in greater depth - issues relating to the firms' export initiation decisions, internationalisation patterns, export problems and export support needs.

Two instruments were used to gather information on the decision-makers. First, a short questionnaire designed to obtain demographic data and details concerning their experience and skills (see Appendix II). Second, an off-the-shelf test was adopted to further investigate their attitudes and personal characteristics. The selection of PA consultant's Perception and Personal Inventory (PAPI) merits further elaboration.

In the study of entrepreneurship, considerable emphasis has been placed on examining personality (Timmons et al., 1985; McClelland, 1987; Chell et al., 1991). Some of these enquiries have used well-established personality tests (Myers Briggs Type Indicators, 16PF, etc.), often in conjunction with aptitude tests (Saville and Holesworth, Graduate and Management Assessment, etc.). Other researchers have devised their own battery of tests. Such approaches have indicated that entrepreneurs often possess certain traits; a high need for achievement (McClelland, 1965), an internal locus of control (Brockhaus, 1982), aggressiveness, impatience, competitiveness, and so forth (Boyd, 1984). However, the application of personality theory has been widely criticised because of a tendency to use univariate measures to attempt to identify a single traits and inadequate research designs and measuring instruments which have all contributed to equivocal results (Adam and Chell, 1993).

In consequence, researchers have sought to identify a constellation of entrepreneurial traits by employing other non-psychometric measures that focus on key competencies (Meredith et al., 1982; Timmons et al., 1985; McClelland, 1987; Timmons, 1989). McClelland's (1987) Behavioural Event Method identified a total of nine competencies relating to three broad areas; proactivity, achievement orientation and commitment to others. Meredith et al. (1982) highlighted several core entrepreneurial traits; self-confidence, risk-taking ability, flexibility, a strong need to achieve and desire to be independent. Timmons et al. (1985) and Timmons (1989) identified the entrepreneur as: having a personal drive, being persistent, of strong character, independent and as an individual who takes educated risks.

It is interesting to observe that many of these decision-maker traits are also regarded as crucial to export development by Miesenbock (1988) and others (see Section 2.3.3, p. 95). However, contextual variables - class, education, prior work experience, etc. - and factors such as managerial attitudes and management styles, which impact on small-firm development regardless of market focus, are also of importance.

In these circumstances, the decision was taken to use a personal inventory test in order to supplement the demographic and contextual data obtained during the in-depth interviews. Having discussed and explored a number of alternatives with experts in the field, PA Consultant's PAPI test was adopted for a number of reasons:

- The test is well established and validated and norms are available for the selected countries
- It is easy and quick to administer (15-20 minutes)
- It can be scored rapidly, provides feedback and can be used as a basis for further discussion during interview
- It is available in English, Finnish and Norwegian, thus reducing the risk of distortion due to language/cultural factors
- Contacts in the UK kindly agreed to provide training in test procedures and PA personnel in the markets offered to assist with interpretation.

The following brief description of PAPI is drawn from PA's (1988) training manual. PAPI is a self-report inventory which consists of 90 pairs of simple descriptive statements. It describes attitudes and values at work, polarising personal characteristics on 20 factors (10 needs and 10 roles). The results of the inventory are plotted on a simple chart profile which forms the basis for interpretation and for discussion with the respondent (An English language copy of the test and samples of the English, Finnish and Norwegian charts are contained in Appendix II).

PAPI explores seven important areas:

Work Direction	Whether individuals see themselves as a hard workers, ambitious, self-starters or spasmodic workers
Work style	If there is a preference for detailed work, for long-range planning or for a well-organised systematic approach
Activity	Do individuals regard themselves as quick to make judgements, vigorous and active and as working at a fast pace?
Leadership	Do they feel confident in the role of leader? Do they prefer to be responsible for others or to work independently? Do they feel able to make decisions easily?
Followership	How strongly do they feel the need of support from superiors or colleagues? Do they prefer a well-defined job or a high degree of autonomy?
Social Nature	Do they like to develop friendly personal relationships? Do they enjoy the attention of others? Do they like to work in groups or do they see themselves as loners?
Temperament	Do they respond positively to change/ Do they face up to conflict? Do they feel able to express their feelings easily?

Clearly, PAPI is not exclusively designed to identify the work attitudes and values of key decision-makers, but is used for all levels of personnel. However, as in the case of the postal questionnaire, both PAPI and the follow-up instrument were pre-tested on the MD's of 12 Northern Ireland firms. This pilot work ensured that they were "fit for the purpose" and increased the researcher's confidence with test procedures, interpretation and using PAPI as a discussion device.

5.2.7 Phase Five - Follow-up Visits to the Markets

The final research stage involved a second visit to each country between December 1991 and March 1992. Three related activities were undertaken during this fieldwork: depth interviews with MD's of responding firms and administration of PAPI tests, appointments with local PA staff who kindly assisted in interpreting these tests and a series of meetings with EPO representatives to present and discuss findings emanating from the mail survey and interviews. Each of these activities is elaborated hereafter.

5.2.7 (i) In-depth interviews and testing

Having briefly introduced the nature and purpose of the study, the early stage of each interview focused on exploring - in greater depth - issues relating to the firms' export initiation decisions, internationalisation patterns and processes and any particular export problems encountered. MD's were also encouraged to expand upon their original responses and/or specific comments regarding the efficacy of EPO assistance. As well as referring to the completed postal questionnaire and company literature that had been obtained in advance (Kincaid and Bright, 1957), permission was gained to tape-record interviews (Zuckerman, 1972; Patton, 1980). These preliminary discussions not only provided additional and valuable qualitative information but also served to relax the interviewee by allowing him to converse about a familiar subject, his own firm (Zuckerman, 1972).

Thereafter, the follow-up instrument focused on the respondents' personal background. A series of semi-structured questions were asked concerning their age, education, overseas experience, frequency of foreign travel, foreign language skills and previous work experience. Interviewees were prompted to elaborate on issues such as their degree of fluency in foreign languages, the circumstances in which they had lived or worked abroad and their enthusiasm for foreign travel. Also explored was their prior employment history in terms of industry sector, previous positions and why they had left to establish or join their present company.

Finally, having fully explained test procedures, PAPI was administered. Once this had been completed by the respondent it was then scored and used as a basis for further discussion regarding their work attitudes and values. Notwithstanding the findings, perhaps the most noteworthy aspect of these tests was the enthusiasm they engendered among the MD's. Many confirmed that they regarded their profiles to be extremely accurate, even when the test indicated certain less-desirable attitudes or values. Indeed, several respondents were so impressed that they asked for information on where to obtain the test for future use within their company.

On average, each interview lasted for between 75 and 90 minutes although - at the respondent's instigation - some were longer. Great attention was given to the logistics of timing, handling and directing the interview and procedures adopted reflect guidelines proposed by Hart (1989) regarding the collection of interview data. Given the excellent standard of spoken English among Finnish and Norwegian respondents and the availability of PAPI in these languages, no difficulties were encountered, either in terms of communication or the quality of data obtained. Taped interviews were subsequently transcribed and pertinent quotes are used to illustrate and support the findings (see Chapter 6, p. 286).

Information from the in-depth interviews was analysed using a variety of data reduction and content analysis methods (Jones, 1981; Griggs, 1987; Hart, 1989). Together with the PAPI profiles, it was used to supplement and enrich data collected through the mail questionnaire. Because of the diverse foci of smaller software firms - in terms of niche markets and target sectors - an in-depth case study approach was rejected in favour of an issue-by-issue presentation. In order to verify that findings were "not merely a result of one idiosyncratic setting" (Hart, 1989), multisite and multicase designs were used (Miles and Huberman, 1984). Hence, case vignettes from each country, which illustrate key issues, are presented throughout the findings in Chapter 6 (p. 286).

5.2.7 (ii) Meetings with PA personnel

Permission to use PAPI on an experimental basis had already been obtained from PA Consultants' London head office and training in its' administration and interpretation had been provided. Contact had also been established with the Finnish and Norwegian offices to explain the purpose of the study and gain their assistance. On arrival, a meeting took place to discuss the research in greater detail and collect test materials in the appropriate language. A second appointment was scheduled for after the completion of the interviews and tests with the firms. This was especially useful as the contacts were expert in interpreting PAPI and were able to offer valuable perspectives into the profiles obtained, compare them with established norms for the country and so forth. In Ireland arrangements were simpler as the Belfast office is responsible for PAPI throughout Ireland. They provided valuable assistance for both the NI pilot and the Irish tests. Insights gained from this element of the research are presented in Chapter 6 (p. 320).

5.2.7 (iii) Appointments with key EPO contacts

A final objective of the second visit to the markets was to discuss aspects of the findings from the postal survey with key contacts in the respective EPO's. This process clarified a number of issues concerning usage of - and satisfaction with - specific services and was useful in obtaining expert witness opinions on interim findings and on the viability of some preliminary recommendations. A number of meetings took place, one prior to the interviews with firms and a several once these had been completed. The exercise was particularly valuable as it provided EPO perspectives as to why firms were less aware of and/or dissatisfied with specific services. Moreover, EPO contacts in Norway made available a recently commissioned consultant's report on export services which corroborated the Norwegian results of the present research. All of these discussions, together with further analysis of the data obtained from firms via the survey, in-depth interviews and tests were used to develop the main findings, conclusions and policy recommendations presented in later chapters.

5.2.8 Propositions and Hypotheses

Propositions and hypotheses established for the purposes of the present research have already been stated in Chapter 1 (p. 53), together with a brief explanation for their use. For convenience, propositions and hypotheses are reproduced in Tables 5.3 and 5.4 respectively, however, considerations which led to the use of both merit further elaboration. As noted earlier, the main focus of the present study - current exporters' problems and their perceptions of EPO services - was a key factor in the decision. In this context, factors that influenced initial export decisions are essentially background variables in the present study, although they are of policy-interest in terms of EPO's objective of stimulating firms to begin exporting.

In investigating this issue, propositions were preferred for the following reasons:

- There is widespread agreement in the literature that firms start to export as a result of the interaction between external and internal attention-evoking factors and the decision-maker's characteristics. Different decisions are made on the basis of diverse managerial perceptions of opportunity and risk. Given the highly behavioural nature of this process, hypothesis testing was rejected. Instead, propositions were used to explore complex processes and patterns and to understand attitudinal and situation-specific factors.
- Logical-empiricist methodologies have failed to provide conclusive evidence of the importance - or otherwise - of firm size or age on export initiation or the propensity to export. Rather than compound the problem by hypothesising on these variables, the present study sought to explore them using quantitative and qualitative methods. Although chi-square analysis was used to investigate relationships between these variables and export performance, qualitative data collected during the in-depth interviews were not amenable to hypothesis testing.
- Exploration of the managerial dimensions involved the collection of quantitative and qualitative data relating to the demographic profile of decision-makers and their attitudes and values. This information was obtained from in-depth interviews and tests. The behavioural nature of these enquiries and the size of the sub-sample precluded the use of hypotheses.

Propositions	Analytical Techniques
<p><u>Proposition 1</u></p> <p>That the initial export decision of small software firms is most likely to be:</p> <ul style="list-style-type: none"> a) influenced by external factors b) that the initial response to these external stimuli is reactive. 	<p>Frequencies, In-depth interviews</p>
<p><u>Proposition 2</u></p> <p>That:</p> <ul style="list-style-type: none"> a) small size is not a significant impediment to export initiation b) the age of the software firm is unimportant in this respect c) size and age may indicate the existence of human and financial resource constraints which might limit export growth. 	<p>Chi-square Analysis, In-depth interviews</p>
<p><u>Proposition 3</u></p> <p>That managerial factors influence the firms' propensity to export but that:</p> <ul style="list-style-type: none"> a) many decision-maker characteristics and attributes identified in the export literature are inherently entrepreneurial and possessed by the owner/managers of exporting <u>and</u> non-exporting firms b) the decision-maker's prior export experience is a key factor. 	<p>Frequencies, In-depth interviews, Psychological inventory tests</p>
<p><u>Proposition 4</u></p> <p>That software firms internationalise in an incremental, but not necessarily systematic, manner.</p>	<p>Frequencies, In-depth interviews</p>
<p><u>Proposition 5</u></p> <p>That industry specific rather than "psychic distance" factors are more influential on firms' market selection decisions and on their internationalisation strategies.</p>	<p>In-depth interviews</p>

Table 5.3: Propositions Explored in the Present Research

Similarly, propositions were used to explore the internationalisation process of responding firms. Although the postal survey collected quantitative data on initial and subsequent export markets, market entry modes, etc., this only served to establish patterns of internationalisation. In-depth interviews were used to explore and try to understand why and how these patterns had evolved. Propositions were preferred because:

- Previous attempts to test hypotheses on the internationalisation process have not been altogether successful, because of the highly situation-specific nature of decision-making and the large number of variables involved.
- While internationalisation "stage" theories have gained considerable support in the export literature, they are by no means universally accepted (see Section 2.4, p. 104). Critics contend that they are too deterministic and a number of studies have failed to support various stage models. Thus, although prior research has identified certain patterns, it does not fully explain underlying behavioural factors which influence the process.

In common with export initiation decisions, the internationalisation process provides the historical context to the firm's present situation. The choice of markets, entry-modes and prior levels of resource commitment may even contribute to certain current export problems and - therefore - impact on firms' current export support requirements. In this context, a greater understanding of the process is important from a policy-perspective, but evidence from prior research suggests that this cannot be obtained by the logical-empiricist methodologies employed heretofore.

Finally, some researchers have voiced concern over the use of hypotheses to investigate historical data (Van Maanen, 1983; Hart, 1987). They contend that information provided by respondents may not be accurate for various reasons. First, events may have occurred before the individual joined the firm or attained their present position. Second, even if they were directly involved, their recall of events and behaviour may be hazy or distorted by post-hoc rationalisation. Therefore, the use of complex data manipulation techniques to test hypotheses on self-reported past export behaviour and internationalisation strategies is methodologically suspect.

As can be seen from Table 5.4, hypotheses were used to investigate issues that related to firms current export competencies and problems; to enquire into their use of general sources of export information and assistance, to explore their awareness and use of - and satisfaction with - EPO services and; to examine their participation in export training and/or development programmes and satisfaction with them. Utilising numerical rating scales, it was possible to obtain statistically analysable data to compare firms' responses by country of origin and by export "stance" and to determine whether significant differences existed using these classifications.

Hypotheses	Analytical Techniques
<u>Hypotheses relating to critical export "success" factors, competitive competencies and export problems</u>	
That no significant differences exist in respect of:	
H ₀₁ The factors deemed critical for export success by firms in the countries investigated	K-W Anova
H ₀₂ The factors deemed critical for export success by firms according to export "stance"	K-W Anova
H ₀₃ Perceptions of competitive competence among firms in the countries investigated	K-W Anova
H ₀₄ Perceptions of competitive competence among firms according to export "stance"	K-W Anova
H ₀₅ The nature/intensity of export problems experienced by firms in the countries investigated	K-W Anova
H ₀₆ The nature/intensity of export problems experienced by firms according to export "stance"	K-W Anova

Table 5.4 Hypotheses Tested in the Present Research (1/2)

Hypotheses		Analytical Technique
<u>Hypotheses relating to the usage of general sources of export assistance</u>		
That no significant differences exist in:		
H ₀₇	Firms' use of export assistance provided by EPO's and other public/private bodies in the countries investigated	K-W Anova
H ₀₈	the usage of specific sources of export assistance by firms according to their export "stance"	K-W Anova
<u>Hypotheses relating to the provision, awareness and use of - and satisfaction with - EPO services</u>		
That no significant differences exist in terms of:		
H ₀₉	the general provision of government export assistance in the countries investigated and overall levels of awareness and usage of - and satisfaction with - respective EPO offerings.	Qualitative Techniques ¹
H ₀₁₀	Firms' awareness and usage of - and satisfaction with - individual EPO services according to export "stance"	Means, S.D.
H ₀₁₁	Firms' participation in specific export initiatives according to export "stance".	Means, S.D., Var.
<u>Hypothesis relating to the provision of export training and development programmes</u>		
That no significant differences exist in:		
H ₀₁₂	Firms' awareness of, participation in - and satisfaction with - export training and development programmes offered in the countries investigated, according to export "stance".	Means, S.D.

¹ Although EPO offerings are broadly comparable, this hypothesis was not tested due to variations in the delivery of services.

Table 5.4 Hypotheses Tested in the Present Research (1/2)

As indicated in Section 1.7.3 (p. 57) all these hypotheses are stated in the null form to facilitate testing. In each case, the alternative hypothesis is that significant differences do exist. Thus, for example, H₁1 would state that: significant differences exist in respect of the factors deemed critical for export success by firms in the countries investigated. In the interests of clarity each of the alternative hypotheses H₁2-H₁12 is not individually listed. Based on the results of the tests, the null hypothesis was either rejected in favour of the alternative hypothesis or it was not rejected.

This quantitative approach was enriched by qualitative data obtained from respondent's comments in the postal questionnaire. Further exploration of key issues during the in-depth interviews - firms' export problems, the efficacy of specific EPO services, firms' participation in export training and development programmes, etc. - offered additional insights into the nature of export support needs and the relevance of offerings. Opinions of EPO contacts on the findings relating to these issues provided valuable "expert witness" perspectives. The information they provided also enabled "methodological triangulation" techniques to be used to corroborate these findings.

In summary, the present study focuses on four broad issues; motivational, strategic and operational dimensions of small-firm internationalisation and attitudes towards export support:

- **Motivation to initiate exporting [MOTIVATIONAL]** Factors which led to initial export decision
- **Previous Export Strategies [STRATEGIC]** Market selection and market entry strategy, the internationalisation process
- **Critical success factors [OPERATIONAL]** export barriers and problems, factors regarded as important for success, firms' competitive competence vis-a-vis these factors
- **Awareness and usage of export assistance sources and satisfaction with services [ATTITUDINAL]** In terms of general sources of assistance, EPO provisions and export training and development programmes

The first two of these areas provide the context to firms' present export orientation, while the last two constitute the central foci of research. In broad terms, propositions are used to explore and understand motivational and strategic issues, which are highly behavioural in nature and prone to rationalisation after the event. Hypotheses are used to investigate aspects of the last two areas which deal with firms' actual export problems, their present export support needs and the perceived utility of EPO assistance.

5.3 SUMMARY OF RESEARCH APPROACH AND METHODOLOGY

This chapter has discussed the research approach adopted in the present enquiry. The choice of a cross-national, multi-stage design involving both quantitative and qualitative techniques reflects concerns expressed in the literature regarding the dominant use of logical-empiricist methodologies, postal surveys and single country studies. Although investigations centre on a single industry sector they offer an insight into a rapidly expanding high-technology sector - computer software - and provide a good basis for future longitudinal or comparative studies.

Each stage of the research process has been fully described and justified. Steps taken to ensure that the design of data collection instruments and the implementation of activities conformed to widely-accepted guidelines on good research practice have been outlined. The adoption and choice of personal inventory tests to explore managerial dimensions are explained. Analytical techniques have been described and the use of propositions and hypotheses is defended.

Chapter Six discusses the pertinent findings emanating from the empirical research. Subsequent chapters draw conclusions and offer recommendations on the basis of these results.

CHAPTER SIX **RESEARCH FINDINGS**

CONTENTS

This Chapter presents the findings of the empirical research. It begins by outlining the demographic characteristics of responding firms. Thereafter it discusses firms' export performance and the relationship between various performance indicators and company characteristics. It then investigates the propositions relating to export initiation and internationalisation processes. Finally, it discusses the hypotheses relating to firms' export competencies and problems, their main sources of export assistance, their awareness and usage of - and satisfaction with - EPO services and their involvement in export training and development initiatives.

INTRODUCTION

Details regarding the sample frame for the postal survey, response rates, the selection of a sub-sample for in-depth interviews, etc., have already been outlined in Chapter 5 and shown in Table 5.1 (p. 263). In summary, questionnaires were mailed to a total of 209 firms which met the selection criteria in Finland (73), Ireland (71) and Norway (65). In all 120 were returned - of which 98 were useable - resulting in a response rate of 57.4% and a useable response of 52.4%. Useable replies were evenly distributed [Finland 34 (53.1%), Ireland 38 (57.6%), Norway 26 (45.6%)] and some 60% were completed by the managing director. A representative sub-sample of firms was selected for further investigation and in-depth interviews were conducted with MD's of 25 of these companies (see Section 5.2.5, p. 272).

The findings contained hereafter relate to an analysis of the information provided by these firms and their decision-makers in terms of the foci of the present research. Namely, the background to firms' export initiation decisions and internationalisation processes and a detailed investigation of firms' export competencies and problems; their attitudes towards EPO services and perceptions of other external export support or development resources. Prior to discussing these issues, a profile of responding firms and their salient characteristics is presented.

6.1 PROFILE OF RESPONDING FIRMS

As can be seen in Table 6.1, the characteristics of responding firms are broadly similar in terms of age, size, ownership and self-reported export activity and offer a good basis for comparative analysis. Moreover, the total response is also relatively homogenous. This allowed further analysis to be undertaken by grouping firms according to their level of export activity (see Section 5.2.4, p. 269).

	Finland (n=34)	Ireland (n=38) (% of firms)	Norway (n=26)	Overall (n=98)
<u>Age of firm</u> (Years)				
Less than 5	14.7	23.7	7.7	16.3
Less than 10	61.8	71.1	76.8	69.4
More than 10	38.2	28.9	23.2	30.6
<u>Size of firm</u> (No. Employees)				
Less than 20	38.2	57.9	50.0	49.0
Less than 50	58.8	73.7	92.3	73.5
Less than 100	73.5	84.2	96.1	83.7
More than 100	26.5	15.8	3.9	16.3
(Turnover p.a.)				
Less than £2 mn.	38.2	76.3	69.2	61.2
Less than £5 mn.	67.6	81.1	88.5	78.6
More than £5 mn.	32.4	18.9	11.5	21.4
<u>Ownership</u>				
Independent	82.4	81.6	69.2	78.6
Other	17.6	18.4	30.8	21.4
<u>Export activity</u> (self-reported)				
Occasional	35.3	21.1	26.9	27.6
Frequent	44.1	71.1	65.3	60.2
All Exporters	79.4	92.2	92.2	87.8
Non-exporters	20.6	7.8	7.8	12.2

Table 6.1: Profile of Responding Firms

A number of pertinent comments should be made regarding the information contained in Table 6.1. Firstly, the high proportion of firms (almost 70%) which have been established for less than ten years reflects the relatively recent evolution of the software sector in these countries, although this pattern is very similar in other countries.

Secondly, as anticipated at the outset - and having set an upper limit of 200 employees as a selection criteria - the majority of firms (almost 84%) employed less than 100 employees. Nearly 50% had a staff of less than 20 and a high proportion of firms (74%) had fewer than 50 workers. The firms surveyed were also small in terms of turnover, with over 60% having sales of less than £2 million p.a. and just over 21% exceeding £5 million in total annual sales.

Thirdly, most firms (almost 79%) were wholly independent. In Finland and Norway, company law allows banks or other financial institutions to take a 10% stake in enterprise. Another common practice involves several larger firms setting up a joint operation which is usually independently managed. Several Irish firms had also been established as a result of collaboration between two or more companies. However, none of the firms included were wholly-owned subsidiaries and even where joint-ownership was a feature, management was responsible for decision-making.

Fourthly, the proportion of exporting firms was very high (nearly 88%) and over 60% of responding firms considered themselves to be frequent exporters. In total 12 firms indicated that they were not exporting at the time (see Table 6.3). Seven had done so in the recent past, but had no current export orders or plans. Five others were at an advanced stage of obtaining their first export order. These firms were included in the analysis as both groups had very recent experience of EPO services and had, therefore, responded to sections of the questionnaire dealing with EPO provisions.

6.2 EXPORT PERFORMANCE INDICATORS

All indicators confirm the importance of export activity to the responding firms (see Table 6.2). Overall, almost three-quarters of the 86 firms exported more than 10% of their output. Nearly half of these firms were relatively new to exporting, having initiated these activities within the past five years. More than two thirds exported to less than five countries and a very small proportion to more than twenty-five markets. Over half the firms indicated that exports had risen by more than 20% per annum in the last two years and only five firms had experienced a fall in export revenues. Nearly half of all the firms had also achieved export growth in excess of 20% p.a during the last five years. Almost two thirds of firms anticipated export growth to exceed 20% during the next two years.

	Finland	Ireland (% of exporting firms)	Norway	Overall
<u>Export Ratio</u> (Export sales as a percentage of total sales)				
	(n=27)	(n=35)	(n=24)	(n=86)
Less than 10%	44.5	20.0	16.7	26.7
Between 11-50%	40.7	17.1	45.8	32.6
More than 50%	14.8	62.9	37.5	40.7
<u>Export Experience</u>				
	(n=27)	(n=35)	(n=23)	(n=85)
(Years)				
Less than 2	25.9	17.1	13.0	18.8
Between 2-5	29.6	28.6	34.8	30.7
More than 5	44.5	54.3	52.2	50.5
<u>Export Markets</u>				
	(n=27)	(n=35)	(n=23)	(n=85)
(No of Countries)				
Less than 5	70.4	68.6	60.9	67.1
Between 5-25	22.2	31.4	30.4	28.2
More than 25	7.4		8.7	4.7

Table 6.2: International Orientation of Exporting Firms 1/2

	Finland	Ireland (% of exporting firms)	Norway	Overall
<u>Change in Export Revenues (per annum)</u>				
(Last 2 Years)	(n=26)	(n=34)	(n=23)	(n=83)
Risen by 50%+	15.4	41.2	17.4	26.5
Risen by 21-50%	34.6	17.6	26.1	25.3
Risen by 1-20%	19.2	17.6	26.1	20.5
No change	15.4	8.8	17.4	13.3
Declined by 1-10%	3.8	2.9		2.4
Declined by 10%+	3.8		8.7	3.6
Not applicable	7.7	11.8	4.3	8.4
(Last 5 Years)	(n=26)	(n=33)	(n=23)	(n=82)
Risen by 50%+	26.9	60.6	17.4	37.8
Risen by 21-50%	7.7	3.0	8.8	6.1
Risen by 1-20%	7.7	12.1	26.0	14.6
No change	3.8	3.0	13.0	6.1
Declined by 1-10%	11.6		4.4	4.9
Declined by 10%+				
Not applicable	42.3	21.3	30.4	30.5
(Next 2 Years, projected)	(n=27)	(n=35)	(n=23)	(n=85)
Rise by 50%+	18.5	40.0	17.4	27.1
Rise by 21-50%	44.4	28.6	34.8	35.3
Rise by 1-20%	14.8	22.8	39.1	30.6
No change	18.5	8.6	4.3	5.9
Decline by 1-10%	3.8		4.3	1.1
Decline by 10%+				
<u>Profitability of Exports vs Domestic Sales</u>				
	(n=26)	(n=35)	(n=23)	(n=84)
More Profitable	23.1	54.3	21.7	35.7
As Profitable	50.0	37.1	56.5	46.4
Less Profitable	26.9	8.6	21.7	17.9

Table 6.2: International Orientation of Exporting Firms 2/2

Generally, the Irish firms demonstrated a greater propensity to export than their Finnish and Norwegian counterparts. They reported markedly higher export growth rates over the past 2 and past 5 years and also had greater expectations for future export growth. In respect to profitability, most respondents (82.1%) considered that profit margins from export sales were equal to, or exceeded, those generated in the domestic market. The fact that a greater proportion of Irish firms believed that exports were more profitable than domestic sales may offer some explanation on higher levels of export activity. However, as observed in Chapter 4 (p. 204), their relatively smaller domestic market is a major contributory factor.

The future international activities of current exporters and non-exporters were also explored. Finland had a higher proportion of firms which had exported in the past, but which had no plans or desires to do so in the future. Norwegian companies appeared to be most ambitious to enter new markets, but a high proportion of Finnish and Irish firms reported that they were not planning new market expansion. Due to the small number of non-exporters, these data are expressed as cases in Table 6.3.

	Finland	Ireland	Norway	Overall
	(number of cases)			
<u>Non-exporters</u>	(n=7)	(n=3)	(n=2)	(n=12)
Planning to export	2	2	1	5
No plans or desire	5	1	1	7
<u>Exporters</u>	(n=27)	(n=35)	(n=24)	(n=86)
Plans for new markets	16	21	19	56
No new markets	11	14	5	30
<u>All firms</u>	(n=34)	(n=38)	(n=26)	(n=98)
Plans for new markets	18	23	20	61
No new markets	16	15	6	37

Table 6.3: Future International Plans of Responding Firms

6.3 RELATIONSHIPS BETWEEN EXPORT PERFORMANCE INDICATORS AND COMPANY CHARACTERISTICS

Chi-square statistical analyses were undertaken to explore associations between export performance indicators and company characteristics. Data reduction techniques were employed in this process. The five size bands used in the mail questionnaire were collapsed into three (under 20, 21-50 and 51-200 employees) and the original "over 200 employee" category used for screening purposes only. Seven export sales turnover classifications were collapsed into two (less or more than £2 million in local currency). Two bands were employed to classify export growth (less or more than 20% per annum). These steps were essential to avoid creating "empty cells" which reduce the reliability of the χ^2 test as the total number of cases involved was relatively small for this type of analysis.

These analyses revealed that relationships existed between the various elements of export performance - export ratio, past export growth and export experience - at the 95% confidence level, $\alpha = 0.05$, or greater (see χ^2 Tables 1 to 3 in Appendix III). However, no associations were established between any of these export performance indicators and the age, ownership or size of firms - either by number of employees or sales turnover (see χ^2 Tables 4 to 7 in Appendix III). All these relationships are summarised in Table 6.4 (p. 293).

In the absence of any clearly identifiable objective firm characteristics, the export ratio was adopted as a single indicator of export performance and firms were classified by export "stance" as **occasional**, **frequent** or **aggressive** exporters (see Chapter 5, p. 269). This decision, supported by a correlation between firms' export ratio and their self-reported export performance (see χ^2 Table 8 in Appendix III), meant that this ratio could be used in order to segment software firms for policy-formulation and EPO support purposes.

	Export Ratio		
	Value ¹	DF	Sig.
<u>Export Experience</u> (No. years exporting)	6.99	2	0.03*
<u>Export Performance</u> (% growth past 2 years)	6.35	2	0.04*
<u>Export Performance</u> (% growth past 5 years)	13.06	2	0.002*
<u>Self-reported Export Performance</u>	39.48	2	0.000*
<u>Age of Company</u>	2.53	2	0.28+
<u>Size of Company</u>			
No. of employees	1.28	4	0.86+
Sales Turnover	4.23	2	0.12+
<u>Type of Organisation</u>	1.85	2	0.40+
<u>Perceived Export Profitability</u>	6.14	4	0.19+

¹ Pearson's coefficient

* Significant at 95% or better

+ Not significant

Table 6.4: Summary of Relationships between Export Variables

No association was found between firms' previous export performance and their anticipated export growth over the next two years (see χ^2 Table 9 in Appendix III, and Table 6.5). This suggests that past export performance should not be taken as an accurate predictor of future activity, although the latter is based on firms' projections. Neither was there any evidence of a relationship between perceived profitability and export performance (see χ^2 Table 10 in Appendix III). This implies that profit motives are not a major determinant of export behaviour. Additional observations on these results will be made in Section 6.4 (p. 296).

	Past Export Performance		
	Value ¹	DF	Sig.
<u>Future Export Activity</u> (projected growth of exports, next 2 years)	2.57	2	0.28+

¹ Pearson's coefficient + Not significant

Table 6.5: Past Export Performance vs Projected Export Growth

6.4 FACTORS INFLUENCING THE INITIAL DECISION TO EXPORT

There is clear evidence that the initial decision to export was heavily influenced by a small domestic market (see Figures 6.1 to 6.3). Despite projected growth for software in the domestic markets of between 13-14% p.a., their small size (Ireland \$580m, Finland \$1190m, Norway \$1460m in 1990) make exporting almost inevitable, especially for Irish companies. Furthermore, as most firms develop applications for specialist "niches", domestic market opportunities are limited even further.

Discussions during the follow-up interviews indicate that most M.D.'s recognised that international activity was imperative for success. These views were summarised by one Irish respondent:

"You must remember that we are a small firm operating in a limited domestic market and targeting a very specialised niche (financial software for banks). As there are only four major bank groups in Ireland and as we could not expect to obtain all the business, it was clear from the outset that we would have to develop international markets" (227)

A number of respondents went so far as to suggest that export business was easier to obtain because potential domestic clients discriminated against small indigenous firms in favour of international competitors. One Irish MD described this tendency as "the prophet without honour in his own country syndrome". Given these factors, there is little evidence of a "reluctance" to export often referred to, notably, in the US literature.

Other reactive factors - such as declining domestic sales, excess capacity, unsolicited enquiries or orders - appear to have played a less important part in the initial export decision, although some differences exist by firms' stance and country of origin (see Sections 6.4.1 and 6.4.2). The overall response confirms that firms were generally motivated by a belief in the "uniqueness" of their offerings, a perception of technological or design advantage, or expectations of greater profits from export sales (see Figure 6.1).

However, it is significant to note that EPO assistance appears to have had a marginal impact on the decision with less than 4% of all firms indicating that this was a major influence. The importance of tax breaks or grant-aid was reported exclusively by Irish firms (see p. 295).

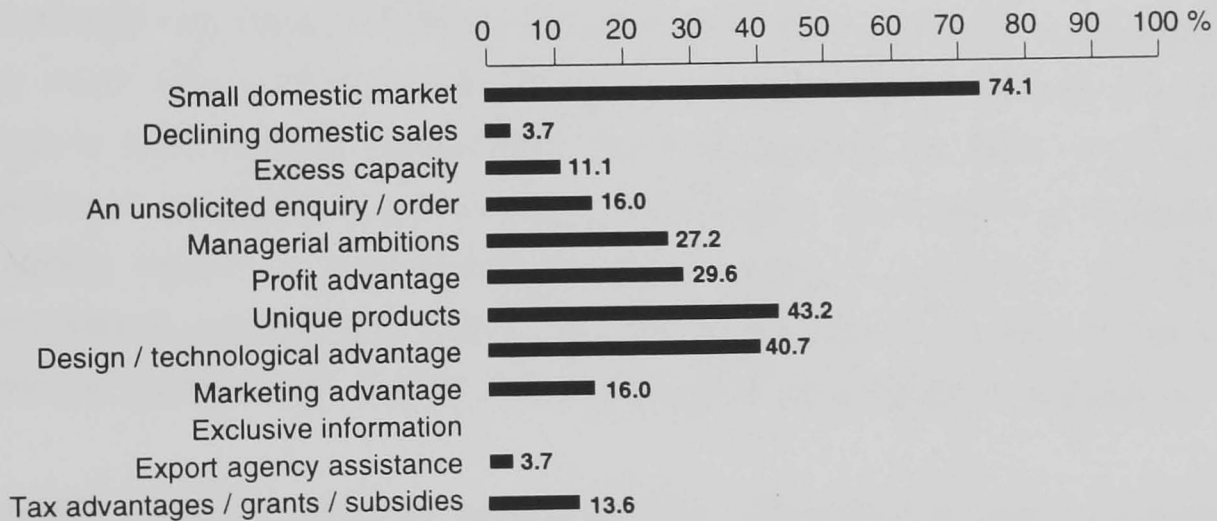


Figure 6.1: Factors which most Influenced the Initial Export Decision (Overall Response)

6.4.1 Export Initiation Influences by Export "Stance"

An examination of motivational factors by firms' export "stance" reveals a clear pattern between **occasional** and **frequent** or **aggressive** exporters. As can be seen in Figure 6.2, each category regarded the small domestic market as a major influence on export initiation, but it is noteworthy that **aggressive** exporters appeared to be more conscious of the limited scope for expansion in the home market and least affected by declining domestic sales or excess capacity. They were also least influenced by an unsolicited enquiry or order, but managerial ambitions were important. In contrast, unsolicited enquiries or orders played a larger part in the export initiation decisions of **occasional** firms, but managerial ambitions are less evident.

All three groups attached significant importance to product attributes or design/technological advantage, but it is interesting to observe that - although **occasional** exporters had higher perceptions of their product's "uniqueness", they were much less confident than **frequent** or **aggressive** exporters of possessing design or technological advantages. This suggests that the latter firms were more objective in assessing product-related advantages. The notion of "uniqueness" is subjective insofar as most firms consider - rightly, or wrongly - that they offer differentiated products and USP's. On the other hand, firms do tend to be more realistic in terms of their design and technological advantages or limitations.

Frequent exporters seem to have been more influenced by declining home sales and excess capacity than either **occasional** or **aggressive** firms. They also appear to have had less positive views concerning their competitive marketing advantages in terms of pricing, promotion and distribution. It should, however, be noted that perceptions of marketing advantage were relatively low among all categories. This, perhaps, reflects a realistic assessment of their capabilities as small firms competing against larger and better resourced companies. Perceptions of profit advantage from exports were comparable between groups and moderately high, but do not appear to have been a major decision-making factor in export initiation.

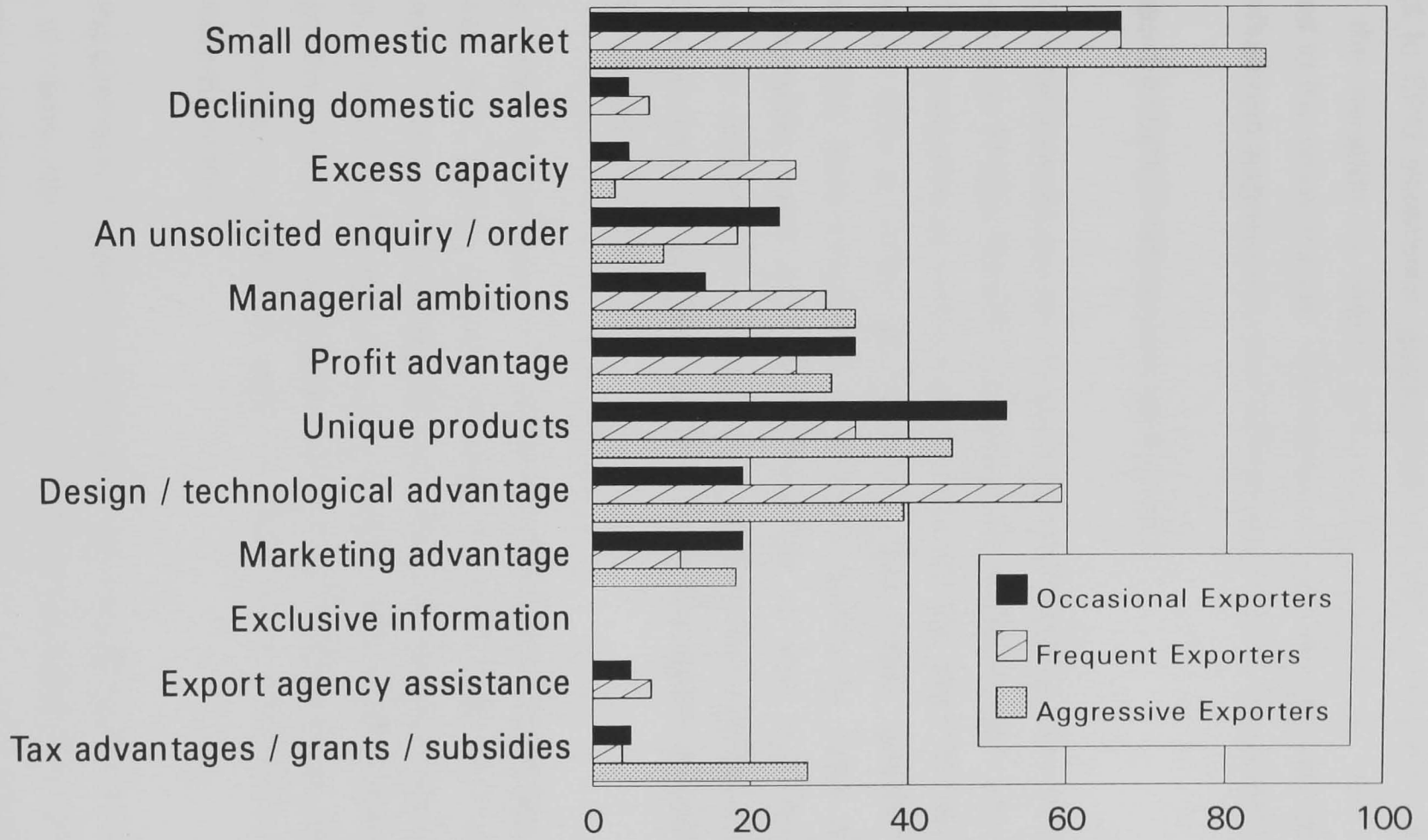


Figure 6.2: Factor which most Influenced the Initial Export Decision (By export "stance")

In respect to EPO assistance, **aggressive** exporters reported that this was not a factor in the decision to export, but it also appears to have been of minor importance to the other groups. The provision of tax benefits and grant-aid appears to have influenced **aggressive** - and exclusively - Irish firms considerably.

6.4.2 Export Initiation Influences by Country

A number of differences can be discerned when responses are analysed by country (see Figure 6.3). Firstly, Finnish firms were more likely to start exporting as a result of unsolicited enquiries or over-capacity, indirect exporting was also more prevalent (see Section 6.5, p. 304). Such factors may reflect national characteristics. Norwegian firms were influenced to a lesser extent by these factors, although declining domestic sales were more influential to them than to Finnish or Irish companies. In contrast, the influence of managerial ambitions were highest in Ireland, the receipt of unsolicited enquiries or orders lowest and declining domestic sales not reported as a factor.

Secondly, the importance of design/technological advantage and product uniqueness was higher among Norwegian firms than their Finnish or Irish counterparts. Conversely, Norwegian firms' had the lowest perceptions of marketing advantage. Finnish companies were more highly influenced by perceptions of profit advantage than Irish or Norwegian companies. The impact of declining domestic sales and excess capacity on export initiation was also higher in Finland and Norway than in Ireland.

Thirdly, the provision of grants or subsidies was a significant influence on the export decision of many Irish firms. Depth interviews revealed that Irish firms felt that development agencies were prioritising allocation of capital equipment and other training and development grants to "start-up" firms which could demonstrate intentions to export in terms of suitable products and export marketing plans.

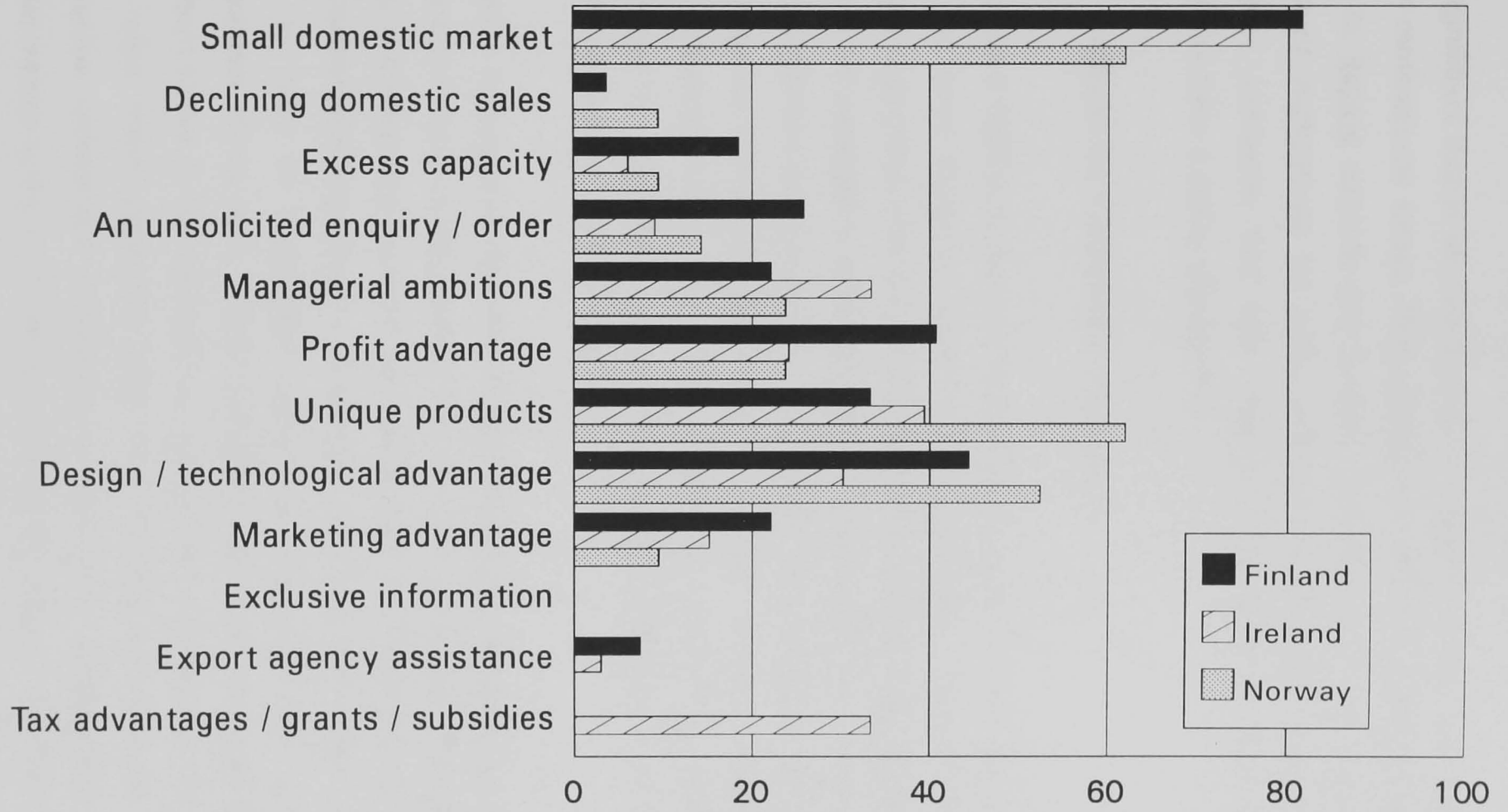


Figure 6.3: Factor which most Influenced the Initial Export Decision (By country)

It is significant that in all countries export agency assistance was not regarded as a major motivational factor. This suggests that EPO activities aimed at stimulating firms to initiate exports are unlikely to have much impact, a result which has important implications for policy-making and research (see Chapter 8, p. 414). However, evidence that firms respond positively to financial inducements is significant from a policy perspective.

6.4.3 Support for Proposition 1a and 1b

Insofar as a high proportion of firms in all countries - irrespective of export stance - cited the small domestic market as an important factor in export initiation, the findings support proposition 1a that **the initial export decision of small software firms is influenced by external factors**. Nevertheless, there is some evidence that EPO stimulation measures have a marginal impact at the export initiation stage. It also appears that firms' perceptions of product, design or technology advantage, profit advantage and - to a lesser extent - marketing-related advantage also influenced the decision to export in circumstances where the scope for domestic growth was limited or non-existent.

Evidence to suggest that **the initial response to external stimuli is reactive** (proposition 1b) is rather mixed. Patterns in response indicate differences according to export stance and between firms from different countries. It is not really surprising that **occasional** exporters, or **frequent** exporters with spare capacity, were more likely to react to unsolicited orders or enquiries. Nor is it remarkable that **aggressive** firms were more proactive and cited managerial ambitions as an important factor in the decision to export. On the other hand, evidence that Irish firms were more proactive than their Finnish counterparts - with Norwegian companies somewhere in between - was rather unexpected. Both external and internal factors seem to have influenced firms' export orientation, not least decision-makers' attitudes and characteristics. Given the decision-maker's pivotal role in the whole process, these issues are discussed in more detail later (see Section 6.6, p. 312). Nevertheless, proposition 1b cannot be wholly supported.

This in itself is an important finding, inasmuch as it confirms that firms and decision-makers responded differently to similar "attention-evoking" factors and were motivated by various external and internal stimuli. In addition, it suggests that there may be particular cultural and national environment factors which lead firms to be proactive or reactive towards exporting. However, it must be remembered that historical data of this nature relies on the involvement of the decision-maker in events and his accurate recall of the particular circumstances at that time.

Thus, although in-depth interviews confirmed that many respondents had been a party to the initial exporting decision, there was evidence to suggest a tendency to internalise success. For example, the MD's of some **aggressive** exporters - having failed to indicate that EPO assistance had been a factor in the initial export decision when replying to the postal questionnaire - conceded during interviews that it had actually been of some value. The importance of managerial ambitions expressed by these individuals may also reflect a degree of unwarranted self-attribution. In these circumstance, some caution must be exercised in accepting these results unquestioningly as they may not faithfully report actual events.

6.4.4 Support for Propositions 2a, 2b and 2c

Returning to the analysis of the relationship between firm age or size and exporting performance in Section 6.3 (p. 292), there is no real evidence to suggest that either are significant determinants in influencing export initiation in this sector (and quite possibly in other high-technology, small-scale industries). In respect to size, almost three-quarters of all exporting firms had a workforce of less than fifty, half employed less than twenty workers and nearly two-thirds had a turnover below £2 million. Yet half of all firms with fewer than twenty employees exported more than 50% of their output. In a further third, exports accounted for 11-50% of total sales and only a quarter reported export levels of below 10%. In terms of turnover, almost half of firms with sales of below £2 million exported more than 50% of their output and in a further quarter, exports accounted for 11-50% of sales (see χ^2 Tables 6 and 7 in Appendix III).

However, there was clear indication that the export ratio declined as firm size increased. Thus, among exporters with 51-200 employees, one third exported more than 50% of output, one third, less than 10% of total sales with the rest somewhere in between. Similar patterns were detected among firms whose turnover exceeded £2 million, where only just over a quarter of cases had an export ratio of over 50%. All of these analyses support proposition 2a that **small size is not a significant impediment to export initiation.**

In terms of age, over two thirds of exporting firms had been established for less than ten years, but almost half of them had been exporting for more than five years. Nearly half of firms that were less than five years old exported more than 50% of their output and in a further third of such cases, exports accounted for 11-50% of total sales. Moreover, analysis of data from the postal survey indicated that a number of Irish firms had no domestic sales whatsoever and had been export orientated from the outset. In-depth interviews also revealed that others - together with some Finnish and Norwegian firms - had started to export before obtaining any domestic sales. This qualitative information, together with the χ^2 analysis reported in Section 6.3 (p. 292) and shown in χ^2 Tables 3 and 4 in Appendix III, support proposition 2b that **the age of the software firm is unimportant in respect to export initiation.**

Of particular interest were firm's patterns of growth and expectations for future export expansion. Analysis of the data indicated distinct patterns between smaller firms (i.e. those with less than 20 employees) and larger ones (i.e. 51-200 employees), between firms with sales turnovers of below or above £2 million p.a. and between firms which had been established for less or more than ten years. Although not statistically significant, there was evidence that export ratios declined as firm size increased, that they also declined as turnover increased and that they were lower among longer established companies than among newer firms (see χ^2 Tables 4, 6, 7, in Appendix III). Moreover, anticipated levels of export expansion among larger, experienced firms were - generally - lower in percentage terms than the export growth projected by smaller ones.

Clearly, these ratios do not measure the actual value or volume of exports, but rather, the relative importance of export to total sales. It is, perhaps, not surprising that these patterns exist as younger and smaller firms are still in a rapid growth phase. They are also expanding from a lower base and the actual value or volume of export sales are relatively smaller than those of their larger counterparts.

Nevertheless, lower growth expectations among larger and older firms are significant. They may indicate rather better forecasting of the impending downturn in global economic activity which occurred after the survey, or concerns - notably among Finnish firms - about the impact of contemporary events in the Soviet Union. However, they also suggested that the larger firms had nearly reached the limits of their export potential within their current resource capabilities. The in-depth interviews were particularly revealing in this respect, notably in respect of two cases:

The first, (312) a Finnish software firm which had developed a very sophisticated foreign exchange management package for banks and other financial institutions. During interview the MD revealed that he was due to sign documents for the sale of his company to a major client the following day. The reason, he did not have the human or financial resources to fully exploit the commercial potential of the software in domestic or export markets. The company employed more than 80 people, had been established for nearly nine years, had cornered the home market for the application, exported 35% of its output and was profitable. Yet even in these circumstances it could not grow further and retain its independence.

KK

The second, (208) was a larger Irish software firm employing 180 people. Again it, produced specialist software applications for the banking sector and was - arguably - the leading indigenous Irish software house at the time. A high proportion of its' output was destined for export markets. It had excellent coverage worldwide, - especially in Africa and the Far East - and was one of the few firms in the study which had established an overseas marketing subsidiary. During interview the MD indicated that he believed the company could not expand much further in its present form and that a number of offers to buy the firm had been made by competitors or large clients in the past few years. A matter of months after this interview it was announced that the firm had been taken over by a large UK concern and it now operates as a subsidiary of this firm. Clearly, despite its' excellent performance and reputation, it had reached the limit of its capabilities.

Although in the first case, the buyer was another Finnish firm, the second case has more serious consequences for the Irish software sector insofar as control was transferred to a foreign firm. Both, however, typify the inherent lack of human and financial resources evident among many of the firms investigated. These findings strongly support proposition 2c that **size and age may indicate the existence of human and financial resource constraints which might limit export growth.**

Although there are conflicting views in the literature concerning the importance of size and age on export behaviour, findings of the present research indicate that, in a global industry in which the rapid pace of innovation is well recognised, export activities begin at an early stage among very small software firms and that these may even precede domestic sales. Thus, while size and age are considered to be unimportant in terms of export initiation, there is also considerable evidence to suggest that these factors do impact on firms' abilities to expand export operations beyond a certain point after initial rapid growth.

6.5 THE INTERNATIONALISATION PROCESS

Decision-makers' attitudes and characteristics are widely acknowledged as crucial not just to export initiation decisions but also throughout the whole internationalisation process. Because of this, propositions relating to these issues (3a, 3b) are explored hereafter (see Section 6.6, p. 312). This section concentrates on aspects of the internationalisation process including market selection decisions and entry strategies.

6.5.1 Market Selection

Prima facie, the survey results appear to support the concept of "psychic distance" as a factor in export market selection. Overall patterns indicate that 70% of firms entered "close" markets in the initial stages of export development (see Section 1.5.5, p. 45). Their continued importance is manifest by the fact that these same countries feature prominently in the rankings of current major markets (see Table 6.6).

<u>First Export Market</u>							
Rank		Finland		Ireland (% of firms)		Norway	
1	Sweden	33.3		UK	62.9	Sweden	35.3
2	USSR	22.2 ¹		Germany	11.4	UK	17.6
3	Norway	11.1		US/Can	11.4	{ Finland	11.8
						{ Holland	
<u>Current Major Markets²</u>							
1	Sweden	46.2		UK	100.0	Sweden	58.3
2	USSR	34.3		US/Can	48.6	US/Can	33.3
3	{ Germany	30.8		Germany	34.3	{ UK	29.2
	{ US/Can	30.8				{ Germany	29.2
<u>Top Target Markets²</u>							
1	Germany	43.8		Germany	27.8	Germany	41.2
2	Norway	25.0		{ US/Can	16.7	{ UK	29.4
3	{ Denmark	18.8		{ Denmark	16.7	{ Spain	29.4
	{ Holland	18.8		{ Japan	16.7		
	{ Sweden	18.8					

¹ Now CIS and Latvia, Estonia and Lithuania

² Multiple response

Table 6.6: Market Selection, Current and Target Export Markets

Exploration by "stance" also reveals divergent patterns between groups. It indicates that the current activities and future plans of **occasional** exporters were generally focused on "close" markets and by contrast, that **frequent** and **aggressive** exporters were active in - and more likely to target - markets outside "psychic" boundaries. This finding is not really surprising as the latter firms are generally well established in "close" markets and - of necessity - have to look further afield. In addition, all five non-exporters planning to initiate exporting activity were targeting "psychic" markets.

However, in-depth interviews revealed several other important factors which strongly influenced both initial and subsequent market selection decisions. Firstly, **"client followership"**, many firms entered new markets as a result of the international strategies of domestic clients. While many of such activities were in psychologically and/or geographically "close" markets, others were not. The exceptions are most illuminating:

A Norwegian firm (314) producing software for the oil industry cited Venezuela as their first market and had also obtained orders from Indonesia, the Middle East and the UK, all oil-producing nations. This business was obtained as a direct result of a large domestic client's internationalisation strategies.

An Irish firm (211) producing airport management software obtained their first export orders from Mexico. Their client, a Mexican airline had been advised by Aer Lingus, the Irish carrier, who were using the firm's software package. Subsequent orders in other countries - some of which could be regarded as "psychically close" and others not - were gained in the same manner.

The first export market for a Finnish developer of ship management systems (111) was Iran. This resulted from a venture between their major customer - a local shipping line - and an Iranian counterpart.

A second phenomenon, was that of **"sectoral targeting"**. Many software firms tended to target and enter markets which were experiencing growth in their specialised niche. This was the case with a number of Norwegian firms with either oil-industry or shipping applications, which had first started exporting to countries such as Venezuela, Indonesia or Liberia. However, the best examples relate to other niche sectors:

A Finnish producer of a hotel management package (128) whose first export market was Spain. Thereafter the firm had entered Portugal, Turkey and Yugoslavia. This pattern reflects the development of tourist destinations during the period. The MD indicated during interview that Eastern European countries such as Czechoslovakia, Hungary, Poland and Romania - in order of priority - were current targets because of the potential growth of tourism in these markets.

An Irish firm (208) which had developed markets in Africa and the Far East. The company offers bank management software and had targeted these countries because of the similarity between Irish and local banking methods and procedures.

A third "**industry specific**" factor, the relationship between the software "house" and the computer manufacturer, also influenced market selection. Several Finnish firms indicated that their programmes had been designed to operate in a Nokia "environment". Nokia Computer Systems, a sizeable Finnish independent, until the recent merger with ICL and Fujitsu, is a dominant computer hardware supplier in Scandinavia and software based on their systems is often demanded by these markets. Similarly, close relationships with systems integrators also led to indirect exports to markets both inside and outside psychic boundaries.

General industry trends (see Chapter 4, p. 239). and a greater tendency towards collaboration between hardware suppliers and software firms in development of new applications, is also important. While relationships are not necessarily of a client-supplier nature, the commercialisation of the package and market selection decisions will be significantly influenced by the subsequent strategies of the hardware manufacturer.

An example of this phenomenon in the case of an Irish software firm (222) which has developed an electronic point of sale (EPOS) stock and management control system for the retail trade. This package operates on an IBM S/36 mid-range system. IBM provided financial support during development and assisted the firm to commercialise the product through the IBM dealer network in the UK. The offering was also listed in IBM catalogues. The MD believes that the package has considerable potential in European and North American markets and has plans to target these areas. However, he also accepts that his firm's market development strategies will be inextricably linked to those of IBM and concludes that this may well result in unsolicited business from other markets.

The nationality of the owner, or minority foreign equity participation, may also influence market selection. In a small number of cases markets were targeted because the MD was a national of that country. For example:

The first export market for one Irish firm (204) was Germany, the company had subsequently entered Austria and Switzerland because the owner was a German national. Similarly, a Norwegian firm (310) marketing CAD/CAM software for engineering applications chose the UK as its first export market as the MD was a Briton residing in Norway.

Taking all these factors into account, the concept of "psychic proximity" - while describing an occurring phenomenon - does not provide a complete explanation for the market selection decision. Moreover, as a proportion of firms (16%) initiated exports because an unsolicited enquiry or order, their behaviour was essentially reactive, although psychic and geographic proximity may well have influenced them to react positively. Quantitative data from the postal survey did support the notion of "psychic distance". However, qualitative information obtained during the in-depth interviews - and particular attention paid to responses of "outliers" whose behaviour did not conform to these patterns - suggests that the validity of the concept is somewhat limited. Evidence suggests that - in many cases - reactive and opportunistic exporting precedes any planned activities and that subsequent market selection decisions are not necessarily influenced by psychic factors. Thus, structure follows strategy and not vice-versa.

6.5.2 Market Entry Strategies

The survey revealed that direct exports, utilising the firms' own export staff or agents and distributors, were the dominant entry mode. Finnish and Norwegian firms were more likely to appoint distributors, Irish firms tended to use their own export staff more extensively (see Table 6.7). A high proportion of Finnish firms exported indirectly, supplying software to third parties who exported integrated systems. The presence of Nokia Data Systems and the importance of the machinery/equipment sector in Finland would appear to be contributory factors.

Relatively few - mainly Irish or Norwegian - software firms had established overseas subsidiaries and where these existed they were, generally, sales and marketing support operations. Only a small number of cases involving licensing or joint ventures were reported. As offerings were principally targeted at industrial - rather than consumer - markets, these more direct approaches are not altogether surprising. The high level of "intellectual property" inherent in computer software development and a reluctance to widely-disseminate proprietary knowledge were contributory factors to the market entry-mode decision.

		Finland (% of firms)				
	Market¹	1	2	3	4	5
Entry Mode						
	Agent/Distributor	45.4	46.7	33.3	42.9	25.0
	Export Sales Staff	13.6	33.3	22.2	42.9	75.0
	Licencees	3.3	3.3	3.3	-	-
	Joint Ventures	-	-	6.7	-	-
	Subsidiary in Market	3.8	-	-	-	-
	Indirect Exports	31.8	13.3	11.1	14.3	-
		Ireland				
	Market	1	2	3	4	5
Entry Mode						
	Agent/Distributor	29.4	28.6	39.1	38.5	33.3
	Export Sales Staff	41.2	35.7	43.4	38.5	33.3
	Licensees	-	3.6	-	-	-
	Joint Ventures	-	-	-	-	-
	Subsidiary in Market	14.7	14.3	8.7	15.4	11.1
	Indirect Exports	-	-	-	-	-
		Norway				
	Market	1	2	3	4	5
Entry Mode						
	Agent/Distributor	43.4	52.6	50.0	61.5	62.5
	Export Sales Staff	30.4	31.6	33.3	23.1	37.5
	Licensees	4.3	10.5	5.6	-	-
	Joint Ventures	4.3	-	-	7.7	-
	Subsidiary in Market	8.7	5.3	5.6	7.7	-
	Indirect Exports	-	-	-	-	-

¹ Markets in order of importance to firms

Table 6.7: Principal Entry Modes for Major Markets
(% of firms using each mode)

The augmented nature of the product also has a major influence on entry strategy. The high level of customer support services required in terms of consultancy, customisation, installation, training, upgrading and after sales care are important factors and result in close personal interaction between buyer and seller. The need for more direct methods also reflects the fact that demonstration of the software's capability is a significant element of the sales promotion effort.

In-depth interviews revealed that firms offering bespoke or semi-bespoke packages relied almost exclusively on their own export sales staff to deal with end-users. Firms which had "off the shelf" packages were more likely to appoint agents or distributors in the market. In many cases, existing relationships between software firm and computer manufacturer provided an ideal opportunity for them to link in to the latter's dealer networks. This enabled software firms to "adopt" established distribution channels (Firm 222, p. 307, is a case in point). The emergence of large specialist value added retailers (VARs) also offered useful "ready-made" channels.

As can be seen from Table 6.7, survey results indicate that small software firms in the selected countries tend to use direct exporting as a standard entry strategy for all markets. Moreover, response patterns suggest that they are - generally - not inclined to change from their preferred entry mode as they develop new markets. Physical distribution of software is not difficult, neither is the product normally subject to many legal or fiscal barriers to entry. In consequence, other modes - such as manufacturing abroad or joint venture activities - are less likely to be appropriate, although there is some evidence of increased collaboration.

In-depth interviews revealed that all cases where joint ventures had been established involved exports to the former Soviet Union where this entry mode was a legal requirement and that the nature of these ventures related to marketing rather than technical collaboration. Licensing was considered by many respondents to be a high-risk strategy because of the danger of transferring proprietary "expertise". In all identified cases site licences were offered only to major long-standing clients to enable them to use and develop the software in all their locations.

6.5.3 Support for Propositions 4 and 5

Overall, these findings suggest that the "establishment chain" theories proposed by the Upsalla school do not adequately reflect the underlying motivational factors which influence patterns of internationalisation of small software firms. There is evidence that the initial export decision is influenced by factors other than the psychological or geographic proximity of export markets, notably client followership, targeting of niche markets and industry specific patterns and trends. There is also little support for the view that firms systematically progress from exporting to other market entry modes. On the contrary, patterns shown in Table 6.7 suggest that they tend to favour direct/indirect exporting to all markets and that they - generally - pursue a standard entry strategy.

Nevertheless, many responding firms demonstrated increasing commitment to exporting which was manifest by incremental expansion into new export markets, rather than by higher levels of investment in existing overseas markets. A large proportion of firms - 65% of exporters and 62% overall - reported plans to enter new markets, although larger and older firms were less committed to such expansion as they were already exporting to a greater number of countries. However, in-depth interviews also revealed that none of the selected firms intended to establish joint ventures or overseas operations in the immediate or foreseeable future.

These findings are more consistent with the "stage" theories proposed by Bilkey and Tesar (1977), Cavusgil (1980), Czinkota and Johnston (1982) and others which - despite their limitations and support for the notion of "psychic distance" (see Section 2.4, p. 104) - have a less rigid view of internationalisation as a systematic "establishment chain" process. The results support proposition 4 that **computer software firms internationalise in an incremental, but not necessarily systematic manner** and indicate that the process is rather less deterministic than many of the theories and models suggest. They also support proposition 5, that **industry-specific rather than "psychic distance" factors are more influential on computer software firms' market selection, entry decision and internationalisation strategies.**

6.6 THE ROLE OF DECISION-MAKERS IN INTERNATIONALISATION

Arguably, the single unifying theme throughout the export behaviour and internationalisation literature is the importance of the decision-maker. Given the significance attached to managerial characteristics and attitudes (see Section 2.3.3, p. 95), enquiry into these issues was an key element of the follow-up interviews. The decision-maker's age, education, prior international experience and foreign language skills have all been cited as contributory factors in export success - although agreement as to their relative importance is far from universal - so too has their psychological make-up. All of these dimensions were explored further.

6.6.1 Decision-makers' Objective Characteristics

6.6.1(i) Age of the decision-maker

The in-depth interviews revealed that most decision-makers were in their mid-to-late thirties to early forties (see Table 6.8) and that in all cases they had taken their firms into export markets by the age of thirty-five. This might support the view that younger decision-makers are, generally, more export-orientated (Pinney, 1968; Reid, 1983). However, a much more likely explanation is that the computer software industry is in all respects much "younger" than many other traditional sectors, not least in terms of the age of the key decision-maker (Cringley, 1992).

6.6.1(ii) Education of the decision-maker

Respondents were generally highly educated. Over 58% had postgraduate qualifications and some 80% had been educated to degree level. Again the high-technology nature of the sector is influential. Many MD's indicated that they had obtained engineering or business qualifications and had subsequently undertaken postgraduate studies in Computing or IT before becoming involved in the software industry. Analysed by stance, there is no obvious relationship between levels of education and the degree of export commitment (see Table 6.9).

	Finland (n=8) (%)	Ireland (n=9) (%)	Norway (n=7) (%)	Overall (n=24) (%)
<u>Age</u>				
26-35	2 (25)		2 (29)	4 (17)
36-45	5 (63)	8 (89)	4 (57)	17 (71)
46-55	1 (12)	1 (11)	1 (14)	3 (12)
<u>Education</u>				
Secondary	2 (25)	2 (22)		4 (17)
Graduate	1 (12)	4 (44)	1 (14)	6 (25)
Postgraduate	5 (63)	3 (33)	6 (86)	14 (58)
<u>Overseas Experience</u>				
Studied abroad	2 (25)	1 (11)		3 (12)
Worked abroad for >2 years	1 (12)	4 (44)	5 (71)	10 (42)
Extensive business travel	4 (50)	4 (44)	1 (14)	9 (38)
Occasional business trips only	1 (12)		1 (14)	2 (8)
<u>Foreign Language Skills</u>				
Fluent in 1 or 2 foreign languages	3 (37)	3 (33)	5 (71)	11 (46)
Fluent in 3 or more foreign languages	5 (63)		2 (29)	7 (29)
No/basic foreign language skills		6 (67)		6 (25)

Table 6.8: Decision-maker Profiles by Country

6.6.1(iii) Decision-makers' overseas experience

In contrast, the decision-maker's previous overseas experience appears to be a significant factor in export commitment. As already indicated in Section 6.4.2 (p. 298), Finnish firms demonstrated a lower propensity to export than Norwegian and especially Irish firms. The Finnish MD's interviewed had markedly less overseas work experience than their Irish and Norwegian counterparts. Similarly, examination by stance indicates that decision-makers of firms most committed to exporting also had the most overseas work experience (see Table 6.9). It would, thus, appear that this factor is an important determinant of export behaviour.

6.6.1(iv) Decision-makers' foreign language skills

Command of foreign languages was highly impressive among Scandinavian respondents, all of whom were fluent in at least one foreign language. Indeed 63% of Finnish respondents were fluent in three or more foreign languages and all Norwegian MD's were fluent in at least one. In contrast, Irish respondents were rather less competent, 66% had no - or, at best, rudimentary - foreign language skills. It would appear, that this factor is relatively unimportant in terms of determining export behaviour of software firms. In this respect, the fact that English is not only the dominant business language but also virtually an "industry standard" within the software sector is important. However, this finding should not be regarded as applicable to other industry sectors.

6.6.1(v) Prior work experience of decision-makers

The in-depth interviews also explored previous work of decision-makers. Significantly, over 80% had worked in large companies before establishing their own software firm. What is even more interesting is that, in over 60% of cases, their previous background was not in the computing/IT area but rather in sectors their current software applications were targeting (banking, financial management, oil industry-related, shipping, etc.).

	Occasional (n=8) (%)	Frequent (n=5) (%)	Aggressive (n=11) (%)	Overall (n=24) (%)
<u>Age</u>				
26-35	4 (50)		1 (9)	5 (21)
36-45	3 (37)	5 (100)	8 (73)	16 (67)
46-55	1 (13)		2 (18)	3 (12)
<u>Education</u>				
Secondary	1 (13)	2 (40)	1 (10)	4 (17)
Graduate		1 (10)	5 (45)	6 (25)
Postgraduate	7 (87)	2 (40)	5 (45)	14 (58)
<u>Overseas Experience</u>				
Studied abroad		1 (20)	2 (18)	3 (12)
Worked abroad for >2 Yrs	3 (37)	1 (20)	6 (55)	10 (42)
Extensive business travel	3 (37)	3 (60)	3 (27)	9 (38)
Occasional business trips only	2 (26)			2 (8)
<u>Foreign Language Skills</u>				
Fluency in 1 or 2 foreign languages	5 (63)	2 (40)	4 (36)	11 (46)
Fluent in 3 or more foreign languages	3 (37)	1 (20)	3 (27)	7 (29)
No/basic foreign language skills		2 (40)	4 (36)	6 (25)

Table 6.9: Decision-maker Profiles by Export Stance

6.6.2 Decision-makers' Psychological Attributes

Psychologically orientated research into managerial aspects of exporting is, at best, inconclusive. According to Miesenbock (1988) many findings appear to be tautological, that is to say, the greater the level of export commitment, the more positive decision-makers are towards such activities and the higher they rate their importance to the firms future development. Similarly, increased commitment reduces the perceived risk of exporting. Evidence of these perceptions can be found in the patterns of response in the present research. Some investigations which have explored differences between exporters and non-exporters suggest that decision-makers of the former are more aggressive and dynamic, more creative and innovative and more self-confident. However, other studies conclude that there are no statistically significant differences between self-perceptions of exporters and non-exporters (see Section 2.3.3, p. 98).

The use of the PAPI tests during the follow-up interviews was an attempt to explore decision-maker attitudes more fully using the test to examine self-perceptions of their roles and needs (see Table 6.10). As can be seen in Appendix II, each dimension is interpreted on a scale of 0-9. However, it should be noted that, unlike semantic scales, a high or low score in a particular dimension is not - necessarily - positive or negative. Thus, for example, a score of below 2 or 3 on leadership role (L) indicates that an individual is not comfortable in the role and may not be particularly effective in such a capacity. Conversely, a score of 8 or 9 on leadership role (L) or need to control (P) combined with low scores on the need to belong to groups (B) or relate closely to individuals (O) and/or low social extension (S), suggests an authoritarian managerial style, which may be equally undesirable. Also, certain dimensions may be more appropriate to particular tasks. Thus, it is desirable for an administrative assistant to score well in areas such as interest in working with details (D) or being an organised type (C). Conversely, a decision-maker with a high need to finish a task (N) may not be able to delegate.

Linkages between dimensions should also be recognised and interpreted, for example:

- High L and Low P indicate that the individual is not a natural leader but feels required to show leadership, Low L and high P indicate leadership potential but a lack of confidence
- Low N, middle G (role of hard worker) and high A (need to achieve) is a typical executive managerial curve
- High R (reflective type), low D and middle C identifies a good planner
- High R and high I indicate a fluent and quick thinker, Low R and high I an impulsive decision-maker and high R and low I suggest an individual is too thoughtful for action.

These and other relationships between adjacent and or related dimensions are comprehensively outlined in the PAPI training manual (1988). It was initially hypothesised that certain differences in response might exist according to country of origin and that particular attitudinal aspects might be more prominent according to export stance.

6.6.2(i) Analysis of PAPI results by country of origin

Analysis suggests that a positive relationship exists between ease and speed of decision-making (I) - i.e. confidence to take risks - and country of origin. This factor is relatively high among both Irish and Norwegian respondents, but is moderate among Finnish decision-makers. The latter tend to have a greater social orientation (S, B), which suggests a less autocratic management decision style (see also F, W). They also display a higher need to achieve than their Irish or Norwegian counterparts (N). In contrast, Norwegian respondents appear to have a higher concern for organisational structure, whereas the Finnish and Irish decision-makers seem to operate well in loosely defined situations (F, W). This finding may well be culture-bound. Irish MD's have a lower physical pace, which might also be culturally influenced. In all other respects very few discernible differences exist by country of origin (see Table 6.10).

		Finland (n=7)	Ireland (n=9)	Norway (n=8)	Overall (n=24)
(mean scores) ¹					
Leadership role	(L)	5.63	6.00	6.43	6.00
Need to control others	(C)	4.75	5.00	4.57	5.08
Ease in decision-making	(I)	4.75	6.22	6.71	5.88
Work pace	(T)	5.25	5.22	4.71	5.08
Physical pace	(V)	6.00	4.22	5.29	5.13
Need for recognition	(X)	3.88	4.22	5.14	4.38
Social extension	(S)	5.13	4.44	3.29	4.17
Need to belong to groups	(B)	4.50	2.67	3.57	3.54
Need to relate closely to individuals	(O)	3.63	4.22	4.14	4.00
Reflective type	(R)	5.38	5.00	4.43	4.96
Interest in working with detail	(D)	0.88	1.33	1.29	1.17
Organised type	(C)	2.13	3.00	3.14	2.75
Need for change	(Z)	6.38	6.22	6.14	6.25
Emotional control	(E)	4.25	4.00	3.71	4.00
Need to be forceful	(K)	5.75	5.44	4.43	5.25
Need to be supportive	(F)	3.00	4.89	5.28	4.38
Need for rules and supervision	(W)	1.50	2.67	4.00	2.67
Need to finish a task	(N)	5.13	4.11	4.00	4.41
Role of hard worker	(G)	6.13	5.11	5.85	5.29
Need to achieve	(A)	6.25	5.77	5.43	5.83

¹ On a scale 0-9 where 0=low and 9= high

Table 6.10: PAPI Scores by Country of Origin (1/2)

		Occ. (n=8)	Freq. (n=5)	Agg. (n=11)	Overall (n=24)
Leadership role	(L)	5.50	6.40	6.18	6.00
Need to control others	(C)	4.88	4.80	5.36	5.08
Ease in decision-making	(I)	5.38	5.20	6.55	5.88
Work pace	(T)	5.62	4.40	5.00	5.08
Physical pace	(V)	5.38	5.60	4.73	5.13
Need for recognition	(X)	4.37	3.20	4.91	4.38
Social extension	(S)	4.13	4.60	3.09	4.17
Need to belong to groups	(B)	3.75	3.80	3.27	3.54
Need to relate closely to individuals	(O)	3.88	3.60	4.27	4.00
Reflective type	(R)	5.25	4.60	4.91	4.96
Interest in working with detail	(D)	1.00	0.80	1.33	1.17
Organised type	(C)	2.50	2.20	2.82	2.75
Need for change	(Z)	6.75	5.80	6.09	6.25
Emotional control	(E)	3.62	5.20	3.72	4.00
Need to be forceful	(K)	5.25	5.25	5.27	5.25
Need to be supportive	(F)	3.38	5.60	4.55	4.38
Need for rules and supervision	(W)	2.00	3.40	2.81	2.67
Need to finish a task	(N)	4.37	4.40	4.45	4.38
Role of hard worker	(G)	6.38	5.80	4.27	5.29
Need to achieve	(A)	6.37	5.60	5.54	5.83

¹ On a scale 0-9 where 0=low and 9= high

Table 6.10: PAPI Scores by Export Stance (2/2)

6.6.2(ii) Analysis of PAPI scores by export stance

Analysis of the PAPI scores by stance suggests that a positive relationship exists between ease and speed of decision-making (I) and the firms' export orientation. Taken together, the leadership role (L) and need to control (P) scores of key decision-makers in **aggressive** exporters are higher than those in **occasional** or **frequent** ones, indicating that these MD's are more assertive decision-makers than their peers. They also have lower scores on social extension (S) and the need to belong to groups (B) which tends to suggest that they may be rather more independently-minded.

MD's in firms classified as **frequent** exporters have higher scores in the need to be supportive (F), the need for rules and supervision (W) and in emotional control (E). The reasons are not altogether clear, however, they possibly reflect the development of planning functions and the need for improved control within expanding firms. These individuals also appear to be less driven by the need for recognition (X). MD's of **occasional** firms have a higher work pace (T) than their counterparts, see themselves as harder workers (G) and have a higher need to achieve (A). All of these factors, together with a slightly higher need for change (Z), suggest that they are having to work harder to achieve results, perhaps due to greater human and/or financial resource limitations.

6.6.2(iii) Insights from PAPI

What emerges from the PAPI tests are strong entrepreneurial tendencies. Almost all the profiles revealed a high degree of ambition and a strong need to achieve (A) on the decision-makers' part. Many respondents were highly independent, demonstrating a need to exert power and back their own judgement rather than accept the advice of others. In almost every case decision-makers revealed themselves to be rather poorly organised and had little interest in working with details (see Table 6.10). All of these factors suggests an informal and highly personal approach to planning.

Given the above, there is little evidence to suggest that decision-maker roles and needs among small exporters are significantly different from those of their non-exporting contemporaries as identified in the small-firm literature (see Section 2.1, p. 69). Indeed, an expert witness from PA supported this opinion by concluding that the patterns emerging from the tests were those she would have expected among owner/managers of small firms, regardless of their export orientation. Taking account of all the linkages between the various dimensions, her own assessment of the what the tests revealed is summarised in Tables 6.11 and 6.12.

	Finland	Ireland	Norway
Ambitious	H	H	H
Forceful	H	H	H
Hard Working	H	H	H
Independent	M	H	H
Leadership Role	M	H	H
Planning and organisation	L	L	L
Risk Taking	M	H	H
Social Orientation	H	L	M

(strength of factor H= high, M= moderate, L= low)

Table 6.11: PAPI Decision-maker Profiles by Country

	Occasional	Frequent	Aggressive
Ambitious	H	H	H
Forceful	M	M	H
Hard Working	H	H	M
Independent	M	H	H
Leadership Role	M	M	H
Planning and organisation	L	L	L
Risk Taking	M	M	H
Social Orientation	H	M	L

(strength of factor H= high, M= moderate, L= low)

Table 6.12: PAPI Decision-maker Profiles by Export Stance

6.6.3 Support for propositions 3a and 3b

The preceding discussion provides strong support for proposition 3a that **managerial factors influence the firms propensity to export, but that many decision-maker characteristics and attributes identified in the literature are inherently entrepreneurial and are possessed by the owner/managers of exporting and non-exporting firms.** However, results indicate that MD's of **aggressive** exporters have stronger leadership qualities - and are more confident decision-makers - than their peers. In-depth interviews suggest that such competencies accrue from greater experience (see below).

The objective characteristics of respondents indicate that they are young and highly-educated, but so too are many of the key decision-makers in the computer software sector. Likewise, there does not appear to be any correlation between export orientation and foreign language skills, but this finding should be regarded as sector-specific. Thus, no firm conclusions can be drawn on the impact of these variables on exporting, although their importance is widely recognised in other studies. However, the decision-maker's prior overseas experience does appear to be important to the firm's export orientation. Such exposure moderates perceptions of risk and increases the likelihood that decision-makers will involve their firms in export activities. This finding supports proposition 3b that **the decision-maker's prior export experience is a key factor in determining the firm's export propensity.**

These findings are useful in several respects; Firstly, a high degree of independent decision-making and a reluctance to delegate may - in part - contribute to a preference for direct market entry modes rather than other more collaborative approaches. Secondly, the personal involvement of key decision-makers and their informal approaches to planning are likely to impact on all aspects of exporting, from the initial decision to export throughout the internationalisation process. Consequently, such activities are likely to be less structured and rely more extensively on personal networks and sources of information than would be the case with larger, more experienced and better resourced companies.

6.7 EXPORT SUCCESS FACTORS, COMPETITIVE COMPETENCIES AND MAJOR EXPORT PROBLEMS

Much prior research in the area has focused on self-reported barriers, impediments and problems facing exporters. As has already been observed in Section 2.6 (p. 127), there is broad consensus on the nature of the difficulties encountered, but divergent opinions as to their relative importance. In order to explore these issues further, the present study adopted two complementary approaches. Firstly, it identified factors that decision-makers believed were critical for export success and asked them to assess their firms competitive competencies vis-a-vis these criteria. This approach sought to gauge the relative importance of specific success factors, as well as identify performance gaps in critical areas. Secondly, respondents were questioned about particular export problems in a more conventional manner. As outlined in Section 1.7 (p. 54) and elaborated in Section 5.2.8 (p. 279), a series of null hypotheses were established which posited that no differences existed in firms' responses, either by country of origin or by export stance.

6.7.1 Important Export Success Factors

As can be seen from Figure 6.4, the overall response indicates that key decision-makers believed that the most important export success factors (in rank order) were product design and quality, managerial commitment, salesforce effort, good market intelligence, after sales care and securing suitable representation. However, all the variables listed were considered to be fairly important. It should be noted that service and customer care aspects were regarded as more important than pricing issues or terms of credit. The importance attached to salesforce effort and the lower priority given to other promotional activities reflect the need to promote offerings through personal selling. In interviews respondents explained that the "product was the message" and that demonstration of software applications were the most valuable promotional tool. The more specialised the software application, the more likely firms were to provide a package of customised information.

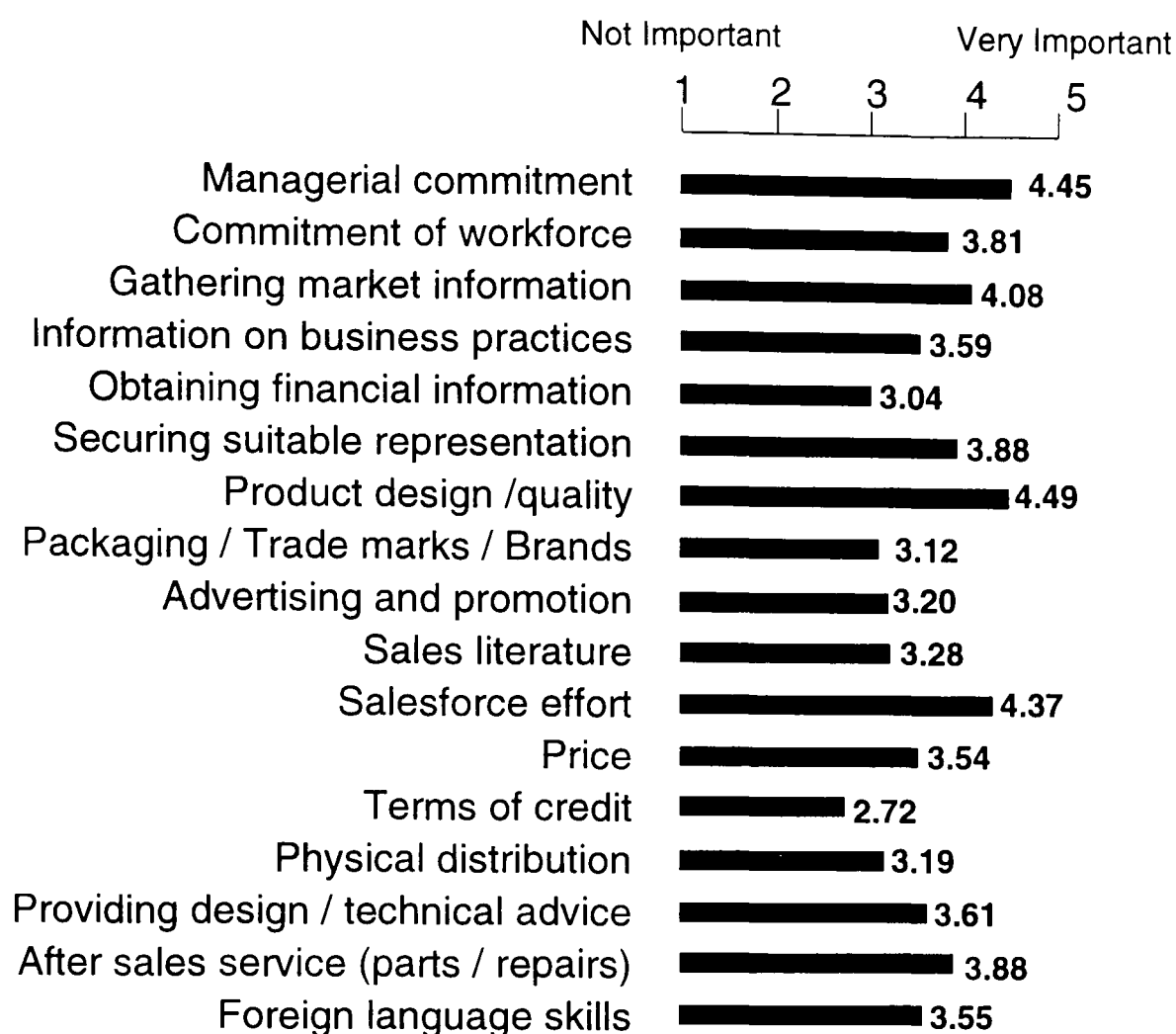


Figure 6.4: Important Export Success Factors (Overall)

6.7.1(i) Export success factors by country of origin

Marginal - but not significant - differences exist between responses from different countries (see Table 6.13). K-W Anova revealed that only three of the less critical variables were statistically significant at $\alpha = 0.05$ or greater; packaging/trade marks/brands, sales literature and foreign language skills. The reasons for these differences became evident during interview, Irish firms were marketing more standard packages than their Finnish or Norwegian counterparts and - therefore - needed to place more emphasis on packaging, branding and promotional materials. English, the *de facto* software industry standard, was also their main language and Irish respondents attached less importance to foreign language skills than their Finnish or Norwegian counterparts, whose command of English and other languages was very impressive.

	Finland (n=28)	Ireland (n=36)	Norway (n=24)	K-W Anova
	(Mean Scores ¹ and Top 5 ranked factors)			
Managerial commitment	4.61 (1)	4.53 (2)	4.13 (4)	0.06
Commitment of workforce	3.96	3.64	3.58	0.39
Gathering market info.	4.00 (5)	4.25 (4)	3.75	0.07
Info. on business practices	3.71	3.67	3.29	0.14
Obtaining financial info.	3.14	3.03	2.83	0.21
Securing suitable representation	3.82	3.83	4.20 (3)	0.23
Product design/quality	4.50 (2)	4.58 (1)	4.32 (2)	0.31
Packaging/trade marks/brands	3.07	3.53	2.75	0.01*
Advertising and promotion	3.32	3.31	3.04	0.49
Sales literature	3.00	3.56	3.29	0.03*
Salesforce effort	4.39 (3)	4.47 (3)	4.38 (1)	0.46
Price	3.54	3.47	3.46	0.96
Terms of credit	2.79	2.86	2.42	0.22
Physical distribution	3.29	3.25	3.00	0.66
Providing design/technical advice	3.68	3.39	3.63	0.54
Aftersales service	3.82	3.89 (5)	4.08 (5)	0.55
Foreign language skills	4.18 (4)	2.86	3.80	0.001*

¹ 1= not important, 5= very important
* significant at alpha = 0.05 or greater

Table 6.13: Critical Export Success Factors by Country

As can be seen from Table 6.13, responses concerning the major factors for export success were similar with product design/quality, managerial commitment and salesforce effort featuring prominently in all countries. However, the rank order of importance of these factors reveals interesting variations. Managerial commitment is ranked 1st in Finland, 2nd in Ireland but only 4th in Norway. Norwegian respondents consider salesforce effort to be the most important variable, whereas the Irish ones regard product design/quality to be of greatest importance. Some criteria are rated more highly in certain countries, for example, Norwegian respondents consider the need to secure suitable representation to be important (ranked 3rd), whereas Finnish ones rank foreign language skills 4th. Significantly, with the exception of product issues, marketing-related factors were of lower importance.

Despite these variations and differences vis-a-vis the relative importance of packaging/trademarks/brands, sales literature and foreign languages, the overall findings support hypothesis H₀₁ that **no significant differences exist in respect of the factors deemed critical for export success by firms in the different countries investigated**. Therefore, the null hypothesis is accepted.

6.7.1(ii) Export success factors by export "stance"

As can be seen from Table 6.14, tests revealed no statistically significant differences between responses when analysed by export "stance". Product design/quality, managerial commitment, salesforce effort and information gathering were important, but other marketing-related variables less so. However, the rank order of importance of these factors - again - differed by stance. **Occasional** exporters ranked managerial commitment highest, whereas **frequent** and **aggressive** exporters rated product design/quality as most important. Nevertheless, K-W anova confirmed that **no significant differences exist in respect of the factors deemed critical for export success by firms according to export "stance"** (Hypothesis H₀₂). Thus, this hypothesis is also accepted.

	Occasional (n=21)	Frequent (n=28)	Aggressive (n=34)	K-W Anova
	(Mean Scores ¹ and Top 5 ranked factors)			
Managerial commitment	4.48 (1)	4.50 (2)	4.38 (3)	0.56
Commitment of workforce	3.76	3.89	3.76	0.82
Gathering market info.	4.19 (4)	3.96 (4)	4.09 (4)	0.57
Info. on business practice	3.57	3.71	3.50	0.67
Obtaining financial info.	3.10	3.14	2.91	0.46
Securing suitable representation	3.95 (5)	3.82 (5)	3.88	0.92
Product design/quality	4.32 (2)	4.57 (1)	4.53 (1)	0.41
Packaging/trade marks/ brands	3.38	2.68	3.32	0.59
Advertising and promotion	3.38	3.11	3.18	0.63
Sales literature	3.19	3.32	3.29	0.90
Salesforce effort	4.28 (3)	4.39 (3)	4.41 (2)	0.96
Price	3.48	3.86	3.32	0.07
Terms of credit	2.67	2.71	2.76	0.97
Physical distribution	3.19	3.11	3.26	0.85
Providing design/ technical advice	3.33	3.71	3.70	0.25
Aftersales service	3.81	3.71	4.06 (5)	0.50
Foreign language skills	3.45	3.71	3.49	0.65

¹ 1= not important, 5= very important

Table 6.14: Critical Export Success Factors by Export Stance

6.7.2 Competitive Competencies

Respondents were asked to rate their own competitive performance against criteria considered important for success. Overall, the main areas in which respondents felt that their firms possessed a competitive advantage were product design/quality, providing design and technical advice, managerial and workforce commitment and after sales service (see Table 6.5). Among the areas where they perceived themselves to be less competent than their competitors were advertising and promotion, sales literature, physical distribution and the three information-related variables. In most other aspects, they considered themselves to be comparable or marginally better than their competitors. These findings are quite significant because they provide a good assessment of the perceived strengths and weaknesses of the surveyed firms and - therefore - an indication of problem areas.

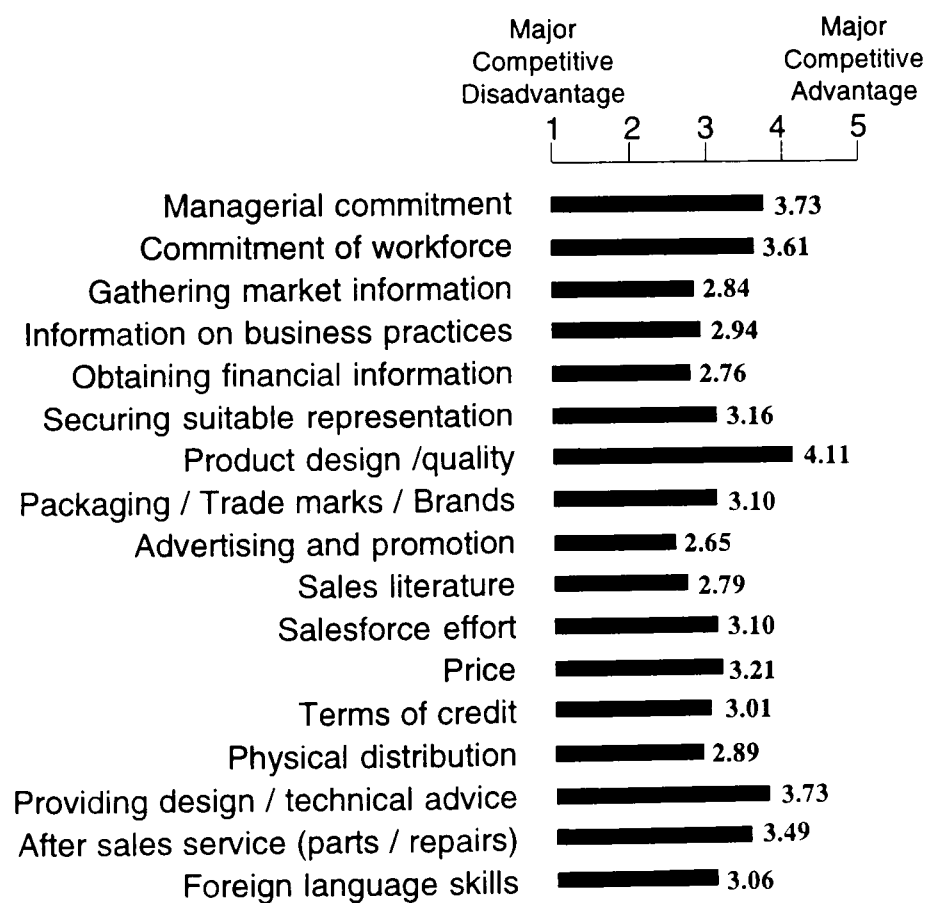


Figure 6.5: Competitive Competencies (Overall)

6.7.2(i) Competitive competencies by country of origin

Again, only minor differences exist in the self-reported competitive competencies of firms in different countries (see Table 6.15). Product design/quality was perceived to be the greatest competitive advantage in all countries, good aftersales service was also a strength, but thereafter other factors were ranked in different order. Thus, for example, Finnish respondents rated the level of commitment of their workforce more highly than that of management. K-W anova revealed statistically significant differences in perceptions of competitive advantage in two less critical areas - foreign language skills and packaging/trademark/brands - again, for the reasons discussed in section 6.7.1 (p. 323). Notwithstanding these variations, overall results support the hypothesis that **no significant differences exist in respect of perceptions of competitive competence among firms in the different countries investigated** (Hypothesis H₀₃). Therefore, this hypothesis is accepted.

6.7.2(ii) Competitive competencies by export "stance"

Greater variations exist in responses when analysed by export stance. Not surprisingly, **aggressive** exporters were - generally - more confident in their abilities than **occasional** or **frequent** exporters (see Table 6.15). As can be seen, they rated their abilities more highly than their less active counterparts on most factors. This was especially the case in terms of managerial commitment and salesforce effort, which were both statistically significant at confidence levels of alpha = 0.05 or greater. Many of the factors in which they regarded themselves as less competent than their competitors were common to all categories. However, **aggressive** exporters rated themselves more highly than their counterparts in terms of market information gathering, advertising and promotion and sales literature. They also believed that their abilities were - at least - comparable with competitors on factors such as salesforce effort and physical distribution, whereas **occasional** and **frequent** exporters did not. Most notably, MD's of firms most involved in exporting perceived that they had the greatest competitive advantage in this respect.

	Finland (n=28) (Mean Scores	Ireland (n=36) and Top 5 ranked factors)	Norway K-W (n=24)	Anova
Managerial commitment	3.42 (4)	3.97 (2)	3.57 (4)	0.07
Commitment of workforce	3.46 (2)	3.72 (4)	3.48 (5)	0.55
Gathering market info.	2.69	2.81	3.00	0.79
Info. on business practice	2.85	2.86	3.09	0.49
Obtaining financial info.	2.58	2.86	2.83	0.31
Securing suitable representation	2.96	3.08	3.39	0.27
Product design/quality	3.92 (1)	4.17 (1)	4.04 (1)	0.29
Packaging/trade marks/brands	2.69	3.44	2.96	0.02*
Advertising and promotion	2.35	2.81	2.74	0.12
Sales literature	2.65	2.89	2.78	0.72
Salesforce effort	3.00	3.17	3.04	0.88
Price	2.89	3.42	3.13	0.09
Terms of credit	3.04	3.08	2.83	0.67
Physical distribution	2.89	2.75	2.96	0.53
Providing design/technical advice	3.46 (3)	3.78 (3)	3.70 (2)	0.26
Aftersales service	3.08	3.50 (4)	3.70 (3)	0.07
Foreign language skills	3.39 (5)	2.69	3.48	0.001*

¹ 1= A major competitive disadvantage, 2= A minor disadvantage, 3= Comparable to competitors, 4= A minor advantage, 5= A major competitive advantage * Significant at alpha = 0.05 or greater

Table 6.15: Competitive Competencies by (Country) (1/2)

	Occasional (n=21) (Mean Scores ¹)	Frequent (n=28) and Top 5 ranked factors)	Aggressive (n=34)	K-W Anova
Managerial commitment	3.25	3.53	4.15	0.003*
Commitment of workforce	3.25	3.58	3.85	0.09
Gathering market info.	2.75	2.77	2.94	0.59
Info. on business practice	2.95	2.92	2.94	0.97
Obtaining financial info.	2.50	2.88	2.82	0.11
Securing suitable representation	3.10	2.92	3.38	0.25
Product design/quality	3.90	4.07	4.26	0.34
Packaging/trade marks/brands	3.00	2.92	3.29	0.57
Advertising and promotion	2.60	2.58	2.73	0.72
Sales literature	2.75	2.73	2.85	0.91
Salesforce effort	2.90	2.85	3.41	0.005*
Price	3.20	3.23	3.20	0.98
Terms of credit	3.15	3.04	2.91	0.65
Physical distribution	2.70	2.85	3.02	0.31
Providing design/technical advice	3.55	3.73	3.82	0.64
Aftersales service	3.30	3.46	3.61	0.55
Foreign language skills	3.10	3.15	2.97	0.68

¹ 1= A major competitive disadvantage, 2= A minor disadvantage,
3= Comparable to competitors, 4= A minor advantage,
5= A major competitive advantage
* Significant at alpha = 0.05 or greater

Table 6.15: Competitive Competencies by (Export Stance) (2/2)

Hypothesis H₀₄ postulated that **no significant differences exist in respect of perceptions of competitive competence among firms according to export stance**. Given statistically significant differences in critical export success factors such as managerial commitment and salesforce effort - and evidence of, generally, stronger perceptions of advantage vis-a-vis other factors -this hypothesis is rejected in favour of the alternative hypothesis.

6.7.3 Key Success Factors Versus Competitive Competencies

Exploration of factors deemed important for export success in and respondent's assessments of their firm's competitive competencies are most revealing. Analysis indicates that they were confident of their competitive capabilities in product design/quality, providing technical advice and after sales service. They perceived low competitive advantage in their market intelligence activities. Although firms attached less importance to promotional issues and physical distribution, they also rated themselves below competitors in performing these activities. Perceptions of salesforce performance - notably, among **occasional** and **frequent** exporters was quite low, relative to the high importance attached to the selling function.

These issues are illustrated graphically in Figures 6.6 to 6.8. Critical success factors were plotted in descending order of importance together with firm's perceived export competencies according to country of origin (Figure 6.7) and export stance (Figure 6.8). Overall responses are shown in Figure 6.6 and in each figure attention should be focused on areas where firm's indicate that their performance is less than comparable with competitors (i.e. where mean competitive competence scores are below 3). This analysis provides a useful indication of export performance "gaps" which - with the analysis of export problems in Section 6.8 (p. 336) - offers useful insights for policy-makers on gaps that EPO's might usefully address. As can be seen, the main concerns relate to export market intelligence, and - to a lesser extent, given their perceived lower importance - to promotional issues. However, assisting **occasional** and **frequent** exporters to improve the performance of their salesforce and helping them secure suitable representation should also be addressed.

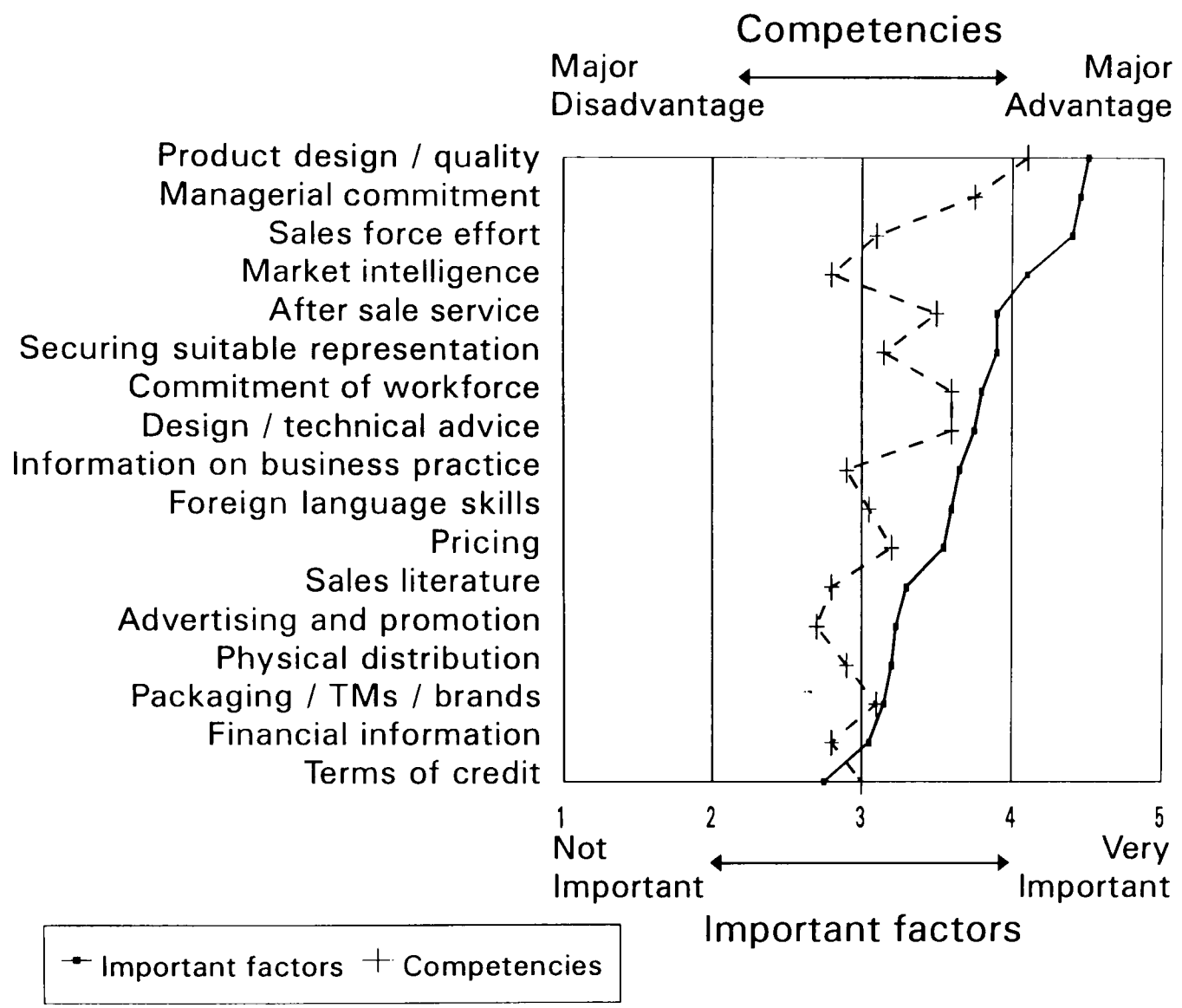


Figure 6.6: Export Performance Gaps, Key Success Factors Versus Competencies (Overall)

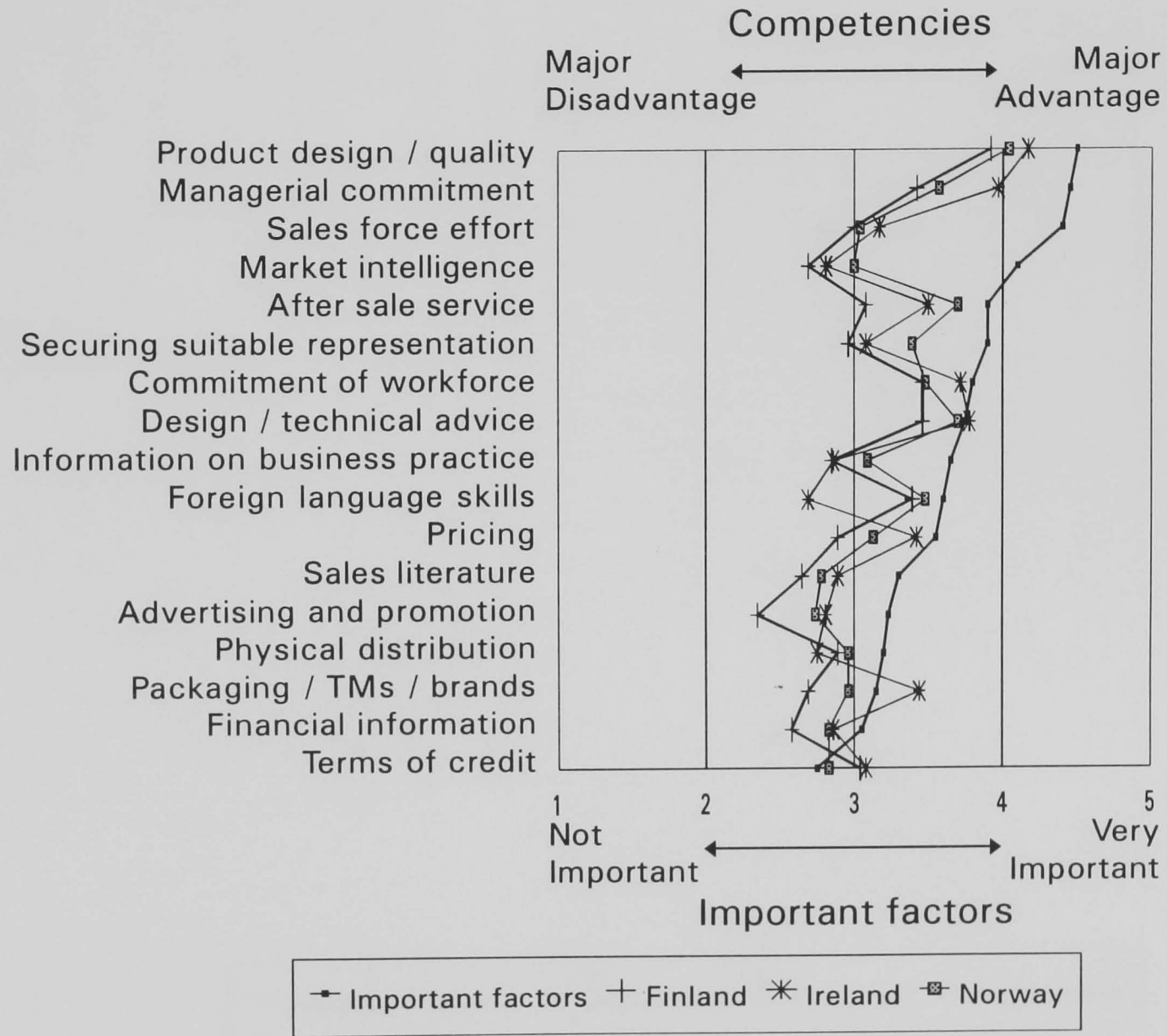


Figure 6.7: Export Performance Gaps, Key Success Factors Versus Competencies (By Country)

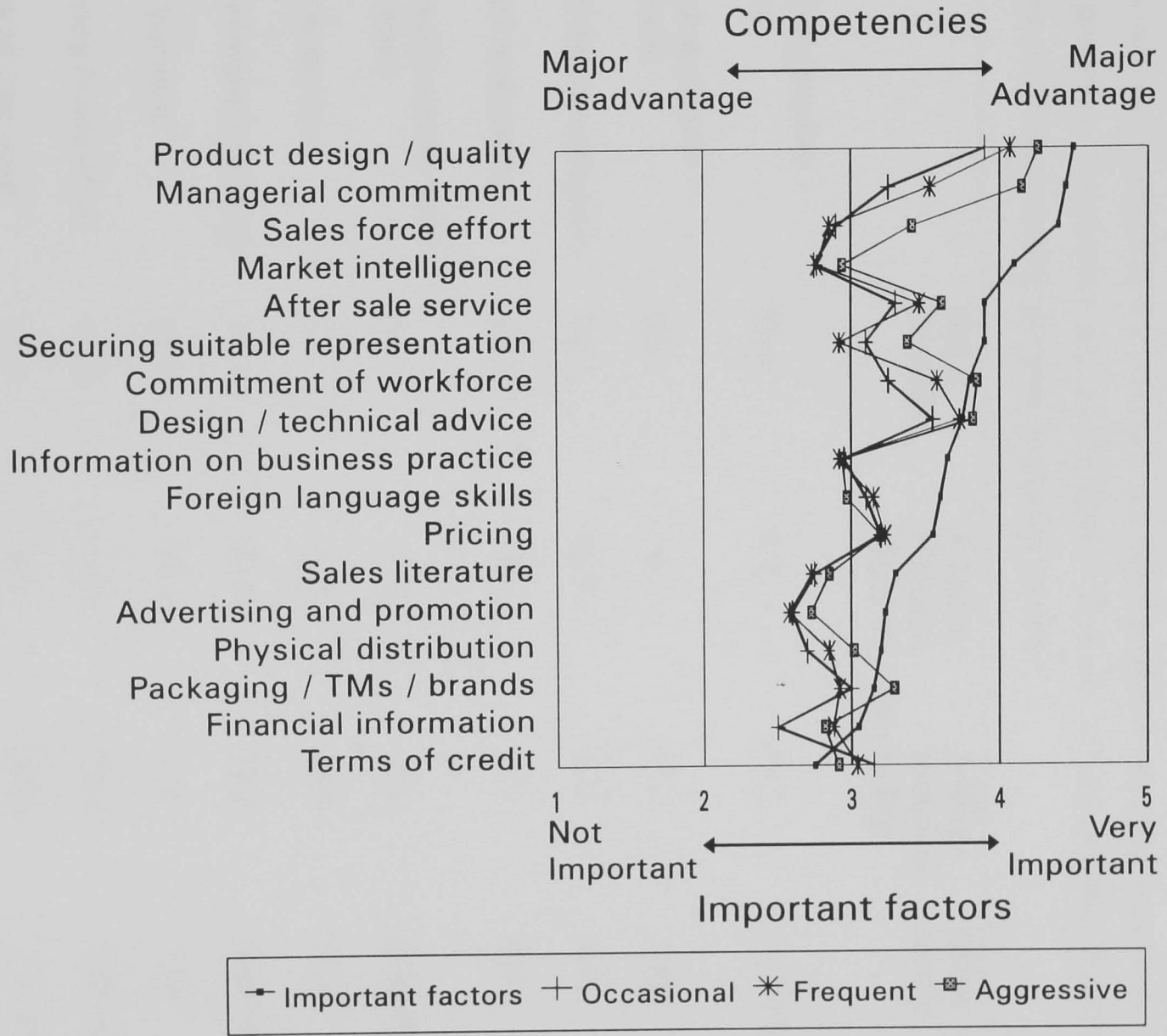


Figure 6.8: Export Performance Gaps, Key Success Factors Versus Competencies (By Export Stance)

6.8 EXPORT PROBLEMS

Having explored the factors key decision-makers regarded important for export success and perceptions of their own firm's competitive advantage, enquiry focused on specific export problems. Respondents were asked to rate the strength of various factors identified in the literature as **not a problem**, **a minor problem**, or **a major problem**. These were allocated values of 0, 5 and 10 respectively, in order to calculate mean scores and facilitate statistical analysis.

	Not a Problem	A Minor Problem (% of all firms, n=85)	A Major Problem	Mean Score¹
Obtaining export finance	51.7	8.1	20.2	3.47 (4)
Obtaining export insurance	69.7	28.1	2.2	1.63
Export documentation	46.1	44.9	9.0	3.15
Product suitability	50.6	38.2	11.2	3.03
Communications with customers	37.1	48.3	14.6	3.88 (2=)
Delivery delays	47.2	43.8	9.0	3.09
Price competitiveness	40.4	41.6	18.0	3.88 (2=)
Tariff barriers	66.3	29.2	4.5	1.91
Currency fluctuation	41.6	48.3	10.1	3.43 (5)
Delays in payment	24.7	55.1	20.2	4.77 (1)

¹ Values: 0= not a problem, 5= a minor problem, 10= a major problem

Table 6.16: Nature and Strength of Export Problems (Overall)

Several important observations should be made concerning the data in Table 6.16. Firstly, some 20% of respondents reported that they had major problems in areas such as obtaining export finance, payment delays and price competitiveness. Nevertheless, the overall response indicates that - even in these areas - the strength of problem was generally less than minor. Secondly, a surprisingly high proportion of firms indicated that most factors were not a problem. Thirdly, low reported problems in obtaining export insurance and with tariff barriers can be explained by the fact that most firms did not bother to protect themselves against exporting risks and were dealing in markets which were relatively open. Finally - with the exception of communications with customers - the most problematic areas all related to financial aspects. Moreover, in-depth interviews revealed that the problems of communicating with customers related to the high cost of sales and technical personnel making overseas visits (see below).

Given that the literature identifies financial constraints as a major impediment to small-firm growth in both domestic and export markets, these findings are not surprising. They are - nevertheless - particularly important in the software industry for a number of reasons; First, the spend on research and development is much higher than in many more traditional industries, the norm being 15-20% of total costs. Second, the augmented nature of products and a significant service dimension demand more frequent personal contact with clients leading to substantially higher expenditure on these activities than is the case in many other sectors. Thirdly, small-firms find it difficult to obtain support from financial institutions generally, in the case of software firms this is often even less forthcoming due to their low asset base. Indeed, the in-depth interviews revealed that a number of firms had recently been acquired by a larger third party, or were involved in such negotiations, on the basis that this was the only alternative which would offer any prospect for future growth (see Cases 312 and 208 in Section 6.4.4, p. 303). Export problems by country of origin and stance are discussed hereafter.

6.8.1(i) Export problems by country of origin

Differences existed in the strength and ranking of export problems when analysed by country. However, apart from difficulties in establishing competitive export prices, none of the factors were statistically significant (see Table 6.17). Delays in receipt of payment presented most problems, especially for Irish and Norwegian exporters. Pricing competitively was a particular issue for Finnish firms and to a lesser extent their Norwegian counterparts. This factor was statistically significant at $\alpha = 0.02$ and was, undoubtedly, influenced by the artificially high value of the Finnish Marka at the time of the postal survey. The subsequent devaluation of the Marka was welcomed by Finnish MD's during interviews, but they remained concerned about high local labour costs. In contrast Irish firms faced fewer problems in this respect, given more competitive wage levels. As labour accounts for a high proportion of total costs in computer software this factor is important.

Communication with customers was also cited as a problem, particularly by Finnish and - to a lesser extent - Irish firms. As indicated earlier, cost of communication on a face-to-face basis is the real issue. Due to increased homogenisation within the computer industry, particularly in respect to PC based software - see Section 4.3 (p. 239) - relatively few nationally imposed legal or technical barriers exist. Use of English as the de facto industry "standard" means that product modifications can be kept to a minimum. In the follow-up phase, the majority of respondents indicated that software was easily adaptable for use in most markets by developing separate foreign language command directories and that packages were often developed in English. Similarly, in most cases, modification to meet local market practice was considered to be relatively straight-forward. Finnish respondents expressed most concern regarding product suitability - often - as a result of the operating environment for which their software was designed. Tariff barriers presented relatively few difficulties to all respondents. Delivery delays were more of a problem to Irish firms than to Finnish or Norwegian ones, as were currency fluctuations, but export documentation was slightly less problematic.

	Finland (n=27)	Ireland (n=35)	Norway (n=24)	K-W Anova
	(Mean scores ¹ and Top 5 ranked problems)			
Obtaining export finance	4.35 (3)	2.57	3.65 (3)	0.20
Obtaining export insurance	2.26	1.08	1.73	0.18
Export documentation	3.23	2.57	3.46	0.53
Product suitability	4.03	2.02	2.88	0.09
Communication with customers	4.51 (2)	3.91 (3)	2.50	0.08
Delivery delays	2.74	3.51	2.69	0.59
Pricing competitively	5.32 (1)	2.84	3.85 (2)	0.02 *
Tariff barriers	1.45	2.43	1.73	0.58
Currency fluctuation	2.58	3.92 (2)	3.27	0.20
Delays in payment	4.03	5.27 (1)	4.61 (1)	0.33

¹ mean scores where 0= not a problem, 5= a minor problem, 10= major problem

* significant at alpha = 0.05 or greater

Table 6.17: Export Problems by Country

Despite these variations and notwithstanding differences vis-a-vis price competitiveness - which can be explained by the artificially high value of the Finnish Markka at the time of the postal survey - results indicate that **no significant differences exist in respect of the nature and intensity of export problems experienced by software firms in the different countries investigated** (Hypotheses H₀₅). Thus, the null hypothesis is accepted.

6.8.1(ii) Export problems by "stance"

As can be seen from Table 6.18, variations exist in the nature and degree of export problems both by export stance. These differences suggest that the problems faced by smaller firms change as they become more committed to exporting. Finance-related problems such as delays in payment, pricing competitively, currency fluctuation, or obtaining export finance increase, while others - product suitability, communication with customers, export documentation, etc. - decline. However, apart from currency fluctuation ($\alpha = 0.001$), none are statistically significant.

Occasional exporters reported that documentation and communication with customers presented them with the most problems, whereas **frequent** and **aggressive** exporters cited delays in payment as their greatest problem. Generally, the strength of these - and other - difficulties was moderate rather than serious, although interviews did reveal that some firms had major problems in certain areas.

The fact that there are statistically significant differences in response vis-a-vis currency fluctuations is entirely logical. Clearly, **aggressive** exporters are likely to be much more exposed to such risks than **occasional** ones and - thus - experience greater difficulties. With this one exception, findings support hypothesis H₀₆ that **no significant differences exist in respect of the nature and intensity of export problems experienced by firms according to export "stance"**. Nevertheless, patterns evident in Table 6.18 do suggest differences in the relative strength of problems between categories.

One disadvantage frequently cited by respondents in all markets during the in-depth interviews was the lack of a national "high-tech" identity. Many MD's, especially those of **aggressive** firms, argued that an essential EPO objective should be to promote the country as a location where new technology - particularly, software development - was flourishing. Such activities would help to make their offerings more credible in the global marketplace.

	Occasional (n=22)	Frequent (n=28)	Aggressive (n=35)	K-W Anova
	(Mean scores ¹ and Top 5 ranked problems)			
Obtaining export finance	3.18 (5)	3.52 (2)	3.57 (5)	.89
Obtaining export insurance	1.36	1.67	1.71	.93
Export documentation	4.31 (2)	2.59	2.57	.08
Product suitability	3.18	2.22	2.29	.45
Communication with customers	4.77 (1)	3.33 (3=)	2.71	.06
Delivery delays	2.95	2.59	3.86 (4)	.25
Pricing competitively	3.41 (4)	3.33 (3=)	4.43 (3)	.38
Tariff Barriers	2.05	1.30	2.14	.43
Currency fluctuation	1.59	3.33 (3=)	4.71 (2)	.001*
Delays in payment	3.86 (3)	5.19 (1)	5.43 (1)	.20

¹ mean scores where 0= not a problem, 5= a minor problem, 10= major problem

* significant at alpha = 0.05 or greater

Table 6.18: Export Problems by Stance

6.8.1(iii) Principal export problems

Perhaps the most significant finding concerning firms' export problems is that - regardless of country of origin or export stance - most are directly or indirectly related to financial issues. Moreover, although the overall strength of these difficulties is moderate, some firms face particular difficulties in these areas. Secondly, with several explainable exceptions, there are no statistically significant differences in firms' responses. However, patterns of response do suggest that certain difficulties have a greater impact on firms at different development stages.

Again, these findings indicate areas where EPO's might offer specific assistance and tailored training programmes such as advice on export documentation and communication with customers for less experienced exporters and managing exchange risk for more active exporters. Given the nature of the product, there is also a need to consider mechanisms to increase financial support for additional product and market development activities of software firms. Together with the "gap" analysis contained in Section 6.7.3 (p. 332) - which highlights the need for improvements in firms' export intelligence activities and sales efforts - these results provide useful policy perspectives which will be discussed in later chapters.

6.9 SOURCES OF EXPORT INFORMATION

The principal sources of export information used by responding firms are shown in Figure 6.9. There are clear indications that information was most often gained through personal experience - general knowledge, sales force feedback, etc. This appears to confirm views in the literature that small firms use personal networks more widely than they do secondary sources. Of the latter, a high proportion of firms used EPO services and over 50% obtained export information from trade associations or commercial sections of national embassies/consulates abroad. Significantly, over 60% did not use export information provided by banks, other financial institutions or chambers of commerce at all. In-depth interviews revealed considerable dissatisfaction with information and assistance available from commercial organisations and respondents were particularly scathing of the export support they received from banks and other financial institutions.

Variations in patterns of usage between countries are marginal apart from the use of national embassies or consulates abroad as sources of export information. When analysed by stance, there is evidence of a relationship between higher use of EPO services - and other export information sources in general - and increased commitment to exporting (see Figure 6.10). These issues were investigated further by utilising numerical values to measure the usage of specific information sources (where 0 = never used, 5 = used occasionally, and 10 = frequently used).

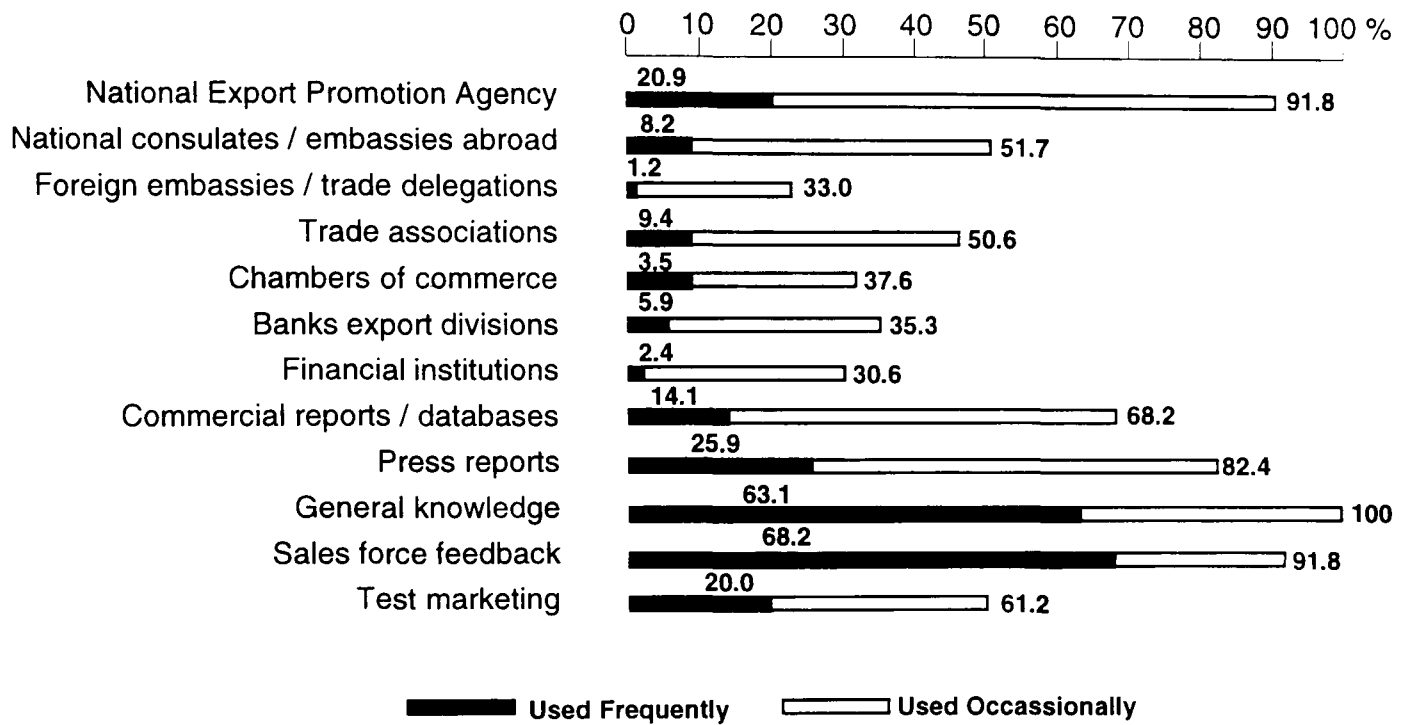


Figure 6.9: General Sources of Export Information (Overall)

6.9.1(i) General sources of export information by country

When analysed by country, the only statistically significant difference vis-a-vis sources of export information was the use of national consulates or embassies abroad (alpha= 0.003). As can be seen in Table 6.19, Finnish firms tend to use this service more widely than their Irish or Norwegian counterparts. This is due to operational differences in the way Finland provides agent/distributor identification services. In all other respects usage of export information sources was highly comparable.

With this one understandable exception, findings support hypothesis H₀₇ that **no significant differences exist in firms use of export assistance provided by EPO's and other public organisations in the countries under investigation.** Therefore, the null hypothesis is accepted.

	Finland (n=27) (Mean scores ¹)	Ireland (n=35) (Top 5 ranked sources)	Norway (n=24)	K-W Anova
Export Promotion Organisation	5.37 (4)	5.71 (4)	5.83 (3)	0.74
National embassies	4.61	2.00	2.70	0.003*
Foreign embassies/ trade delegations	2.11	1.71	1.25	0.58
Trade Associations	3.46	2.86	2.70	0.42
Chambers of Commerce	2.50	1.85	1.88	0.67
Banks export divisions	2.30	2.14	1.67	0.92
Financial institutions	1.92	1.14	2.08	0.21
Commercial reports/ databases	5.00 (5)	4.13	3.12	0.26
Press reports	5.57 (3)	5.86 (3)	4.58 (4)	0.37
General knowledge	8.07 (1)	8.38 (1)	7.92 (2)	0.32
Salesforce feedback	7.11 (2)	8.29 (2)	8.54 (1)	0.26
Test marketing	3.65	4.14 (5)	4.38 (5)	0.22

¹ mean scores where 0= never used, 5= used occasionally,
10= frequently used

* significant at alpha = 0.05 or greater

Table 6.19 Usage of Sources of Export Information by Country

6.9.1(ii) General sources of export information by "stance"

Patterns of response regarding the use of all general sources of export information are shown in Figure 6.10. As can be seen, they suggest that **frequent** and **aggressive** exporters tend to make much wider use of all sources, especially EPO services. Thus, for example, 28.6% of **aggressive** exporters used EPO services frequently compared with 21.4% of **frequent** exporters and only 8.1% of **occasional** exporters.

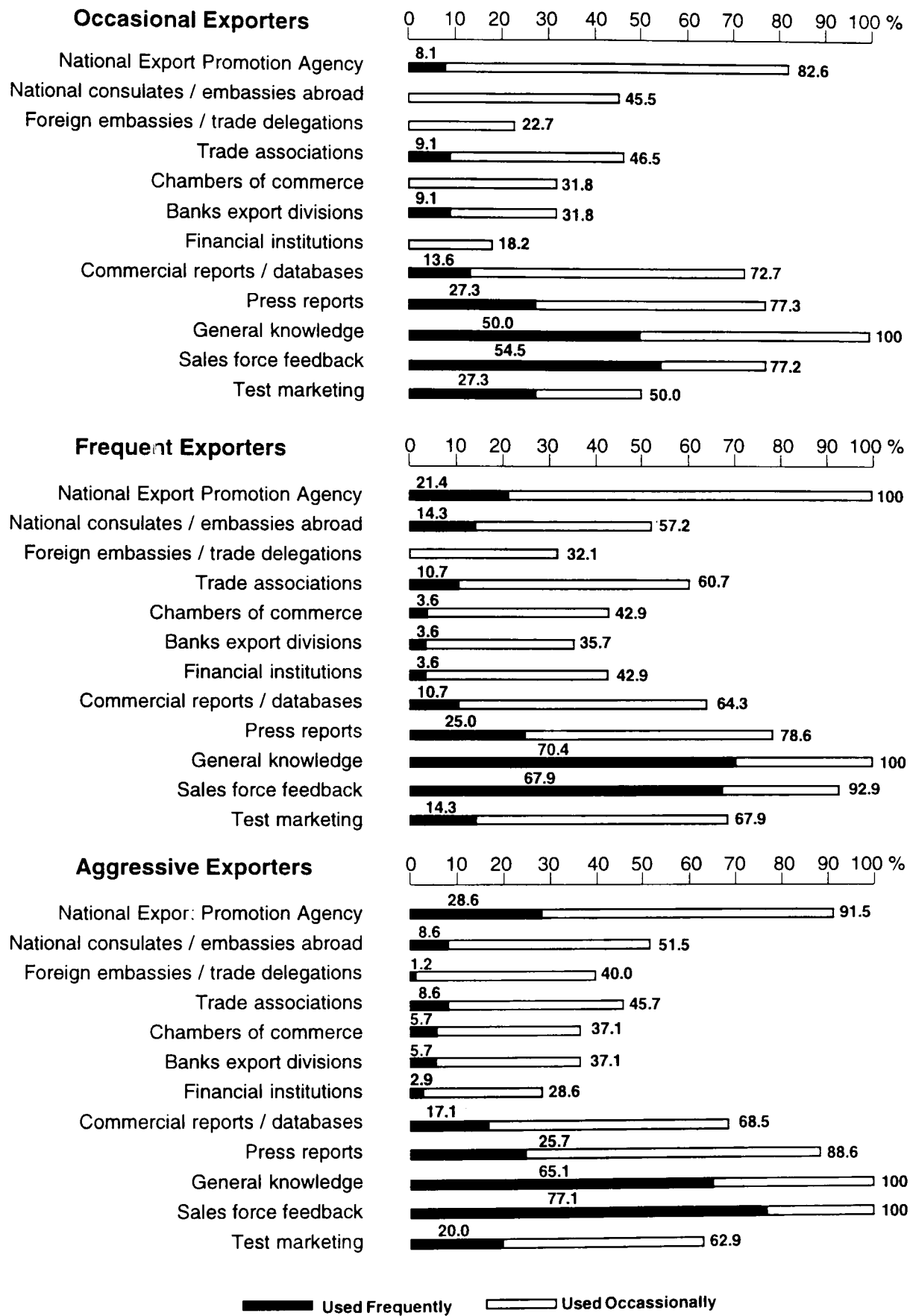


Figure 6.10: General Sources of Export Information (By Stance)

What is, perhaps, most interesting is the extent to which firms do not avail of particular sources of export information. In particular, less than 10% of firms - regardless of export stance - reported making frequent use of bank's export divisions or other financial institutions and many never used their services at all. This suggests that their services are not especially useful, or that the institutions themselves are not particularly helpful towards small firms. In either case, improvements are desirable. Similarly, chambers of commerce and trade associations - while used more often - do not appear to be particularly export oriented.

	Occasional (n=22)	Frequent (n=28)	Aggressive (n=35)	K-W Anova
	(Mean scores ¹ and Top 5 ranked sources)			
Export Promotion Organisation	4.57 (4)	6.07 (3)	6.00 (3)	0.08
National embassies	2.27	3.57	3.00	0.72
Foreign embassies/ trade delegations	1.14	1.61	2.14	0.40
Trade Associations	2.73	3.57	2.71	0.43
Chambers of Commerce	1.59	2.32	2.14	0.73
Banks export divisions	2.05	1.96	2.14	0.92
Financial institutions	0.91	2.32	1.57	0.17
Commercial reports/ databases	4.32 (5)	3.75	4.29 (5)	0.82
Press reports	5.23 (3)	5.18 (4)	5.71 (4)	0.45
General knowledge	7.50 (1)	8.52 (1)	8.29 (2)	0.99
Salesforce feedback	6.59 (2)	8.04 (2)	8.86 (1)	0.01*
Test marketing	3.86	4.11 (5)	4.14	0.42

¹ mean scores where 0= never used, 5= used occasionally, 10= frequently used * significant at alpha = 0.05 or greater

Table 6.20: Usage of Sources of Export Information by Stance

Many of these patterns are confirmed in Table 6.20 and the only difference which is statistically significant is the use of salesforce feedback as an important source of export information. Again, this variable has a logical explanation insofar as **frequent** and **aggressive** exporters allocate greater human resources to the selling function and have better market coverage. With this single exception, the findings support hypothesis H₀₈ that **no significant differences exist in the usage of specific sources of export assistance according to their export "stance"**. Thus the null hypothesis is accepted.

6.9.1(iii) Principal sources of export information

From the preceding discussion it is evident that general knowledge and salesforce feedback are the most important sources of export information. While EPO sources feature quite prominently, firms use them occasionally rather than frequently. Commercial and press reports are also quite useful sources of information. Conversely, banks, other financial institutions, chambers of commerce and trade associations do not provide much support in this respect.

These findings present two challenges to policy-makers. Firstly, how to stimulate greater utilisation of EPO's as sources of export information. Secondly, how to encourage financial institutions and non-governmental organisations to provide better support for small firms - generally - and small exporters in particular. The relationship between banks and their small-firm clients is a source of concern in much of the small business literature and has been the focus of recent policy-maker attention in many countries. Clearly, policy initiatives are long overdue in this respect. In relation to non-governmental organisations, the pressing issue is how to better integrate public and private policy to the benefit of the small-firm sector. Both these issues are discussed in more depth in the conclusions and recommendations contained in later chapters.

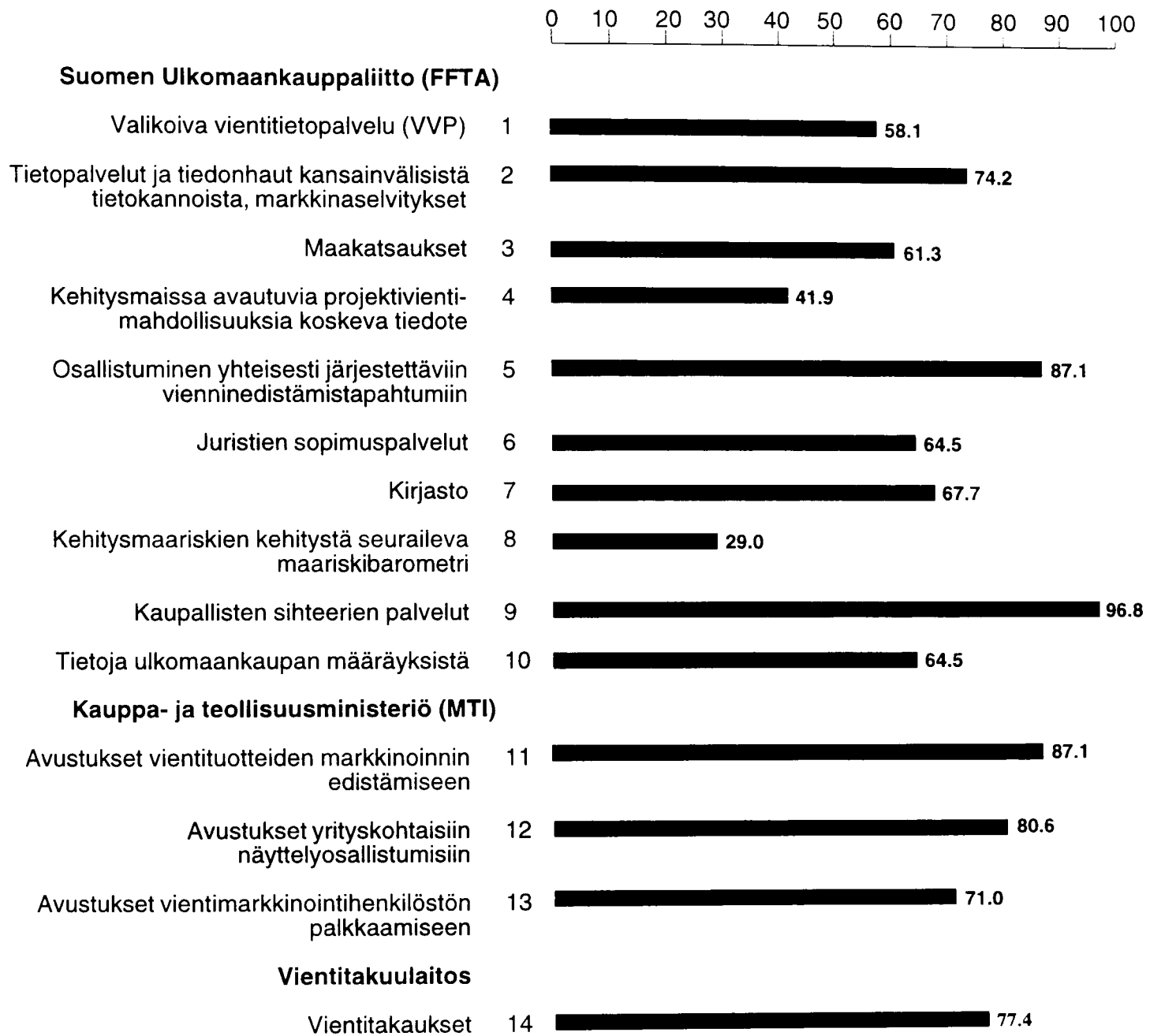
6.10 AWARENESS OF EXPORT SERVICES

Export services available in each country are described in Section 4.2 and summarised in Tables 4.1 to 4.3. Generally, level of awareness of specific services are high (see Figures 6.11 to 6.13). Patterns indicate slightly higher awareness of services among Irish firms than among Norwegian and - especially - Finnish ones. However, comparisons of this nature are quite difficult, as offerings are similar but not identical.

In-depth discussion of the findings with the respective EPO's reveals that logical explanations exist in most cases where awareness is lower. These include; the recent introduction of an offering - for example, the Sales Performance Incentive Scheme in Ireland (SPIS) - since, merged with the Targeted Marketing Consultancy Programme (TMC) - limited availability of the service to selected firms (TMC in Ireland) and; particular services that were generally less appropriate to the sector (Produkttest in Norway, legal advice and support for UN/World Bank or Aid organisation projects in Norway and Finland).

However, lower awareness of some services indicates a need for greater promotional activity by EPO's. Agent Assessment and Market list/mailshot services in Ireland, Mærriskibarometri (Market risk assessment) in Finland and Bransjeaktiviteter (Sectoral activities) and Produkttest in Norway are cases in point.

Possible relationships between awareness, usage and satisfaction must also be considered. There is some evidence to suggest selective retention of information regarding services by respondents. Recall of specific services would appear to be linked to perceived levels of utility and satisfaction. Thus, awareness of services which were more widely used and more highly regarded - notably, those providing grant-aid - is greater and vice-versa (see Sections 6.11 and 6.12). Moreover, certain services, by their nature, are not used on a regular basis, or are used with less frequency as firms become experienced exporters. Consequently, recall of such offerings may well be lower.



Translation Key to Services

- | | |
|-----------------------------------------|---------------------------------------------|
| 1 Export information | 8 Market surveillance / risk appraisal |
| 2 Market research | 9 Information from embassies abroad |
| 3 Market reports | 10 Information on foreign trade regulations |
| 4 Support for UN/IBRD projects | 11 Grants for establishment abroad |
| 5 Information on trade fairs / seminars | 12 Grants for exhibitions / trade fairs |
| 6 Legal information | 13 Grants / subsidies to hire export staff |
| 7 Library facilities | 14 Export credit guarantees |

Figure 6.11: Awareness of Export Services in Finland (Overall)

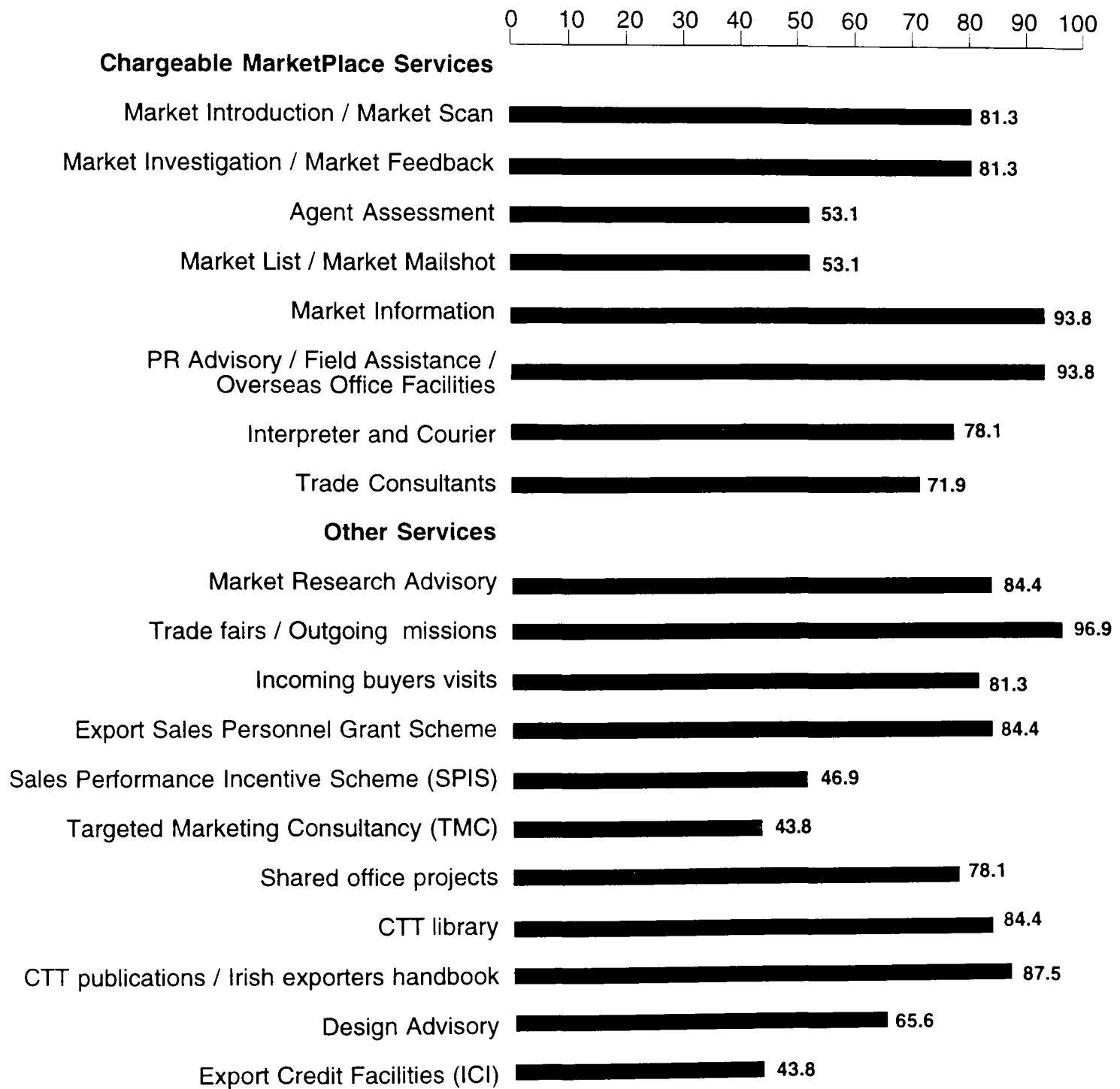
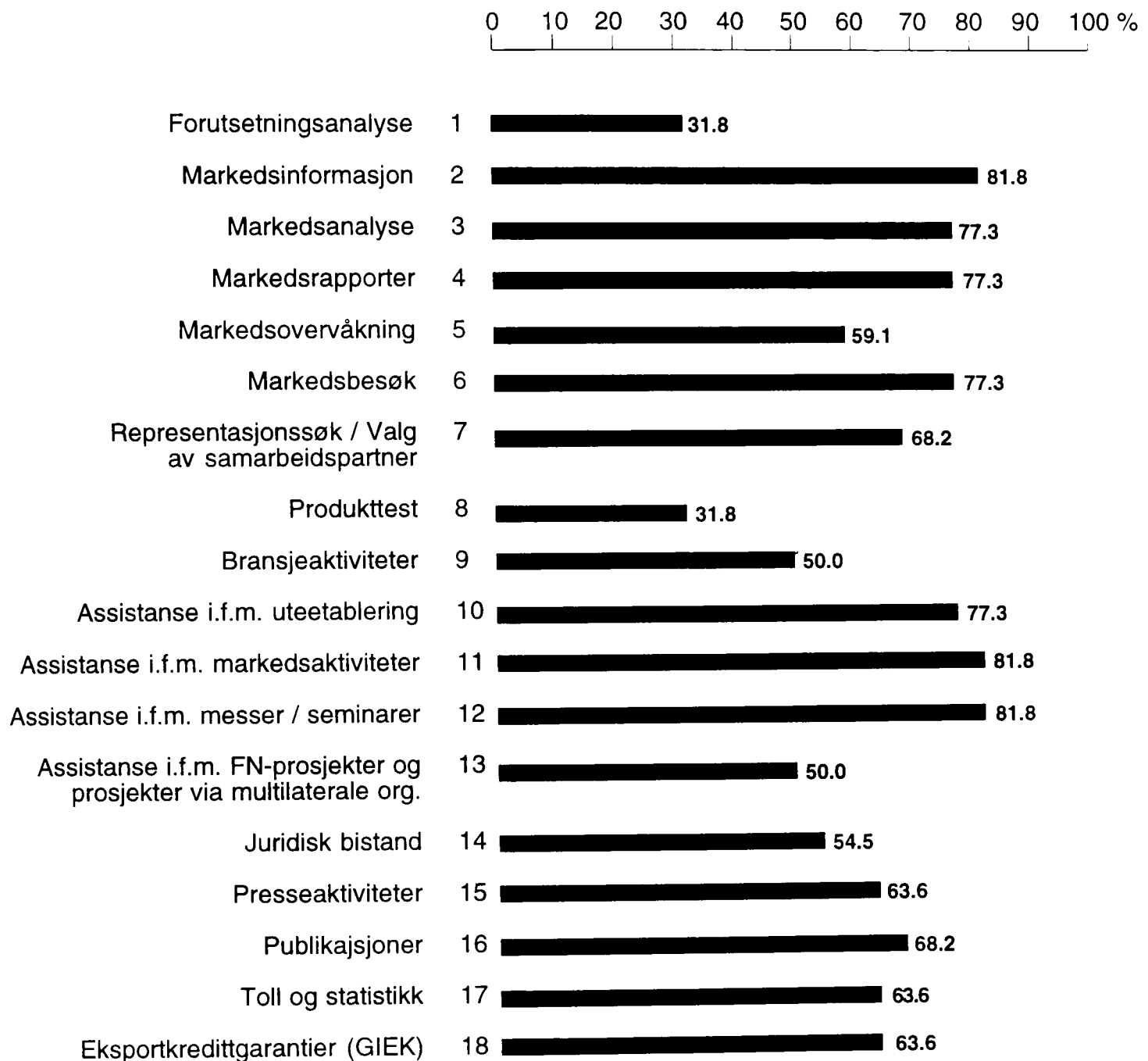


Figure 6.12: Awareness of Export Services in Ireland (Overall)



Translation Key to Services

- | | |
|----------------------------------------|-------------------------------------------|
| 1 Export feasibility studies | 10 Grants for establishment abroad |
| 2 Export market information | 11 Grants for export marketing activities |
| 3 Export market research | 12 Grants for exhibitions / trade fairs |
| 4 Market reports | 13 Support for UN/IBRD projects |
| 5 Market surveillance / risk appraisal | 14 Legal information |
| 6 Market visit | 15 Press services |
| 7 Agent / distributor identification | 16 Norges Eksportrad publications |
| 8 Product testing | 17 Tariff information / trade statistics |
| 9 Sectoral activities | 18 Export credit facilities |

Figure 6.13: Awareness of Export Service in Norway (Overall)

In adopting a service-by-service analysis (as opposed to global construct measures, which are widely employed in previous studies - but are also frequently criticised - see Chapter 3, p. 164), it was not possible to use statistical tests to compare general provisions of EPO assistance between countries. Nevertheless, preliminary investigations, patterns of response and subsequent discussions with firms and EPO "expert witnesses" reveal no major differences in the type or range of services available in each country, or in - a generally high - awareness thereof. However, they do suggest variations in usage of - and satisfaction with - specific offerings.

6.11 USAGE OF EXPORT SERVICES

The findings clearly indicate substantial variations between the usage of individual EPO services in each market (see Figures 6.14 to 6.16). Most evident, is a higher use of services which provide financial assistance to implement export strategies such as Ministry of Trade and Industry (MTI) grants in Finland; support for export activities and trade fairs in Norway; outward missions, incoming buyer visits and the Export Sales Personnel Grant scheme in Ireland. Offerings which provide expertise or additional operational resources are also popular (for example, the field assistance and overseas office facilities provided by the Irish EPO).

Use of export information services ranges from 26% in Finland to 36% in Ireland and 46% in Norway. Irish firms also use EPO library facilities and publications quite extensively. However, a high proportion of firms do not use information services at all. This is surprising as firms, generally, regard themselves to be less competent than competitors vis-a-vis market intelligence activities (see Section 6.7.3, p. 332). A number of plausible explanations may be advanced; First, that information provided by EPO's fails to meet the requirements of smaller exporters. Second, that small firms are not able to make best use of EPO provisions because of inherent resource limitations. Third, that such firms are quite happy with their own information networks and do not feel the need to avail of EPO sources. Regardless of the actual reasons, low usage suggests a mis-match between EPO information provisions and small exporter's needs.

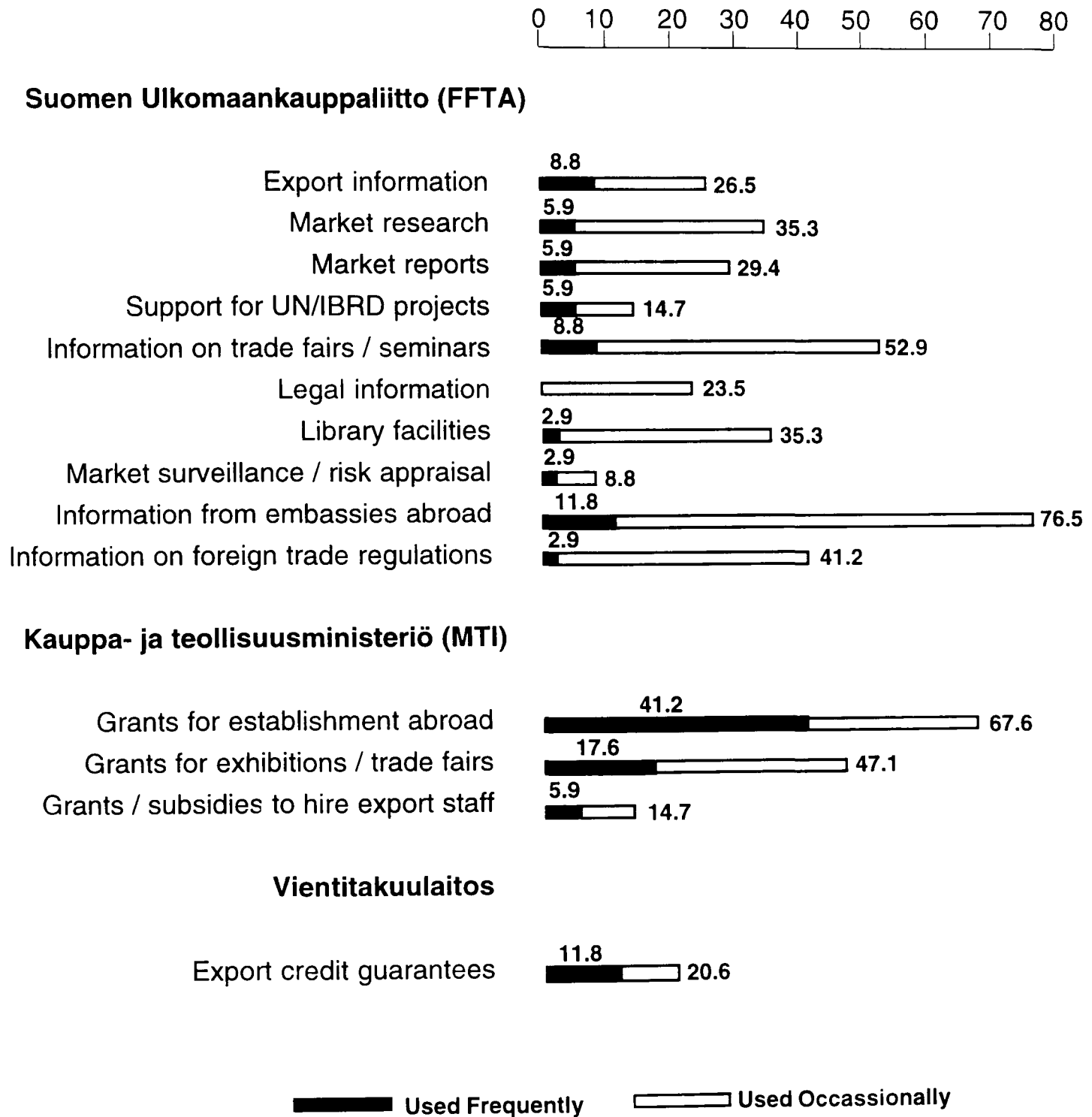


Figure 6.14: Usage of Export Services in Finland (Overall)

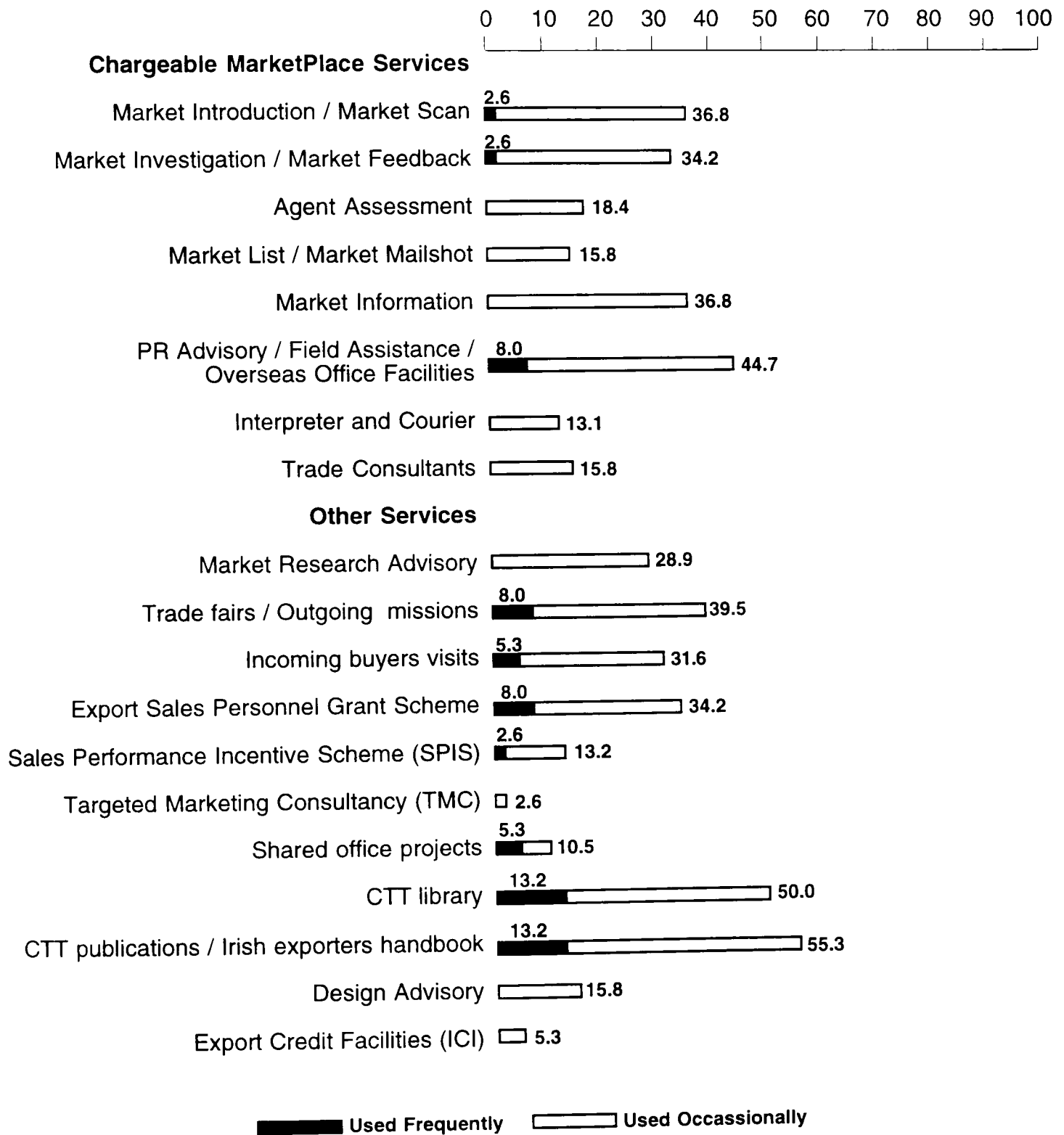


Figure 6.15: Usage of Export Services in Ireland (Overall)

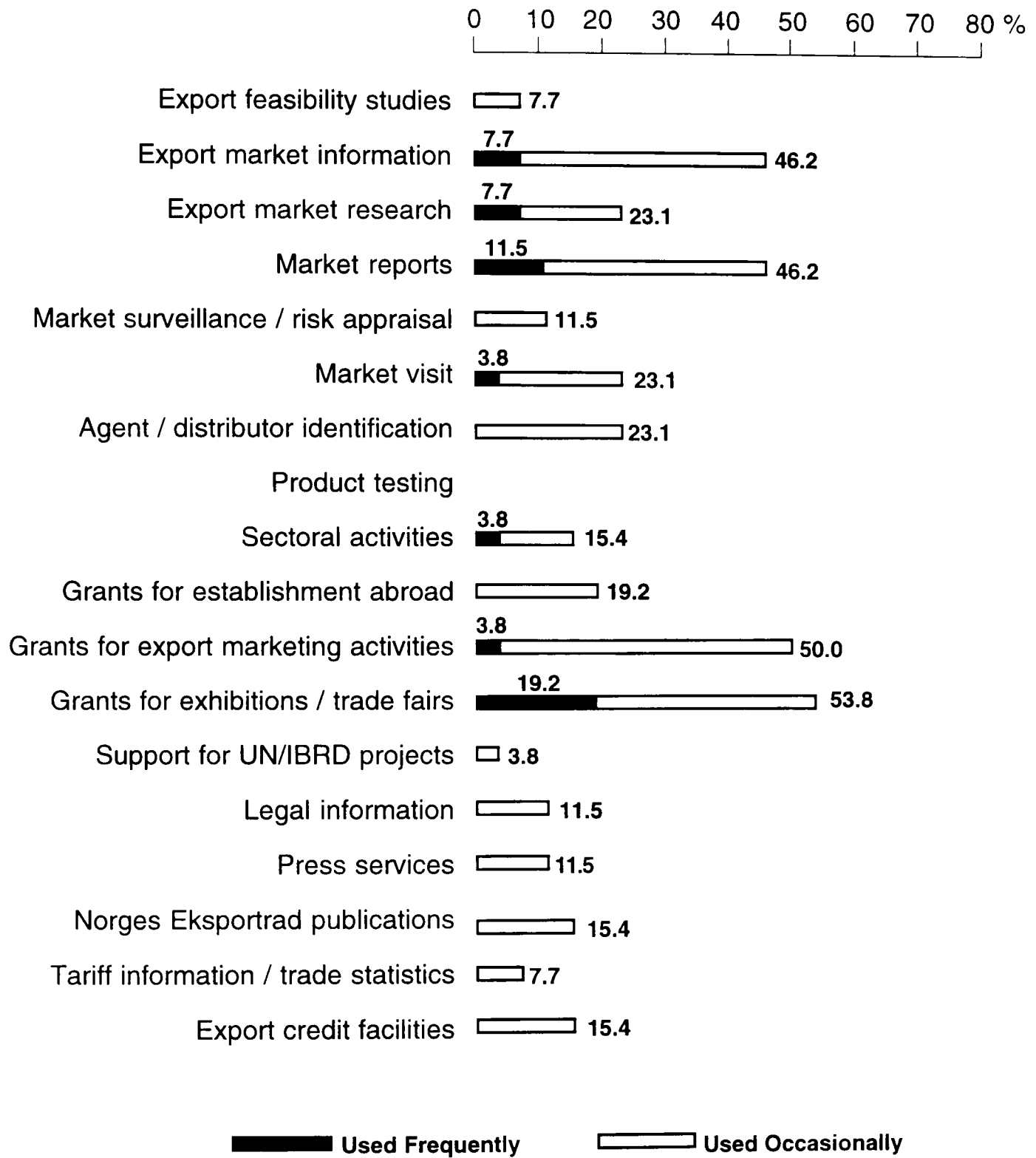


Figure 6.16: Usage of Export Services in Norway (Overall)

Export market research programmes are used quite widely in all countries. Taking all the offerings together, it can be estimated that 35-45% of all firms use a combination of services to assist them in undertaking market investigations. However, low usage of services providing information on tariffs, trade statistics and legal issues suggests that firms are more concerned with obtaining specific market/sector intelligence, rather than with background information on export market environments. Indeed, a consistent criticism made by MD's during the interview phase was that EPO personnel did not have sufficient knowledge of the software sector to be able to provide them with good contacts, business opportunities and other "hard" intelligence.

Several other observations on the overall usage of services can be made. Firstly, almost 77% of Finnish firms use information from trade sections in overseas embassies/diplomatic posts. In part, this reflects the fact that these posts operate the agent/distributor identification service, although FFTA officials were quite critical of its' efficacy. In contrast Irish firms reported low usage of the agent assessment service (18.6%) and only 23.1% of Norwegian firms used the equivalent offering (Representasjonssok/Valg av samarbeidspartner). Secondly, Finnish firms also made quite extensive use of information on trade fairs and exhibitions (52.9%). FFTA personnel indicated that this was because they organised all trade fair activities in Finland and firms could apply either to them or MTI - but not both - for financial support towards participation costs.

Also worthy of comment is the low overall use of export credit facilities, especially by Irish firms. Although these provisions are not part of the remit of EPO's in any of the countries in question, EPO "expert witnesses" expressed concern over the low level of export risk cover in discussions on the findings. However, low use of export credit facilities may reflect the fact that the bulk of exports are destined for countries where such risks are considered to be marginal. This factor may also account for the low utilisation of market surveillance/risk assessment services in Finland and Norway.

6.12 SATISFACTION WITH EXPORT SERVICES

In order to gauge levels of satisfaction with export services, firms were asked to rate each service on a scale of 1 to 5 (where 1 = very dissatisfied and 5 = very satisfied). Responses indicate that, in most cases, firms are generally satisfied with the services provided (see Figures 6.17 to 6.19). Indeed, taking all countries together, only four services fell below the "quite satisfied" threshold [Marketsovervakning (market appraisal) and Bransjeaktiviteter (sectoral activities) in Norway, Tietopalvelut (market appraisal) and Marriskibarometri (Market risk assessment) in Finland]. Again, overall levels of satisfaction appears to be higher in Ireland than either Finland or Norway with the Sales Performance Incentive Scheme and Targeted Marketing Consultancy Programme receiving very high ratings.

A greater degree of satisfaction is expressed for those services which provide financial assistance or practical support. Indeed, there appears to be clear patterns in all countries, as offerings which offered general export information received the lowest ratings. Moreover, as many of the highly-rated services are those which are also most widely used and have the highest awareness levels, this would seem to confirm a relationship between awareness, usage and satisfaction.

However, closer examination reveals that such a relationship is not always the case. For example, awareness and usage of Irish Export Board library facilities and publications are high, but satisfaction with them is lower than that of other services which are not as widely known or used, yet are highly regarded by firms that use them (Market List/mailshot, Agent Assessment and so forth). Similarly, while usage of the Markedsbesok (market visit) service in Norway is quite low (23.1%) awareness (77.3%) and satisfaction (overall rating 4) are high. In respect to Export Credit facilities, despite low to moderate awareness and generally low usage, satisfaction levels are moderate to high among firms that use them. Ironically, satisfaction is highest among Irish firms, which - as a group - use these provisions most infrequently.

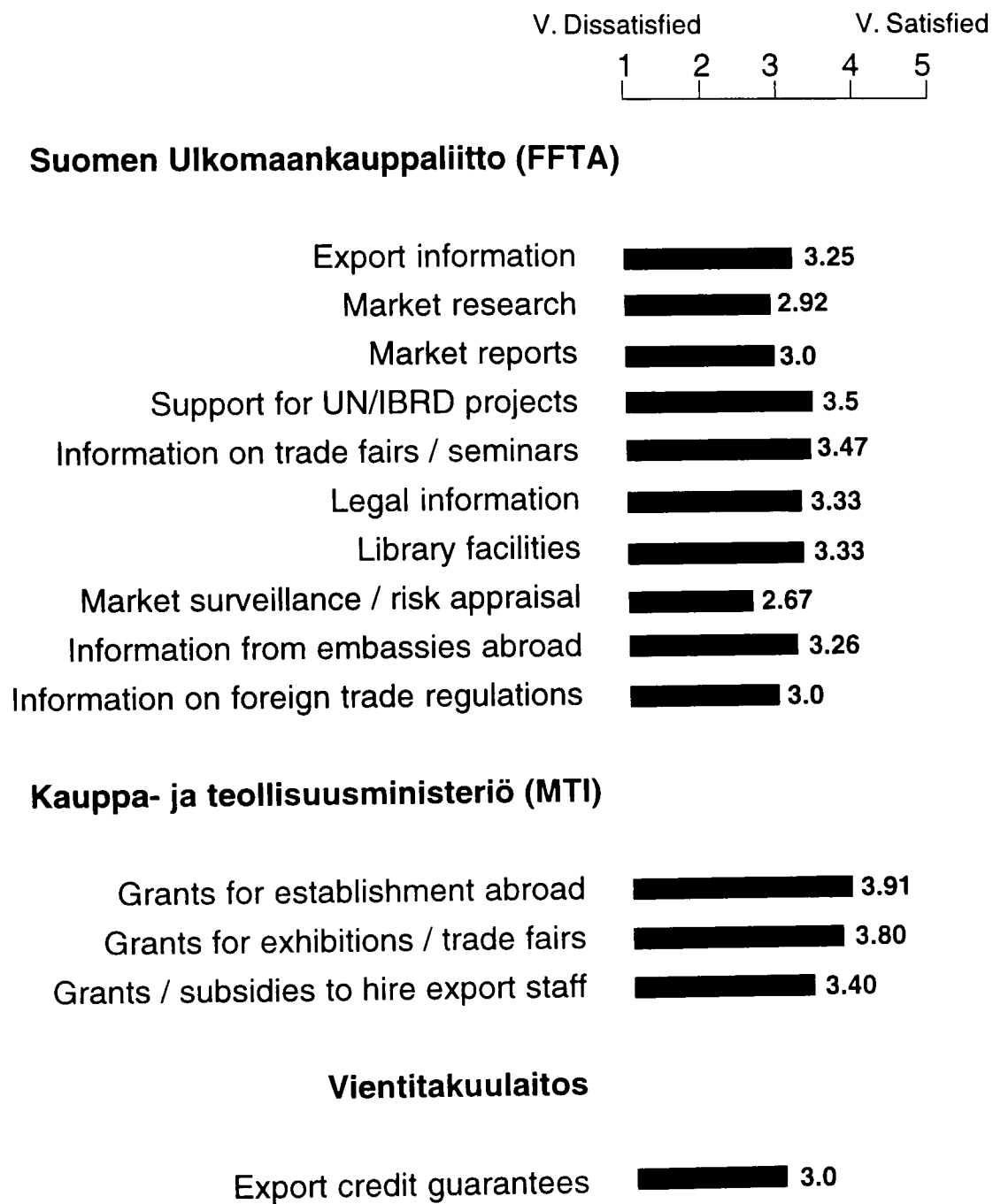


Figure 6.17: Satisfaction with Export Services in Finland (Overall)

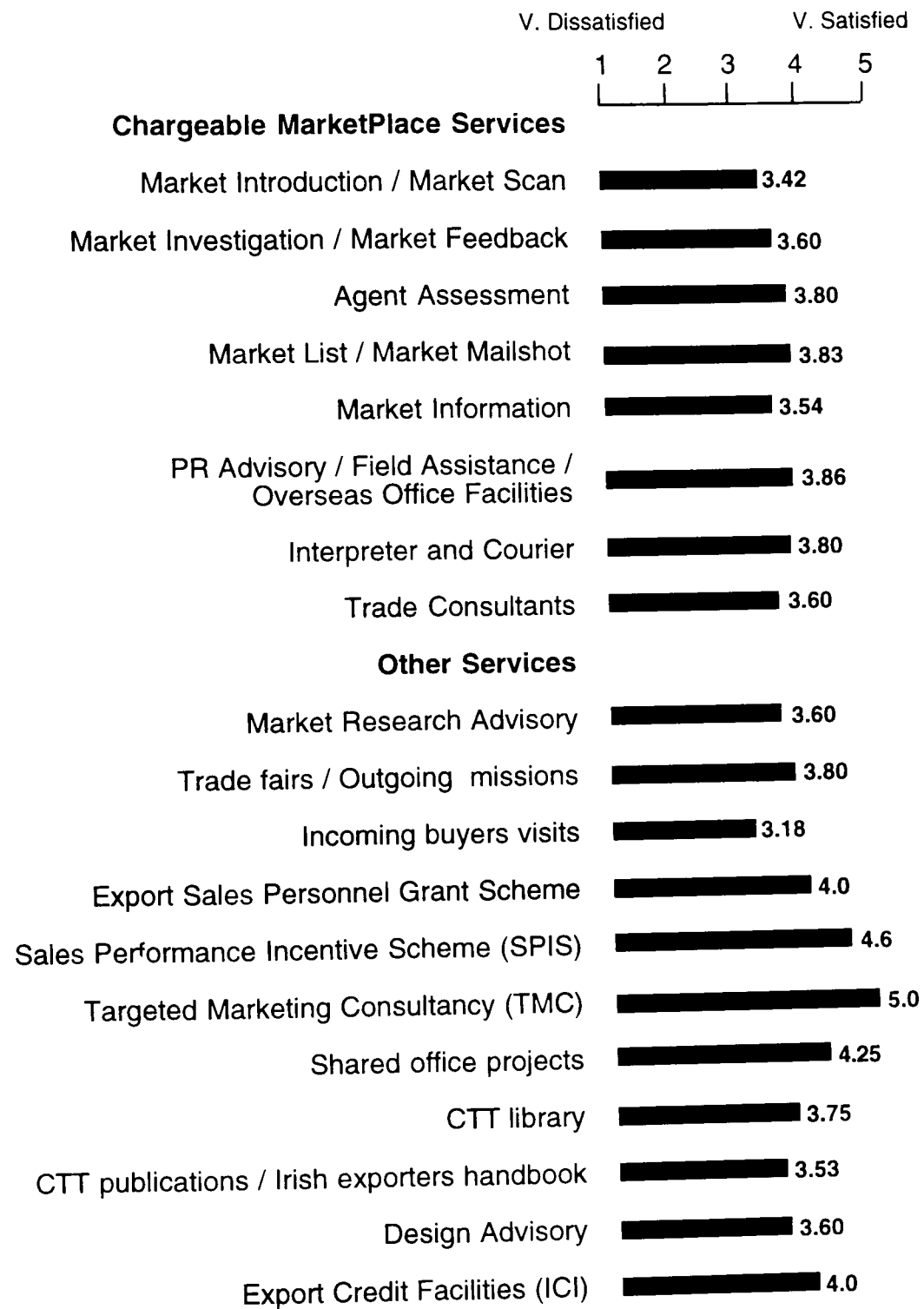


Figure 6.18: Satisfaction with Export Services in Ireland (Overall)

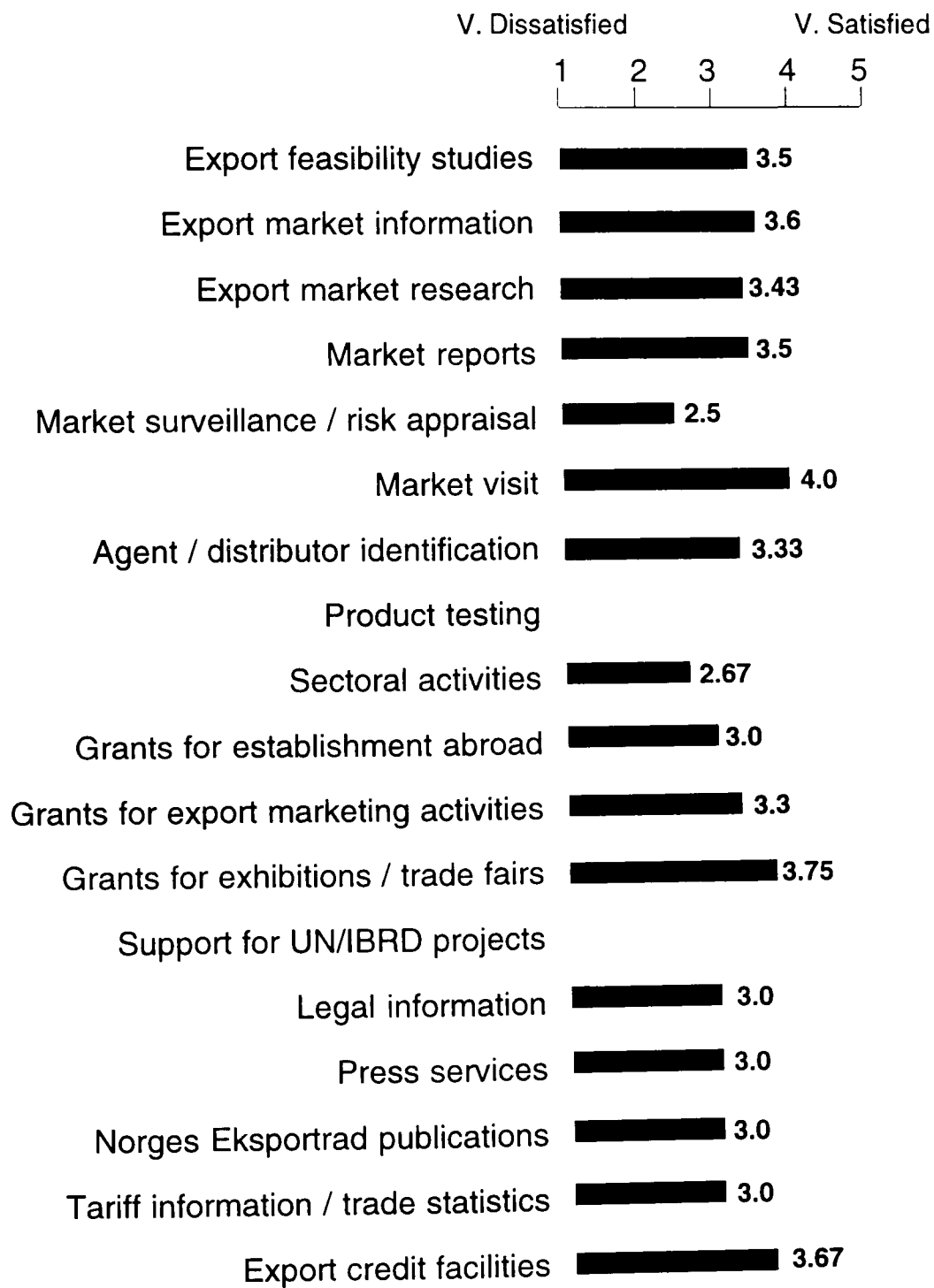


Figure 6.19: Satisfaction with Export Services in Norway (Overall)

Respondents were also asked to comment on EPO services in both the mail questionnaire and during the in-depth interviews. In order to maintain confidentiality, the names of firms and respondents are not disclosed, instead case numbers are used. However, as can be seen below, opinions were - generally - very favourable in all countries; notably, in respect to the:

- quality and helpfulness of overall services (Finland 104, 125; Ireland 201, 235; Norway 305, 307, 319)
- value of specific offerings to the firm (Finland 104; Ireland 202, 223; Norway 319)
- efficiency and speed of delivery of assistance (Finland 114, 125; Ireland 222, 223; Norway 307, 315)
- high calibre of EPO personnel (Finland 125; Ireland 207, 235; Norway, 236).

Typically positive views included:

"Eksportad services are very helpful." (Norway 305,307,319)

"Generally, the services on offer - especially in the recent past - have been excellent." (Ireland 235).

"SPIS and shared office projects are invaluable services that allowed us to enter markets which we would otherwise have had to ignore." (Ireland 202)

"Quick, good quality services." (Finland 125)

"All services are provided with a minimum of fuss and delay." (Ireland 222)

"High calibre of individuals dealt with (in CTT) having a thorough understanding of our industry and good business acumen, untypical of many semi-state organisations." (Ireland 207)

"High satisfaction usually relates to the professionalism of individual Eksportad staff." (Norway 326)

Nevertheless, many respondents believed that EPO's could provide better services if they had greater resources:

"They (MTI) are doing a fantastic job with so little money. I think they are channelling the money just the way it is meant by the Finnish government. However, more money for special projects would be needed especially for innovative programmes. I also wish that these people (FFTA staff) would be paid better so that more top persons would apply for these posts." (Finland, 125)

"I find CTT services excellent, though they could do with more funding!" (Ireland, 201)

These points are well made as key EPO informants indicated that the range and scope of services were constrained by limited financial resources. They also indicated that EPO's faced a major problem in recruiting and retaining high-calibre staff because they could not compete with salaries offered in the private sector. An inability to provide expertise in certain areas and problems in maintaining personal contact with firms - because of personnel changes within the EPO - made it more difficult to foster good long-term relationships with clients.

Despite generally positive perceptions of EPO services, especially among Irish respondents, some criticisms of provisions were voiced. These relate to a number of issues:

- That the EPO itself was underfunded and limited the services it could provide (Finland 124; Ireland 216, 223; Norway 313, 325)
- That too much support was given to larger, successful exporters at the expense of small, inexperienced firms which had greater need of assistance (Ireland 227, 238; Norway, 314)
- That available offerings were not sufficiently targeted to the specific needs of software firms and that the agencies did not have enough industry expertise (Finland 108, 111; Ireland 202, 211, 230; Norway 324)
- That support systems were too bureaucratic to respond quickly (Ireland 238, Norway 321).

Significantly these views were expressed in all countries, but by a very small minority of respondents:

"Financial support could always be more generous, considering our dependency on exports." (Finland, 124)

"CTT appears to be inadequately funded in terms of its ability to deliver 'bespoke' services to smaller companies." (Ireland 216)

"CTT are very good at providing assistance for specific objectives e.g. mailshots, etc. However, for more vague objectives such as identifying the nuances of a market or entry mechanisms, they are not as helpful to smaller firms as they might be." (Ireland, 227)

"Norges Eksportrad is useless to a company of our size. Too much tax money is wasted supporting large companies that are already established in foreign markets." (Norway, 314)

"General schemes do not suit the specialist technology market we are in. A lot of specialist knowledge is required." (Finland, 108)

"There are a lot of forms to navigate before we get assistance and this is very time-consuming." (Ireland, 238)

"To obtain financial assistance requires long-term planning and comprehensive reporting. With rapid market changes it is a major problem to use the services of Eksportrad." (Norway, 321)

There are several major implications from the research findings; Firstly, there is no doubt that scarce financial resources limit the scale and scope of EPO operations. They also restrict the calibre of staff that can be hired and impact on employees long-term commitment to the EPO and it's clients. Secondly, while many firms regard their market intelligence activities as an area of competitive weakness, their use of - and satisfaction with - market information and intelligence services suggests that EPO provisions fail to fully address this issue. Interviews confirmed that respondents regarded information to be too general, but conceded that it was perhaps unrealistic to expect EPO's to provide specific intelligence to firms which are often targeting narrow niches in a very specialised industry.

Thirdly, the preference for support which enables firms to develop their own networks of contacts and information sources confirms the less formal modus operandus of smaller firms in terms of export planning and market development. In all the countries there was a higher awareness and usage of - and satisfaction with - services which provided grant-aid or additional human resources to enable firms to gain experiential knowledge of export markets. These findings, together with those relating to specific - and often, financial-related - export problems (see Section 6.8, p. 336), suggests that what firms really need is financial support to enable them to expand export operations.

Hypothesis H₀₉ postulated that **no significant differences exist in respect to the general provision of export assistance in the countries investigated and overall levels of awareness and use of - and satisfaction with - respective EPO offerings**. Due to the complex nature of the enquiry and the use of qualitative and quantitative techniques, statistical testing was not feasible. Thus, the null hypothesis is not accepted, neither is it rejected in favour of the alternative hypothesis. Nevertheless, all the available evidence suggests that no major differences exist between EPO provisions in each country, nor is there any conflict in findings relating to the types of services sought or preferred.

Despite this, response patterns do appear to indicate that Irish firms are, generally, slightly more aware of EPO services; that they also tend to use them a little more widely and; that they are slightly more satisfied with them. These findings certainly reflect very favourably on the Irish Export Board and may be attributable to its' pragmatic approaches. Nevertheless, they may only be a reflection of a greater degree of export orientation among Irish firms vis-a-vis their Finnish and Norwegian counterparts. They might also be due to the slightly greater international orientation of the software sector in Ireland (see Chapter 4, p. 247). Thus, marginally more positive perceptions among Irish firms should not be regarded as an indictment of services offered by the Finnish and Norwegian EPO's, for these provisions are also generally highly-regarded. Rather, they reflect minor variations in high overall levels of satisfaction in all the countries.

6.13 AWARENESS, USAGE AND SATISFACTION BY EXPORT "STANCE"

Given widely-held views that firms at different export development stages have diverse support needs (see Section 3.3.1, p. 170) the present study explored differences in awareness and usage of - and satisfaction with - specific services according to export stance. Differences in awareness can be discounted immediately. Analysis of the data revealed high awareness of EPO services among all respondents in all countries with no meaningful variations by export stance. However, some differences exist in usage of export services by **occasional**, **frequent** and **aggressive** exporters. These are discussed hereafter.

6.13(i) Usage of services by export "stance"

Responses reveal several interesting patterns (see Figures 6.20 to 6.22). Firstly, that **occasional** exporters tend to use services quite selectively and in the case of many offerings, not that often, if at all. Secondly, that firms use a wider range of export services more often as export orientation increases. Indeed, those firms with a reported export growth of more than 20% p.a. over the past two and/or past five years also used services most extensively. Thirdly, that utilisation patterns of specific services vary according to firms' stance. Thus, for example, Irish **occasional** exporters make wide use of Market Research Advisory and other intelligence services - Market Introduction/Scan, Market Investigation/Feedback, - whereas **frequent** exporters do not use these offerings at all. On the other hand, **frequent** exporters use trade fairs or outgoing missions more often than **occasional** firms. They also use PR Advisory/Field Assistance/ Overseas Office facilities quite widely, whereas **occasional** firms do not. Conversely, Norwegian **occasional** exporters do not use market intelligence services at all, but **frequent** exporters utilise them quite extensively. However, due to the small numbers of firms in particular categories (e.g. **aggressive** exporters in Finland, **frequent** in Ireland and **Occasional** in Norway) some caution should be exercised in interpreting these findings.

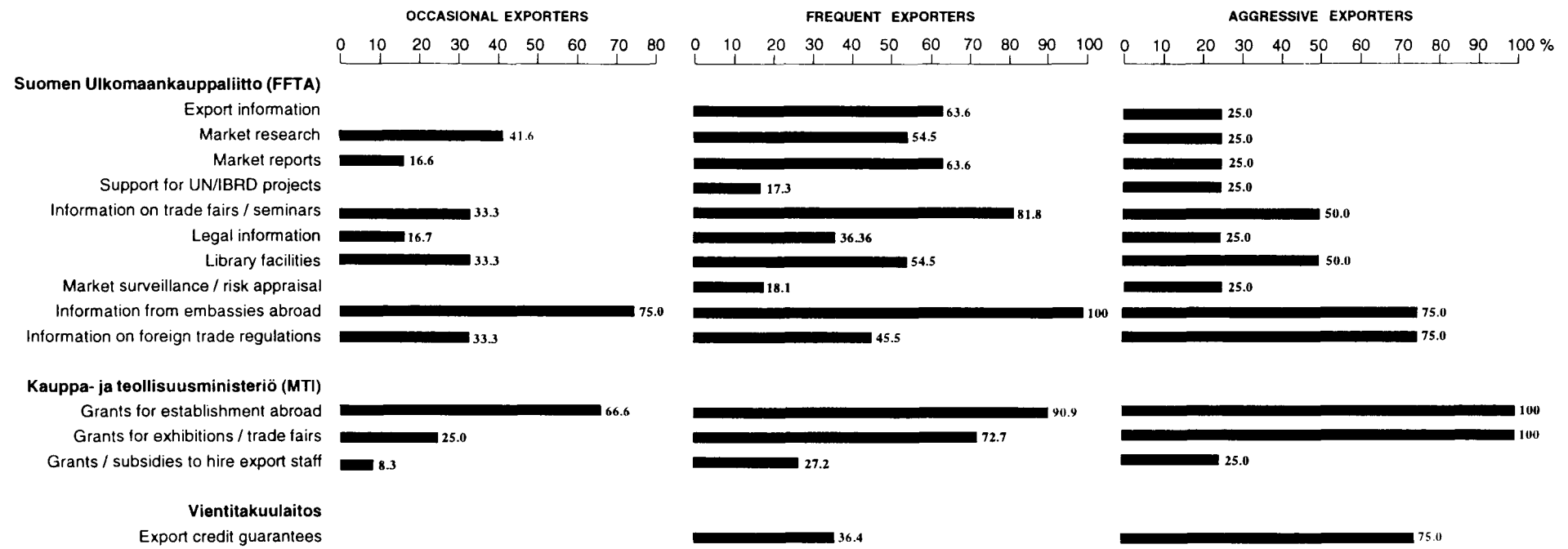


Figure 6.20: Usage of Export Services by Stance (Finland)

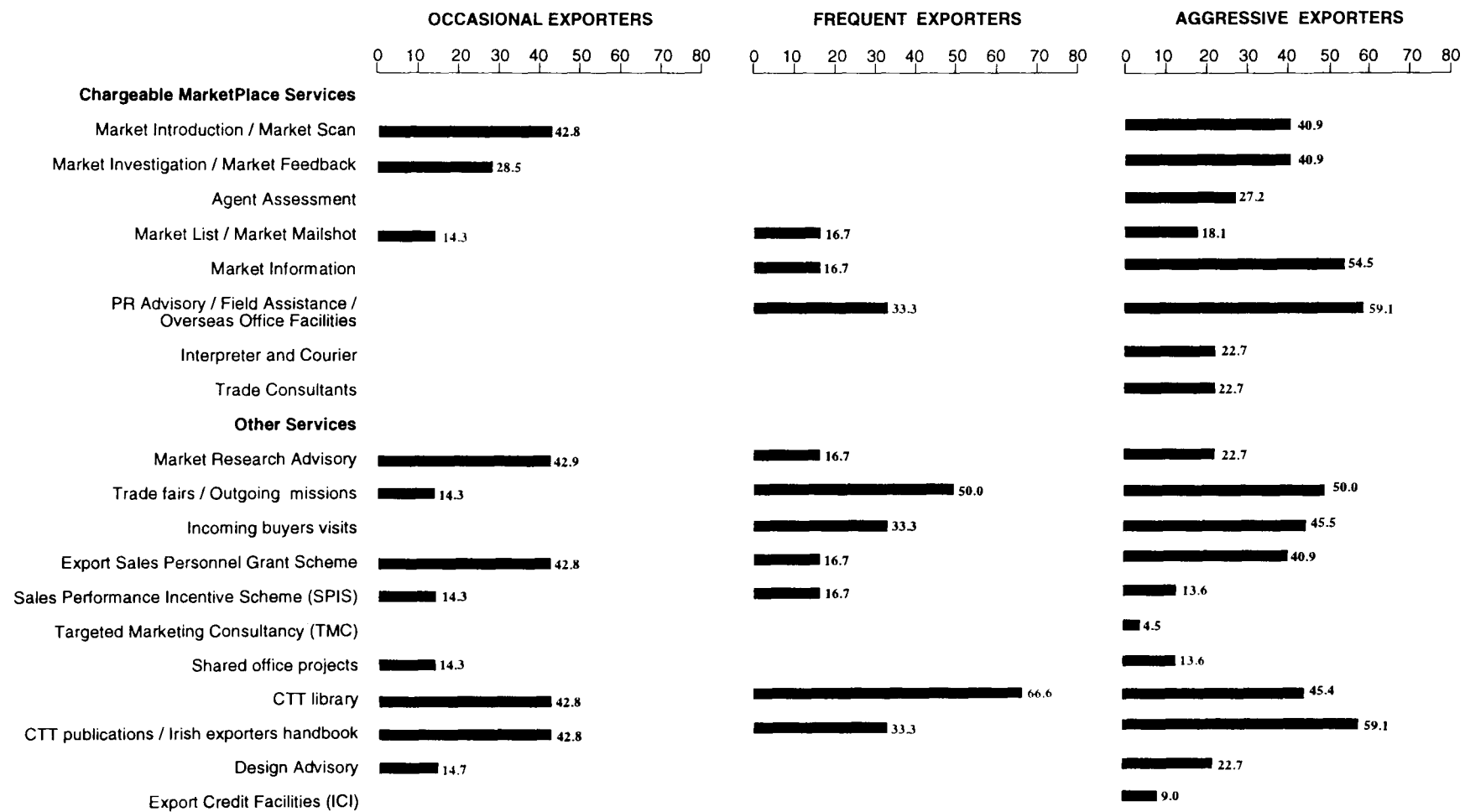


Figure 6.21: Usage of Export Services by Stance (Ireland)

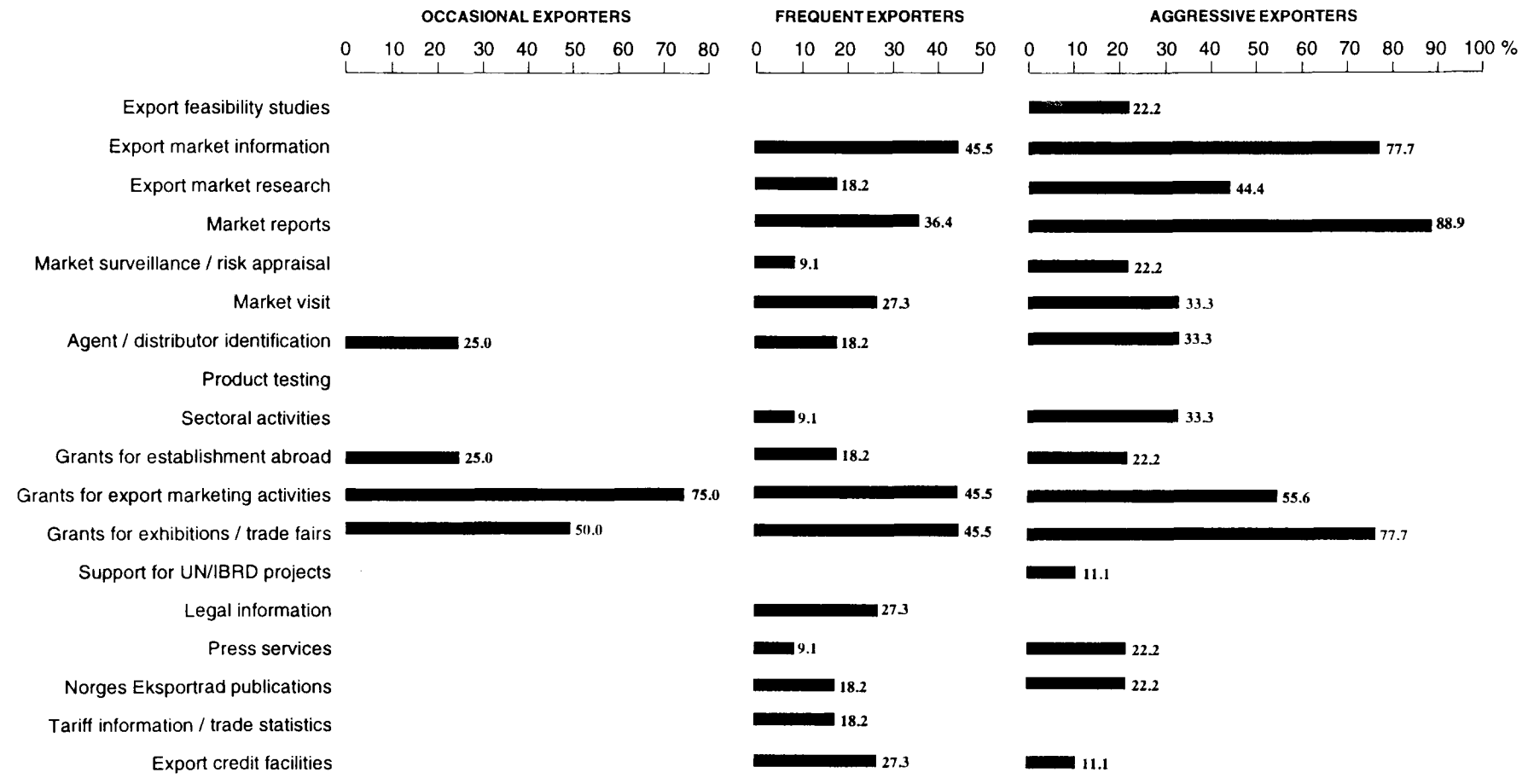


Figure 6.22: Usage of Export Services by Stance (Norway)

Again, responses were given numerical values so as to conduct statistical analyses regarding the usage of particular services by export stance, but because of the small numbers of firms in certain categories no attempt was made to employ complex statistical techniques. Mean scores for **occasional**, **frequent** and **aggressive** exporters - together with the means for the total population in each country, standard deviations and variances - are shown in Tables 6.21 to 6.23.

In confirming the patterns shown in Figures 6.20 to 6.22, these analyses also reveal several important findings. Firstly, there are some statistically significant differences in usage of specific services according to export stance, especially among those where there is a standard deviation of more than three and the variance exceeds ten. In Finland and Norway these are manifest in the utilisation of export intelligence services and grant-aided offerings, in Ireland relate to the use of the Irish Export Board's library and publications, PR Advisory/Field Assistance/Overseas Office Facilities and Export Personnel Grant Scheme. In all three markets differences exist in firms' usage of trade fair programmes according to their export stance.

Secondly, there is some evidence that in Finland and Ireland, **frequent** exporters tend to use information services more widely than **occasional** or **aggressive** firms. However, the latter use these services more often in Norway. Thirdly, although all firms use services which provide grant-aid extensively, usage is heaviest among **aggressive** exporters in Finland and Norway and by **frequent** exporters in Ireland.

Overall, these findings suggest that as firms gain more export experience, they - generally - become less dependent on EPO information services and more reliant on their own networks of contacts and information sources. However, they continue to avail of those offerings which provide financial assistance. This is consistent with earlier findings on the nature of export problems - see Section 6.8.1 (p. 341) - and widespread recognition of the financial resource limitations of smaller firms. However, what is less certain is whether all of the firms that seek grant-aid genuinely need it, or whether some exporters take advantage of it because it is there.

Service	Occasional (n=12)	Frequent (n=11) (Mean Scores)	Aggressive (n=4)	Mean ¹	S.D.	Var.
Export information	0.00	4.09	2.50	2.04	3.37	12.04
Export market research	2.08	3.64	1.25	2.59	3.21	10.33
Market reports	0.83	4.09	1.25	2.22	3.20	10.26
Support for UN/IBRD projects	0.00	2.27	1.25	1.11	2.89	8.33
Information on trade fairs/seminars	2.08	4.55	3.75	3.33	3.40	11.54
Legal information	0.83	1.82	1.25	1.29	2.23	4.99
Library facilities	1.82	3.18	2.50	2.50	2.92	8.50
Market surveillance/risk appraisal	0.00	1.36	1.25	0.74	2.28	5.20
Information from embassies abroad ²	4.17	6.36	3.75	5.00	2.77	7.69
Information on foreign trade regulations	1.67	2.73	3.75	2.41	2.90	8.40
Grants for establishment abroad ³	5.00	7.73	8.75	6.67	3.92	15.38
Grants for exhibitions/trade fairs ³	1.67	4.55	7.50	3.70	3.82	14.60
Grants/subsidies to hire export staff ³	0.41	2.27	1.25	1.30	2.97	8.83
Export credit guarantees ⁴	0.00	3.18	5.00	2.04	3.74	13.96

¹ Mean for entire population, where 0= never used, 5= used occasionally, 10= used frequently

² Including agent/distributor identification service

³ Grants and/or subsidies are provided by the Ministry of Trade and Industry (MTI)

⁴ Provided by Vientitakuulaitos

Table 6.21: Use of EPO Services in Finland (By Stance)

Service	Occasional (n=7)	Frequent (n=5) (Mean Scores)	Aggressive (n=22)	Mean¹	S.D.	Var.
Market introduction/Market scan	2.14	0.00	2.27	1.91	2.76	7.60
Market investigation/Market feedback	1.42	0.00	2.27	1.76	2.71	7.40
Agent assessment	0.00	0.00	1.36	0.88	1.93	3.74
Market list/Market mailshot	0.71	1.00	0.91	0.88	1.93	3.74
Market information	0.00	1.00	2.73	1.91	2.47	6.08
PR advisory/Field assistance/ Overseas office facilities	0.00	2.00	3.64	2.65	3.31	10.96
Interpreter/courier	0.00	0.00	1.14	0.74	1.80	3.23
Trade consultants	0.00	0.00	1.14	0.74	1.80	3.23
Market research advisory	2.14	1.00	1.14	1.32	2.24	5.01
Trade fairs/Outgoing missions	0.71	4.00	2.95	2.65	3.31	10.96
Incoming buyer visits	0.00	2.00	2.72	2.06	3.04	9.27
Export Sales Personnel Grant Scheme	3.57	1.00	2.27	2.35	3.31	10.96
Sales Performance Incentive Scheme	1.42	1.00	0.68	0.88	2.29	5.26
Targeted Marketing Consultancy Scheme	0.00	0.00	0.23	0.15	0.86	0.74
Shared office projects	1.43	0.00	0.91	0.88	2.60	6.77
CTT Library	2.86	7.00	2.50	3.23	3.67	13.46
CTT publications/Irish exporters handbook	2.86	4.00	3.41	3.38	3.64	13.21
Design Advisory Service	0.71	0.00	1.14	0.88	1.93	3.74
Export credit guarantees²	0.00	0.00	0.45	0.29	1.19	1.43

¹ Mean for entire population, where 0= never used, 5= used occasionally, 10= used frequently

² Provided by the Insurance Corporation of Ireland

Table 6.22: Use of EPO Service in Ireland (By Stance)

Service	Occasional	Frequent	Aggressive	Mean ¹	S.D.	Var.
	(n=4)	(n=11)	(n=9)			
	(Mean Scores)					
Export feasibility study	0.00	0.00	1.11	0.42	1.41	1.99
Export market information	0.00	2.73	4.44	2.92	3.26	0.69
Export market research	0.00	1.36	2.78	1.67	3.18	10.14
Market reports	0.00	2.27	5.56	3.13	3.55	12.64
Market surveillance/risk appraisal	0.00	0.45	1.11	0.63	1.69	2.85
Market visit	0.00	1.82	1.67	1.46	2.75	7.56
Agent/distributor identification	1.25	0.91	1.67	1.25	2.21	4.89
Product testing	0.00	0.00	0.00	0.00	0.00	0.00
Sectoral activities	0.00	0.45	2.22	1.04	2.54	6.48
Grants for establishment abroad	1.25	0.91	1.11	1.04	2.07	4.30
Grants for export marketing activities	3.75	2.73	2.78	2.92	2.92	8.51
Grants for exhibitions/trade fairs	3.75	3.64	4.44	3.95	3.90	15.17
Support for UN/IBRD projects	0.00	0.00	0.56	0.21	1.02	1.04
Legal information	0.00	1.36	0.00	0.63	1.69	2.85
Press services	0.00	0.45	1.11	0.63	1.69	2.85
Norges Eksportrad publications	0.00	0.91	1.11	0.83	1.90	3.62
Tariff information/trade statistics	0.00	0.91	0.00	0.42	1.41	1.99
Export credit guarantees ²	0.00	1.36	0.56	0.83	1.90	3.62

¹ Mean for entire population, where 0= never used, 5= used occasionally, 10= used frequently

² Provided by GIEK

Table 6.23: Use of EPO Services in Norway (By Stance)

This raises a number of interesting questions concerning the targeting of export assistance; Firstly, at what point - if any - is there a diminishing return from such support. Secondly, is there a valid case for withdrawing EPO assistance once firms have attained a pre-determined level of export competence and commitment. Thirdly, how can limited EPO resources be best targeted to assist those firms with the greatest need or potential.

These issues are not easily resolved. In part, because assistance given to large exporters is more likely to improve aggregate export statistics and thereby reflect favourably on EPO activities. In contrast focusing on smaller firms, may expand the export base but not - necessarily - increase the overall level of exports. In addition, more committed and experienced exporters need less persuasion to use the services and are, likely to have a clearer picture of their precise requirements.

In each of the countries investigated, there is evidence that policy-makers are shifting the emphasis of export promotion measures to provide greater support for smaller firms (see Section 6.14, p. 378). Attempts have also been made to limit the over-use of services, for example, by restricting the number of times a firm may receive grants towards participating in a particular trade fair or by offering programmes on a selective basis. Such approaches will, undoubtedly, lead to lower utilisation of certain services especially by larger firms and - perhaps - to their greater dissatisfaction with EPO provisions. Nevertheless, they will also direct scarce resources more effectively to the point of greatest need.

6.13(ii) Satisfaction with services by export "stance"

Although differences in usage of service are evident in the findings, there appears to be little variation in satisfaction among users, regardless of export stance (see Tables 6.24 to 6.26). When particular services are used, levels of satisfaction tend to be similar and - generally - quite satisfactory or better. In all cases, there is only a slight deviation from the mean and a small degree of variance.

Service	Occasional	Frequent	Aggressive	Mean ¹	S.D.	Var.
	(n=12)	(n=11)	(n=4)			
	(Mean Scores)					
Export information	0.00	3.14	4.00	3.25	1.04	1.07
Market research	3.00	3.00	2.00	2.92	0.79	0.63
Market reports	2.50	3.17	3.00	3.00	0.71	0.50
Support for UN/IBRD projects	0.00	4.00	2.00	3.50	1.00	1.00
Information on trade fairs/seminars	3.50	3.33	4.00	3.47	0.83	0.70
Legal information	3.50	2.67	5.00	3.33	1.03	1.07
Library facilities	3.75	3.00	3.50	3.33	0.65	0.42
Market surveillance/risk appraisal	0.00	3.00	2.00	2.67	1.15	1.33
Information from embassies abroad ²	3.44	3.18	3.00	3.26	0.92	0.84
Information on foreign trade regulations	2.75	3.00	3.33	3.00	0.63	0.40
Grants for establishment abroad ³	3.62	4.10	4.00	3.91	0.92	0.85
Grants for exhibitions/trade fairs ³	4.00	3.63	4.00	3.80	0.77	0.60
Grants/subsidies to hire export staff ³	4.00	3.33	3.00	3.40	0.55	0.30
Export credit guarantees ⁴	0.00	2.67	3.33	3.00	1.41	2.00

¹ Mean for entire population, where 1= very dissatisfied, 2= dissatisfied, 3= quite satisfied, 4= satisfied, 5= very satisfied

² Including agent/distributor identification service

³ Grants and/or subsidies are provided by the Ministry of Trade and Industry (MTI)

⁴ Provided by Vientitakuulaitos

Table 6.24: Satisfaction with EPO Services in Finland (By Stance)

Service	Occasional (n=7)	Frequent (n=5) (Mean Scores)	Aggressive (n=22)	Mean¹	S.D.	Var.
Market introduction/Market scan	2.67	0.00	3.67	3.42	1.00	0.99
Market investigation/Market feedback	3.50	0.00	3.63	3.60	0.96	0.93
Agent assessment	0.00	0.00	3.80	3.80	0.84	0.70
Market list/Market mailshot	4.00	4.00	3.75	3.83	0.75	0.57
Market information	3.00	4.00	3.55	3.54	0.66	0.44
PR advisory/Field assistance/ Overseas office facilities	0.00	3.00	4.00	3.86	0.95	0.90
Interpreter/courier	0.00	0.00	3.80	3.80	0.84	0.70
Trade consultants	0.00	0.00	3.60	3.60	0.89	0.80
Market research advisory	3.00	4.00	3.83	3.60	1.08	1.16
Trade fairs/Outgoing missions	3.00	3.67	3.91	3.80	0.86	0.74
Incoming buyer visits	0.00	2.50	3.33	3.18	1.08	1.16
Export Sales Personnel Grant Scheme	3.33	5.00	4.13	4.00	1.28	1.64
Sales Performance Incentive Scheme	5.00	3.00	5.00	4.60	0.89	0.80
Targeted Marketing Consultancy Scheme	0.00	0.00	5.00	5.00	0.00	0.00
Shared office projects	5.00	0.00	4.00	4.25	1.50	2.25
CTT Library	3.00	4.25	3.78	3.75	1.34	1.80
CTT publications/Irish exporters handbook	2.33	4.50	3.67	3.53	1.12	1.26
Design Advisory Service	4.00	0.00	3.50	3.60	0.89	0.80
Export credit guarantees²	0.00	0.00	4.00	4.00	1.41	2.00

¹ Mean for entire population, where 1= very dissatisfied, 2= dissatisfied, 3= quite satisfied, 4= satisfied, 5= very satisfied

² Provided by the Insurance Corporation of Ireland

Table 6.25: Satisfaction with EPO Service in Ireland (By Stance)

Service	Occasional	Frequent	Aggressive	Mean ¹	S.D.	Var.
	(n=4)	(n=11)	(n=9)	(Mean Scores)		
Export feasibility studies	0.00	0.00	3.50	3.50	0.71	0.50
Export market information	0.00	3.40	3.80	3.60	0.52	0.27
Export market research	0.00	3.67	3.25	3.43	0.79	0.62
Market reports	0.00	3.67	3.40	3.50	0.76	0.57
Market surveillance/risk appraisal	0.00	2.00	3.00	2.50	0.71	0.50
Market visit	0.00	4.00	4.00	4.00	0.71	0.50
Agent/distributor identification	4.00	3.50	3.00	3.33	0.82	0.67
Product testing	0.00	0.00	0.00	0.00	0.00	0.00
Sectoral activities	0.00	2.00	3.00	2.67	0.58	0.33
Grants for establishment abroad	0.00	3.00	3.00	3.00	1.15	1.33
Grants for export marketing activities	2.00	3.75	3.50	3.30	1.06	1.12
Grants for exhibitions/trade fairs	3.00	3.80	3.83	3.75	0.62	0.39
Support for UN/IBRD projects	0.00	0.00	0.00	0.00	0.00	0.00
Legal information	0.00	0.00	3.00	3.00	1.41	2.00
Press services	0.00	3.00	3.00	3.00	0.00	0.00
Norges Eksportrad publications	0.00	3.00	3.00	3.00	0.00	0.00
Tariff information/trade statistics	0.00	3.00	0.00	3.00	0.00	0.00
Export credit guarantees ²	0.00	3.50	4.00	3.67	0.57	0.33

¹ Mean for entire population, where 1= very dissatisfied, 2= dissatisfied, 3= quite satisfied, 4= satisfied, 5= very satisfied

² Provided by GIEK

Table 6.26: Satisfaction with EPO Services in Norway (By Stance)

Closer examination reveals that a small number of specific services are not especially well-regarded by certain firms. These include: Maakasaukset (Market Reports) by **occasional** exporters and Marriskibarometri (Market risk assessment) by **frequent** exporters in Finland; Market introduction/ Market scan and Irish Export Board publications by **occasional** exporters, Incoming buyer visits by **frequent** exporters in Ireland; Assistance i.f.m. markedsaktiviteter (Grants for export marketing activities) by **occasional** exporters, Markedsovervakning (Market surveillance/risk appraisal) and Bransjeaktiviteter (Sectoral activities) by **frequent** exporters in Norway. Although the numbers of dissatisfied firms are small in all cases, each of these services merits further EPO attention to identify improvements that might be made. Nevertheless, with these exceptions, it can be concluded that when firms use services they are generally satisfied with them.

These findings do not fully resolve questions regarding the relationship between usage and satisfaction. Diamantopoulos et al. (1993) suggest that perceptions of utility impact on both usage and satisfaction. Thus, they argue that some firms do not use particular services because they perceive them to be of little value to their specific circumstances. This may be the case but the present investigation finds little evidence to suggest that negative perceptions of specific services are a factor in this respect.

However, there are some indications that certain offerings are less widely used - and not as highly-rated - as firms become more expert exporters. This suggests an experience curve effect, inasmuch as firms with greater "in-house" export knowledge and expertise may well be more critical of offerings, particularly those relating to the provision of export market information. In turn, this supports the view that specific services may be more valuable to firms at different stages of international development. Paradoxically, lower usage of services and satisfaction among experienced exporters may - in fact - be a positive outcome from a policy perspective, for it reflects a declining dependency on EPO assistance among confident, capable exporters and allows resources to be redirected elsewhere.

Hypothesis H₀10 postulated that **no significant differences exist in terms of firms awareness and usage of - and satisfaction with - individual EPO services according to export stance**. In view of the preceding discussion, this hypothesis is rejected for although there are only marginal variations in awareness and satisfaction levels, there is clear evidence that usage of specific services varies according to stance. Consequently, an alternative hypothesis is proposed and accepted; namely, that despite similar - and generally high - awareness and satisfaction levels, significant differences exist in the usage of services according to export stance.

6.14 EXPORT DEVELOPMENT AND TRAINING PROGRAMMES - USAGE AND SATISFACTION

As outlined in Section 4.2 (p. 222), EPO's in Finland, Ireland and Norway provide a number of export development programmes which supplement the standard range of services and which are targeted specifically at smaller exporters. In addition, they collaborate with other bodies - to a lesser or greater degree - to offer export training programmes. Originally, it had been intended to test hypotheses regarding the usage of - and satisfaction with - these offerings, but due to small numbers of programme users this was not feasible. Nevertheless, taking all of these programmes together, some useful observations can be made.

6.14 (i) Usage and satisfaction - export development programmes

The main SME export development programmes provided by Finnish, Irish and Norwegian EPO's are summarised in Table 6.27. As can be seen, the types of offerings in each country are broadly similar, although - as discussed in Section 4.2 (p. 222) - their precise implementation varies slightly from country to country. It is also important to note that the availability of such offerings is often restricted either by the fact that they are restricted to a limited number of SME's in all sectors in any given year or because the EPO's target priority industry sectors.

	Finland	Ireland	Norway
Group Marketing Schemes	X	X	X
Special Trading Houses		X	
Sectoral Programmes		X	X
SME Export Programmes		X	X
Export Manager for Hire	X		X
Export Consultants	X	X	X
Regional Export Advisers	X	X	

Table 6.27: Availability of SME Export Development Programmes

Participation by software firms in all such export development programmes was very limited (see Table 6.28). Indeed, less than 10% of respondents had used any of the offerings, although some had subscribed to several programmes or utilised specific services routinely. A number of reasons for non-participation were cited: Firstly, lack of awareness of a specific programmes' availability. Secondly, that the firm did not meet the relevant selection criteria (for example, Norway's SMB-E programmes are restricted to firms with less than 100 employees). Thirdly, with the exception of two sectorally-focused initiatives (one in Norway and another in Ireland), respondents opined that most programmes were not targeted to the specific needs of software firms.

As can be seen in Table 6.28, satisfaction levels are variable and - given low involvement - no firm conclusions can be drawn. However Norwegian firms appear to be more satisfied with these offerings and use them more extensively than do their Finnish or Irish counterparts. The fact that some firms have used particular services - notably, Export Manager for Hire and SMB-E programmes - on more than one occasion also implies that they have found them to be both useful and worthwhile.

	Finland sat.¹ (n)	Ireland sat. (n)	Norway sat. (n)
	(Mean Scores)		
Group Marketing Schemes	4.00 (3)		
Special Trading Houses		1.00 (1)	
Sectoral Programmes		4.00 (2)	2.67(2)
SME Export Programmes			3.67 (3)
Export Manager for Hire/ Export Consultants	3.50 (2)		4.50 (2)
Regional Export Advisers	2.00 (1)		

n= number of cases

1 satisfaction, where 1= very dissatisfied, 2= dissatisfied,

3= quite satisfied, 4= satisfied, 5= very satisfied

Table 6.28: Usage of - and Satisfaction with - Export Development Programmes

6.14 (ii) Usage and satisfaction - export training programmes

As has already been noted (see Section 4.2, p. 222), the provision of export training is generally undertaken by other organisations, FINTRA in Finland, and the Norges Eksportskole in Norway. In Ireland, a number of organisations have been involved - FAS, the training agency; the Irish Management Institute and the universities, all in collaboration with the Irish Export Board who also provide their own programmes. Respondents were asked to indicate their usage and satisfaction with a range of programmes offered by these organisations.

Several pertinent findings emerge; Firstly, that software firms' use of training provisions is very limited, with only 10-15% having participated in an export training initiative (see Table 6.29). Secondly, given that training users generally employed more than 100 staff, that firm size was an important determinant. Thirdly, that participating firms were generally satisfied or very satisfied with the programmes and many has subscribed to them on more than one occasion.

Again, lack of involvement was attributed to a number of factors; firms were not aware of the offering; programmes were of a general nature and were not perceived to meet sectoral needs and; human and/or financial resource constraints prevented participation. A particular problem facing EPO's and training organisations seeking to provide sectoral support for software firms is the diversity of applications and a tendency for firms to target very specialised market niches.

These findings relating to development and training programmes highlight the widely recognised problems vis-a-vis small-firm development: Namely, that investment in these activities receives a low priority due to firms' resource limitations. The key task facing providers is to make offerings attractive by providing additional human resources which will enable firms to derive the maximum benefit from such programmes.

On this basis, initiatives such as "export manager for hire" schemes in Norway and Finland are very useful in that they address resource issues and also offer tailored and highly-personalised assistance. These schemes provide short-medium term support, unless - as is sometimes the case - firms hire export managers on a permanent basis. The suite of overseas export marketing programmes offered in Ireland also have special merit because they enabled firms to develop their export market knowledge and competencies and - at the same time - provide them with an opportunity to acquire an additional well-trained resource on a permanent basis. Where young graduates were not retained by the firm on programme completion, their newly-gained expertise was eminently transferable to other Irish firms seeking these skills.

	(n)	Mean	S.D.
<u>Finland</u>			
Export Management School	3	4.33	0.58
Export Training (distance learning)			
Export Training Programme	3	3.67	0.58
Export Seminars	2	4.00	1.41
International Business Programme	3	4.33	1.15
<u>Ireland</u>			
CTT/IMI Export Development Programme for Small Firms	2	5.00	0.00
FAS UK Export Marketing Programme	1	4.00	0.00
FAS European Export Marketing Programme			
FAS USA Export Marketing Programme			
<u>Norway</u>			
Export Managers Programme	1	3.00	0.00
Export Sales Representatives Programme	2	4.00	0.00
Export Candidates Programme			
Export Secretaries Programme	1	5.00	0.00

Table 6.29: Usage of - and Satisfaction with - Export Training Programmes

6.15. SUMMARY OF FINDINGS

The empirical research explored a number of propositions relating to the export behaviour and internationalisation process of small software firms in the countries under investigation. It also sought to test hypotheses relating to their export competencies and problems; their usage of export information sources and; their awareness, usage and satisfaction levels vis-a-vis EPO services, special small-firm export development programmes and training initiatives. The results of these analyses are summarised in Table 6.30.

Propositions	Results
<u>Proposition 1</u>	
That the initial export decision of small software firms is most likely to be:	
a) influenced by external factors	Supported
b) that the initial response to these external stimuli is reactive.	Not wholly supported
<u>Proposition 2</u>	
That:	
a) small size is not a significant impediment to export initiation	Supported
b) the age of the software firm is unimportant in this respect	Supported
c) size and age may indicate the existence of human and financial resource constraints which might limit export growth.	Supported
<u>Proposition 3</u>	
That managerial factors influence the firms' propensity to export but that:	
a) many decision-maker characteristics and attributes identified in the export literature are inherently entrepreneurial and possessed by the owner/managers of exporting <u>and</u> non-exporting firms	Supported
b) the decision-maker's prior export experience is a key factor.	Supported

Table 6.30: Propositions and Hypotheses - Summary of Results (1/3)

Propositions (cont.)		Results
<u>Proposition 4</u>		
That software firms internationalise in an incremental, but not necessarily systematic, manner.		Supported
<u>Proposition 5</u>		
That industry specific rather than "psychic distance" factors are more influential on firms' market selection, entry decision and internationalisation strategies.		Supported
Hypotheses		
<u>Hypotheses relating to critical export "success" factors, competitive competencies and export problems</u>		
That no significant differences exist in respect of:		
H ₀₁	The factors deemed critical for export success by firms in the countries investigated	Accepted
H ₀₂	The factors deemed critical for export success by firms according to export "stance"	Accepted
H ₀₃	Perceptions of competitive competence among firms in the countries investigated	Accepted
H ₀₄	Perceptions of competitive competence among firms according to export "stance"	Rejected due to differences in competencies
H ₀₅	The nature/intensity of export problems experienced by firms in the countries investigated	Accepted
H ₀₆	The nature/intensity of export problems experienced by firms according to export "stance"	Accepted

Table 6.30: Propositions and Hypotheses - Summary of Results (2/3)

Hypotheses (cont.)		Result
<u>Hypotheses relating to the usage of general sources of export assistance</u>		
That no significant differences exist in:		
H ₀₇	Firms' use of export assistance provided by EPO's and other public/private bodies in the countries investigated	Accepted
H ₀₈	the usage of specific sources of export assistance by firms according to their export "stance"	Accepted
<u>Hypotheses relating to the provision, awareness and use of - and satisfaction with - EPO services</u>		
That no significant differences exist in terms of:		
H ₀₉	the general provision of govt. export assistance in the countries investigated and overall levels of awareness and usage of - and satisfaction with - respective EPO offerings.	Not amenable to testing, but supported by qualitative data
H ₀₁₀	Firms' awareness and usage of - and satisfaction with - individual EPO services according to export "stance"	Rejected due to variations in use of services
H ₀₁₁	Firms' participation in specific export initiatives according to export "stance"	Not tested due to low usage levels
<u>Hypothesis relating to the provision of export training and development programmes</u>		
That no significant differences exist in:		
H ₀₁₂	Firms' awareness of, participation in - and satisfaction with - export training and development programmes offered in the countries investigated, according to export "stance"	Not tested due to low usage levels, but trends show participation is higher in larger firms

Table 6.30: Propositions and Hypotheses - Summary of Results (3/3)

As can be seen from Table 6.30, results support most of the propositions and hypotheses, with the exception of proposition 1b, and two hypotheses (H₀4 and H₀10) which were rejected in favour of their alternatives. Three hypotheses were not tested, H₀9 which proved to be too complex to analyse statistically - and where qualitative techniques were employed - and H₀11 and H₀12, where low usage of export development and training offerings resulted in insufficient data to undertake meaningful statistical analyses. A number of important findings emanate from these analyses and from the qualitative research conducted as part of the present study. These are summarised on an issue-by-issue basis hereafter.

6.15(i) Findings on the determinants of export initiation

Size and age are not significant factors in export initiation; small and recently established firms demonstrated a very high propensity to export. There appears to be little resistance to adopting exporting as a strategy for growth. The smaller scale of software firms and the global nature of the computer industry are pertinent. Rapid technological changes demand that firms commercialise their offerings swiftly in all potential markets. Limited growth potential in a small domestic market is a major influence on export initiation. This is compounded by the fact that many software firms target specialist "niches".

Perceptions of product "uniqueness" - especially design and technological advantage - are an important factor for many firms. However, few believe that they possess any significant marketing advantages. Less than 30% of firms initiated exports because of increased profit potential.

Managerial ambition and positive perceptions of competitive advantage are cited as significant influences on the initial export decision of **frequent** and **aggressive** exporters. These are lower among **occasional** exporters where the decision tends to be more reactive. There is little evidence to suggest that EPO activity is a factor in stimulating export initiation. However, these findings may reflect a degree of post-hoc rationalisation and self-attribution of success.

6.15(ii) Findings on the internationalisation process

There is evidence of patterns of "psychic proximity" in market selection but in many cases the choice is influenced by the international activities of existing domestic clients, by the growth of target niches in particular overseas markets or by specific industry factors. Thus, this concept may explain patterns, but not - necessarily - processes of internationalisation.

Direct entry modes are favoured and software firms - generally - pursue a similar strategy for all markets. The nature of the product/service offering - and the intellectual property contained therein - limits the potential of other market entry modes, such as joint-ventures, but trends towards increased collaboration with hardware manufacturers are evident. Most firms are active in a small number of markets and none of them were manufacturing abroad, or even considering this option. The relative ease of distribution of a high-value, low-volume offering is pertinent. There is, therefore, very little support for "establishment chain" theories of internationalisation.

While there is strong evidence of increasing commitment to exporting, the explanatory power of the "stage" theories of internationalisation - which posit increased involvement and investment in foreign markets - are also limited. Certain firms - notably, Irish ones - began exporting before they had obtained any domestic sales and others do not market their software in their home country. Findings also suggest that small software firms internationalise very rapidly, but that some of the larger software firms surveyed may have already reached the upper limit of their export growth potential. In this context, size and age may be proxy measures of inherent human and financial constraints which inhibit the internationalisation of small software firms, but sector-specific factors are also contributory. Problems delineating "stage" boundaries and of determining the pace and direction of firms movement through them are evident. However, "stage" theories are useful from a policy perspective in determining the diverse export support needs of firms as their involvement increases.

6.15(iii) Findings concerning export success factors and competitive competencies

There is widespread agreement on factors critical for export success; namely, product design/quality, managerial commitment, salesforce effort, aftersales service and market intelligence. Of these factors, perceived competitive advantage is lowest in the areas of salesforce effort and market intelligence. There is also clear evidence that more experienced exporters are more confident of their competitive competence in most factors.

Managerial commitment is a key factors in firms export orientation and is significantly higher among **aggressive** exporters. However, apart from a greater prior exposure to international markets among MD's of **aggressive** firms, follow-up interviews do not reveal any major differences between the objective characteristics of decision-makers according to the firms export stance. Relatively young and highly-educated decision-makers are believed to reflect the norm in the computer software sector. Foreign language competency is high especially among Scandinavian respondents, but English is a de-facto industry standard.

PAPI tests indicate strong entrepreneurial tendencies; decision-makers have a high need to achieve, are risk-takers, independently-minded and hard-working but are not well organised and rather unwilling to delegate. Analysis by nationality and export stance reveal some minor variations in leadership role and risk-taking ability. However, overall there appears to be few differences between respondents and established PAPI norms in each country for decision-makers in successful non-exporting small firms. These decision-maker characteristics should be considered in the design, provision and delivery of export assistance. Overly -bureaucratic EPO procedures are likely to discourage utilisation of services and diminish satisfaction with them. Personality factors and the need to develop good inter-personal relationships should also be considered in all dealings between EPO personnel and client firms. Inherent weaknesses in planning should be recognised in the delivery of support. These issues are further elaborated in the policy recommendations (see Chapter 8, p. 414).

6.15(iv) Findings concerning export problems

Certain differences in the nature of export problems exist between firms by country of origin and according to export stance. **Occasional** exporters find export documentation and communication with customers problematic. As firms become more committed to exporting, these decline in importance but problems relating to delays in payment, currency fluctuations and pricing competitively increase. Overall, the major problems appear to be related to financial management and control rather than marketing issues, although firms indicate less confidence in their competence in marketing intelligence, sales management activities and communication activities.

Pricing competitively is a greater problem for Finnish and Norwegian firms due to high labour costs. R&D expenditure is also high and the augmented nature of the product increases the need for direct contact with clients and - thus - the cost of sales. Financing export operations are made more difficult by the unhelpful attitude of banks towards small firms generally and software firms in particular. The latter are perceived to be high-risk because of their low asset base. Assisting firms to overcome such problems should be a clear policy priority.

6.15(v) Findings on general sources of export information

Software firms use personal information networks - general knowledge and salesforce feedback - more extensively than secondary sources. Usage of the latter increases as firms become more committed, notably in respect to EPO services. Use of commercial and press reports, trade associations and overseas trade sections is also quite extensive. However, export divisions of banks, other financial institutions and chambers of commerce are less widely utilised. Attention is again drawn to the apparent lack of support for small exporters from banks and other financial institutions and to evident dissatisfaction on the part of small firms concerning relationships with them.

6.15(vi) Findings concerning awareness and usage of - and satisfaction with - EPO services

The range of services available in each country is broadly comparable, although some operational differences exist. Overall awareness of EPO services is high in all countries, but slightly higher in Ireland. Logical explanations exist for lower awareness of certain services. However, in some cases, additional promotion may be required.

Usage of services is considered satisfactory. Clear patterns exist which indicate higher use of services which provide financial support for export implementation. There is also evidence of a relationship between increased commitment to exporting and greater utilisation of services. Although not the remit of EPO's, export credit guarantees are not widely used.

For most services, satisfaction is above the neutral "quite satisfied" level. This is higher in the case of services which provide financial support to allow firms to develop their own networks of contacts. While firms perceive the need to improve their market intelligence gathering activities, usage of - and satisfaction with - EPO information-related provisions indicate that firms are not totally convinced of their value. A desire for specific rather than general market information is contributory.

6.15(vi) Findings relating to involvement in - and satisfaction with export development and training programmes

Involvement in export development programmes available in each country is low. Restricted availability, lack of awareness of offerings and the general - rather than sector-specific - nature of many programmes are all cited as contributory factors. Participation in export training programmes is also relatively low, for similar reasons. Significantly, these offerings are used more widely by the larger firms surveyed suggesting that human resource limitations are an impediment to greater utilisation. Where used, satisfaction is generally high and there is evidence of repeat involvement.

Based on these findings, conclusions will be drawn in Chapter Seven. This chapter will focus on support for/from the literature on export behaviour and export promotion. It will also discuss the implications for research in the area. Thereafter, Chapter Eight will focus on policy implications and recommendations and elaborate the proposed small-firm internationalisation policy model.

CHAPTER SEVEN

CONCLUSIONS

CONTENTS

This Chapter draws conclusions from the findings presented in Chapter Six. It identifies areas where the results support - or conflict with - those of prior studies into the export behaviour and internationalisation of small firms. It makes observations pertaining to the export support needs of small software firms and to EPO provisions in advance of discussing the implications for policy in Chapter Eight. Finally, it offers some direction regarding research in the area.

INTRODUCTION

Dissatisfaction with the nature of export enquiry and with the conflicting findings of prior research is evident from the review of the literature contained in Chapter Two (p. 67) and is a cause for concern among many researchers in the area (Cavusgil, 1982, Reid, 1983; Miesenbock, 1988). Rather than merely adding yet another tile to the "mosaic of autonomous endeavours" (Aaby and Slater, 1989), the present enquiry attempts to reconcile conclusions from research into the software sector with those of other studies. In doing so - and in trying to understand and explain some of the underlying reasons for discord in the literature - it also seeks to present a cohesive perspective on small-firm internationalisation.

7.1 CONCLUSIONS ON THE DETERMINANTS OF EXPORT BEHAVIOUR

There is little disagreement in the literature that the export decision is influenced by the complex interaction between external and/or internal "attention-evoking" factors and firm and decision-maker characteristics (Wiedersheim-Paul et al., 1978). Environmental factors - such as the size and structure of the domestic market, prevailing economic conditions, the geographic location of the country and of firms therein - are deemed to be highly influential (Bilkey and Tesar, 1977; Rao et al., 1990). Industry sector characteristics and trends are also important (Garnier, 1982).

Although extensively investigated, findings concerning the demographic characteristic of firms - such as size, age and ownership - are rather inconclusive. Increasingly, researchers consider that these variables - on their own - are unreliable indicators of export activity (Cavusgil, 1984; Czinkota and Johnston, 1985; Aaby and Slater, 1989). Nevertheless, many authors concur that size and age can be regarded as proxy measures of the firm's resource base and operational capabilities in the context of variations between industrial sectors and other environmental factors (Reid, 1982, 1985; Aaby and Slater, 1989).

In contrast, the pivotal role of the decision-maker in determining export activity is universally accepted (Hunt et al., 1967; Dichtl et al., 1983; Axinn, 1988; Miesenbock, 1988; Ursic and Czinkota, 1989; Korth, 1991). However, there is a distinct lack of consensus regarding the importance of decision-maker's objective characteristics - age, education, overseas experience, foreign language skills, etc. (see Section 2.3.3, p. 95). Furthermore, many of the psychologically-orientated key decision-maker characteristics identified in the export literature - such as creativity, dynamism, flexibility, innovativeness, self-confidence - are inherently entrepreneurial. Notwithstanding some discord concerning the relative importance of particular firm and decision-maker characteristics, these factors - as well as those relating to country and industry environments - influence the initial export decision.

Albaum et al. (1989) provide a useful synthesis of firms' export motives which classifies them as internally or externally influenced and reactive or proactive (see Figure 2.6, p. 103). In common with Bilkey (1978) and Wiedersheim-Paul et al. (1978), he concludes that large companies tend to respond to internal stimuli - such as economies of scale, spare production capacity and corporate growth or profit goals - and proactively seek out new market opportunities. On the other hand, smaller firms are much more reactive and are influenced by external factors such as the receipt of an unsolicited order or enquiry.

The present study supports this view, for although receipt of unsolicited enquiries or orders appears to exert only a moderate influence, there is considerable evidence that small software firms follow domestic clients into overseas markets. These customers may be indigenous firms, but are just as likely to be local subsidiaries of large MNE's. There are also strong indications that many small software houses are influenced by patterns of development within the global computer industry and by the international expansion of their target niches. Moreover, exporting may be influenced by inward technology transfers or other dealings with foreign hardware and software producers. In such cases the original intention may have been to import goods and services - or obtain a licence to produce or distribute them in the home market - but the eventual outcome has been the identification and exploitation of new export opportunities.

Also evident, is that firms respond to **commercial** opportunities. Most small software firms initiate exports because of the perceived benefits to the company, not because of government exhortations to do so "in the national interest". In finding that EPO stimulation measures appear to play a small part in the initial decision, this study concurs with previous enquiries (Simpson and Kujawa, 1974; Bilkey, 1977; Karafakioglu, 1986) and with Paliwoda's (1993) assertion that policy measures reinforce - rather than influence - the decision. An important caveat is that these findings may reflect post-hoc self-attribution by the decision-maker. Nevertheless, it can be concluded that **the initial export decision is externally influenced, but that government export stimulation measures are not a major factor.**

This conclusion has important implications for policy-makers and for the design and delivery of export stimulation measures. As will be discussed later (see Chapter 8, p. 416), EPO's should highlight the benefits that firms can derive from exporting, yet offer a realistic view of the costs and risks involved. This message should also be targeted more selectively at firms that are capable of exporting. Failure to do so will only result in abortive attempts by firms incapable of achieving any real international success. It may even jeopardise their survival, or make them adverse to exporting at some future date when they are ready and able to do so.

7.1.1 Environmental factors

While the export initiation decision is essentially externally-influenced and reactive, there is little evidence in the present research that firms are reluctant to start exporting. This conclusion conflicts with much of the US literature which - typically - portrays small firms as export-adverse (Ogram, 1982; O'Rourke, 1985; Yaprak, 1985). In contrast, investigations conducted in Europe (Cannon and Willis, 1981; Dichtl et al., 1983, 1984; Bannock, 1987), Scandinavia (Luostarinen, 1970; Joynt, 1982) and - more recently - in ASEAN countries (Keng and Juan, 1989; Weaver and Pak, 1990, Hankam et al. 1993) suggest that smaller firms are more positively inclined towards exporting than their US counterparts.

These conflicting findings are easily explained by Ansoff's (1957) model on the rapid growth strategies of smaller firms (see Figure 7.1) and by Luostarinen's (1980) conceptualisation of firm's alternative expansion paths (see Figure 2.1, p. 69). In large economies, such as the US, firms have greater potential to increase domestic sales via regional expansion or product-line extension. Given these options, or the perceived higher-risk alternative of entering export markets, it is not surprising that many small US firms adopt the former strategy. Indeed, some US studies detect an inverse relationship between firms' export enthusiasm and favourable home market conditions (Rao, 1983; Green and Larsen, 1987, Rao et al., 1990).

In contrast, firms operating in small domestic markets are faced with no real alternative but to expand through export activities. As in the present study, this is especially the case among smaller software firms that target niche markets with single products or limited portfolios. Also, due to small niches, firms are often obliged to pursue a market "spreading" strategy (Piercy, 1981). A key finding is that a large proportion of software firms indicated that a small domestic market strongly influenced the initial export decision, but that these firms did not - generally - view the prospect with any great trepidation. Thus, it may be concluded that **the size and structure of the home market and the prevailing domestic economic conditions are important determinants of export behaviour.**

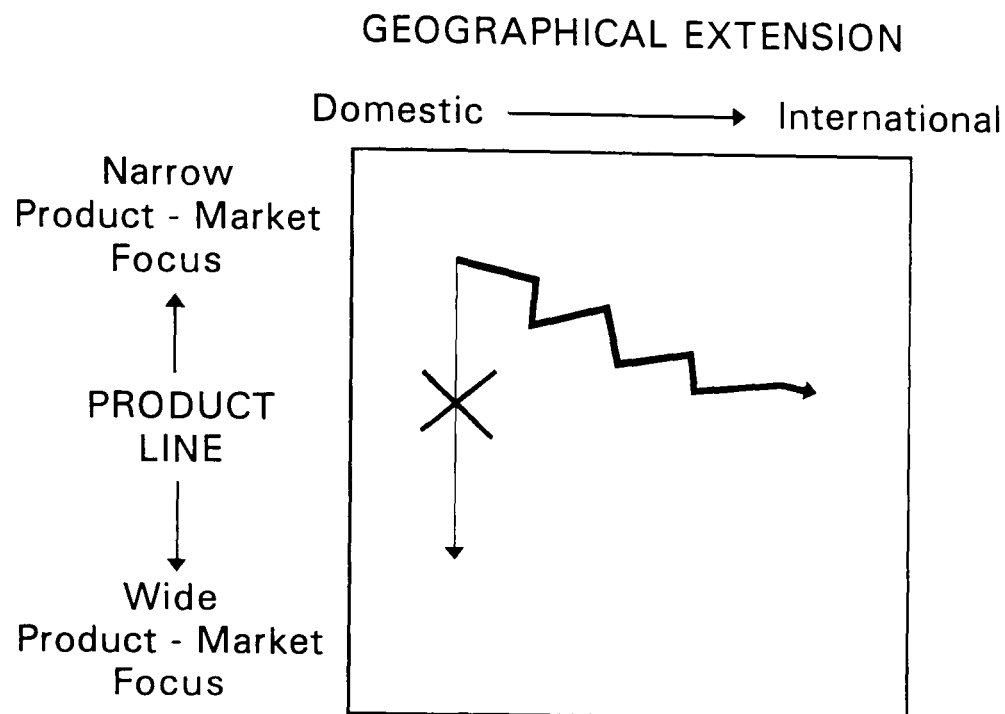


Figure 7.1: Growth Strategies for Small Firms

Adapted from Ansoff (1957)

Industry and sectoral influences are also a major factor. As discussed in Section 4.3 (p. 239), rapid growth of the computer industry throughout the 1970's and 1980's - and particularly of the PC segment - has led to a huge worldwide demand for software offerings during the last decade. The global expansion of computer software and services by over 20% per annum during the 1980's will be hard to sustain and projections for the 1990's are for annual growth of 15%. Nevertheless, this represents significant growth - compared with many other industries - and presents considerable export opportunities. The fact that Finland, Ireland and Norway are all relatively small markets for software and are expected to expand at a slightly slower rate (13-14% p.a) is an added stimulus for firms in these countries to target export markets. Therefore, it may also be concluded that **industry and sector factors have a strong bearing on export propensity.**

7.1.2 Firm Characteristics

Two of the most widely investigated variables vis-a-vis export initiation are the age and size of the firm (see Section 2.3.1, p. 90). As has already been observed (p. 393), previous findings have been very inconclusive. The present research concludes that **neither size nor age are significant factors in the export initiation decision of small software firms**. On the contrary, results indicate that firms may start to export not long after they have been established and when they are small in terms of numbers of employees and turnover. Indeed, a number of the firms surveyed began exporting before they had obtained any sales at home and others had no domestic business at all.

It is interesting to observe that many of the studies which identify a relationship between size and/or age have been conducted in traditional manufacturing industries (see Table 2.1, p. 78). It may be argued that firms in these sectors need to achieve a minimum critical mass to operate efficiently in their domestic market - let alone overseas - and that the acquisition of resources and production capacity can only be achieved over a period of time. In contrast, enquiries which focused on high-technology sectors tend not to attribute much importance to the age or size of the firm (Kirpalani and MacIntosh, 1980; Ursic and Czinkota, 1989).

Sectoral influences - undoubtedly - impact on the results of this study. Software firms are relatively small - compared to those in traditional manufacturing industries - and many operate successfully with fewer than ten employees. Although the "intellectual property" content and service elements may be very substantial, the tangible product is often not much more than a floppy disc and an instruction manual. The "package" is easy to produce, distribution is relatively simple and software may even be transferred "on-line". Given these characteristics, it is not surprising that size or age are not important. Rather, the rapid commercialisation of a new application is critical in a sector where the pace of change is phenomenal. Any failure to do so will lead to lost domestic and export business opportunities.

However, while age and size may not inhibit software firms from initiating exports, there is evidence that both variables constrain software firms' potential for export expansion. In this context, the present study concurs with Reid's (1983) view that age and size reflect small firms' inherent resource constraints and their limited experience. Nevertheless, given the nature of software offerings and the structure of a sector in which smaller and younger firms are the norm, it may be argued that these limitations present fewer problems than they do in other industries. The propensity of software firms to access international networks of contacts - by means of the latest information technology - to exchange technical information when developing new applications is also a compensating advantage.

7.1.3 Decision-maker Characteristics

There is widespread agreement throughout the literature on the impact of the key decision-maker on firms' export behaviour and internationalisation strategies (see Section 2.3.3, p. 95). Many enquiries conclude that decision-makers of exporting firms are younger and better educated than those in non-exporting firms. They further contend that many of these individuals have wider international exposure and better foreign language skills.

The present research concludes that these objective characteristics are manifest among the representative sub-sample of respondents selected for the in-depth interviews. However, it is also the case that decision-makers in the software sector are - generally - younger and better educated than their counterparts in other traditional industries. Given these sectoral influences, any generalisations regarding the relationship between these variables and export propensity would be somewhat tenuous. In contrast, **there is strong evidence of a relationship between the decision-maker's prior overseas experience and the firm's export behaviour.** MD's who had lived, worked or studied abroad were - invariably - most committed to exporting. Furthermore, those with the greatest international exposure also displayed the highest degree of commitment.

Conclusions regarding the importance of foreign language skills are - most certainly - sectorally-influenced by the fact that English is the de-facto industry standard. Finnish and Norwegian respondents were proficient in two, three or four foreign languages including English. In contrast, Irish decision-makers - who were generally more export-orientated - often had only rudimentary foreign language skills. It may, therefore, be concluded that **competence in English is critical in the computer software sector and that other languages are desirable but not strictly essential**. However, this result should not be generalised to firms in other industries. Nor should it be seen to support an ethnocentric - and typically anglophone - mentality, wherein understanding foreign languages and cultures are not given the priority they deserve.

Several interesting conclusions can also be drawn on the background of key decision-makers. Firstly, many of those interviewed had prior work experience in larger - and often, internationally-orientated - companies. From discussions which took place, it was evident that this experience impacted positively on perceptions of foreign market opportunities and on managerial competencies. Secondly, most had originally worked in other industries but became involved in software because they identified a good opportunity to develop applications or packages for these sectors. Thus, in addition to having a broader range of experience, decision-makers of software firms also used their prior industrial experience as a source for new ideas and innovations. Furthermore, the fact that they were prepared to move into a new sector - often, with very limited knowledge thereof - indicates that these individuals are not risk-averse.

As Miesenbock (1988) observes, research into the psychological attributes and attitudes of export decision-makers is not only controversial but also (tauto)logical. Many studies conclude that these individuals are greater risk-takers than their non-exporting counterparts and that they are more positively inclined towards exporting. The latter is patently self-evident and findings concerning the former are somewhat subjective and lack real credibility as most researchers have little formal training in administering and interpreting psychological tests.

Although the present research does not - directly - compare exporters and non-exporters, the use of PAPI tests, described in Section 5.2.6 (p. 272), does provide some basis for comparisons. By using the established and validated norms for each country together with "expert witness" opinions, it can be concluded that no fundamental differences exist between profiles of decision-makers in small exporting firms and those in other small firms. Attitudes - such as a higher propensity for risk-taking, a dislike for planning or working with detail and the need for change - are essentially entrepreneurial. Managerial styles - including the need to control and an inability to delegate - are also typical of small-business owner/managers.

Variations in the profiles of **occasional**, **frequent** and **aggressive** exporters indicate a greater ease and facility in decision-making among MD's of the latter. PAPI profiles also suggest that the decision-makers of **aggressive** exporters are rather more independently-minded than their less committed counterparts. Both these results may be explained by greater experiential knowledge of factors pertinent to export situations which, in turn, is influenced by greater international exposure. However, cross-national comparisons also indicate that these findings may culture-bound. This suggests that managerial competencies and styles differ slightly between countries, irrespective of firms' export market orientations.

These conclusions have important research implications. Many previous enquiries have sought to demonstrate that the objective and psychological characteristics of export decision-makers are - in some way - different from those of decision-makers in non-exporting firms. Indeed, the search for such differences has been akin to seeking the holy grail. The present research questions the value of continuing this quest. It concludes that **the only decision-maker variable which differentiates no, low and high export-involvement firms is prior international experience.** Experiential knowledge is critical in moderating decision-makers' perceptions of risk and is the single most important determinant of firms' export behaviour. As discussed hereafter [see Section 8.1.1 (ii), p. 425], this conclusion has major implications, not just for national export promotion strategies, but for other aspects of government policy as well.

7.1.4 Export Commitment of Small Firms

Criticism of the export orientation of small firms, particularly prevalent in the American literature, has now moderated. In part, this is a reflection of a much greater understanding of the nature of small businesses in terms of their scale and scope of operations and inherent resource limitations (see Section 2.1, p. 69). Another factor is that an increasing number of studies conducted in countries other than the United States do recognise the value of the sector's export activities, whilst accepting that it's contributions are less optimal than they might be.

In common with many other enquiries emanating outside the United States, **the present research finds no real evidence of a reluctance to export among smaller firms.** This conclusion is - undoubtedly - influenced by the nature of the domestic market environment. It also highlights a growing concern among some researchers that the exporting literature is unduly influenced by the findings of American investigations (Bodur, 1986; Katsikeas, 1990). The present study concurs with these views. This does not imply that these contributions are - in some way - flawed or deficient, but they do reflect a different reality due to contextual and situational factors. Furthermore, findings of export studies such as those conducted in Nebraska (Lee and Brasch, 1978) or Wisconsin (Bilkey and Tesar, 1978) - while of interest - should be treated with some caution, given that these locations are hardly microcosms of the United States as a whole, let alone typical of the environments of other countries.

It would, thus, appear that there is a growing schism between US export research and that conducted elsewhere, not just in terms of methodologies employed, but also in respect to certain key assumptions that are made from the outset. Given this situation, the present research supports the calls of investigators that future enquiries should not focus on a single country - or region thereof - but be of a comparative, cross-national design (Czinkota, 1982; Cavusgil, 1985; Bodur, 1986; Katsikeas, 1991). To date, few researchers have taken up the challenge.

7.2 CONCLUSIONS REGARDING THE INTERNATIONALISATION PROCESS

As discussed in Section 2.4 (p. 104) the view of firm internationalisation as a "stage" process has considerable currency in the literature. This, despite the fact that the Upsalla "establishment chain" model was based on case studies of just four Swedish firms and that most export commitment "stage" models have not been rigorously tested on a longitudinal basis (Turnbull, 1987; Anderson, 1993).

Moreover, the notion that firms internationalise in a series of incremental steps and other underlying assumptions of stage models are, increasingly, challenged on the grounds that they are too deterministic (Reid, 1983). Many researchers aver that firms do not - necessarily - internationalise in a consistent, sequential, step-wise manner and that the process is not always uni-directional (Buckley, 1979; Cannon and Willis, 1981).

The present research concludes that **"establishment chain" theories are inappropriate for software firms** on several counts. Firstly, while the survey data indicated that many firms initially entered "psychically close" export markets, other did not. In-depth interviews revealed that domestic client followership, international expansion patterns of target industries or specialist niches and - to a less extent - unsolicited enquiries or orders determined the first export market, regardless of it's psychological or physical distance. Thus, the existence of "psychic" patterns does not adequately explain the process. Secondly, there was very little support for the expansion patterns proposed in the Upsalla model. Exporting was the preferred strategy for all markets. On rare occasions where licensing or joint-ventures were employed, these were dictated by foreign market regulations. Moreover, while a few firms had set up overseas sales offices, none of the surveyed firms had established foreign production facilities. In-depth interviews revealed that firms were not planning to change their existing strategies and that they were unlikely ever to consider producing software abroad. Given the high service component in software offerings, this conclusion supports the view that establishment chain models are not appropriate for service-based industries (Buckley et al., 1992).

It is clear that firms' market selection and entry-mode decisions and their **patterns of internationalisation are highly situation specific. They are influenced by firms' resource capabilities, industry sector factors and target market considerations.** They are also time-bounded insofar as firms' circumstances and environmental conditions change over time. Reid (1983) contends that firms' reactions to international opportunities - and their subsequent strategies - are contingent on prevailing circumstances and existing resources. This contingency view emphasises the uniqueness of each firm's internationalisation path, yet does not negate the view that firms may have reached broadly similar "stages" in the process.

Consequently, export commitment "stage" models that place less emphasis on market entry modes - notably, Czinkota and Johnston's (1982) conceptualisation, in which "psychic distance" is less explicit - offer a rather more realistic view of the internationalisation process. However, these models are not without their limitations as they fail to provide an adequate explanation of how firms move between loosely-defined stages. Nor do they predict accurately when - or, even if - firms will progress to the next stage (Anderson, 1993). Nevertheless, these models are useful from a policy-support perspective. Employed alongside sectoral-specific measurement criteria, they provide frameworks to classify firms that have reached similar stages of development and have comparable support needs.

These conclusions have several important implications for research into small-firm internationalisation. The literature on the process contains a number of inherent weaknesses. Firstly, logical-empiricist methodologies - involving large postal surveys and quantitative analytical techniques - have led to the identification of internationalisation patterns but have, generally, failed to provide a better understanding of the process. The present research concurs with Kamath et al. (1987) that future enquiries should adopt mixed methodologies which incorporate both quantitative and qualitative techniques. Longitudinal studies and case-study approaches also merit much greater consideration (Aaby and Slater, 1989. Koh, 1991; Chetty and Hamilton, 1993). These methods would enable researchers to obtain richer data and greater insights into a highly-complex process.

Secondly, there has been a rather unfortunate tendency to link the choice of market entry mode to levels of export commitment. For example, firms that establish foreign operations are often deemed to be - somehow - more committed and "sophisticated" than those who restrict their activities to exporting. Implicit too, is that successful exporters will - invariably - seek or wish to "progress" to more direct modes. Such views are entirely fallacious, exporters are often just as totally committed to international activities as firms which adopt other approaches. Moreover, as evidenced in the present research, certain alternative market entry strategies may be wholly inappropriate for particular industry sectors. It is important that this tenuous link is broken. Researchers must recognise that the market entry mode is merely the method by which the firm chooses - or is forced - to access a given market. It should not be regarded as a proxy measure of the firm's level of international commitment.

Evidence that software firms follow domestic clients into export markets has important policy implications. These will be elaborated further in Section 8.1.1 (p. 417). However, this finding suggests that EPO's terms of reference may be usefully expanded to encompass pre-export support to stimulate business relationships between small software firms and large internationally-orientated companies in the domestic market. International expansion patterns of target industries, another key factor in determining firms' export destinations, also provide EPO's with a geographic focus for outward missions.

7.3 CONCLUSIONS CONCERNING EXPORT SUCCESS FACTORS, COMPETITIVE COMPETENCIES AND EXPORT PROBLEMS

A number of important conclusions can be drawn from the findings of the empirical research into the variables firms considered to be important for export success and their perceived competitive competencies vis-a-vis these factors. Some general observations can also be made concerning the nature and intensity of firms' reported export problems. Each of these issues is discussed hereafter.

7.3.1 Export Success Factors

There is a remarkable degree of consensus concerning the factors that firms regard as important for export success. In rank order, product design/quality, managerial commitment, salesforce effort and gathering market information are most important. Although the rank order varies slightly when analysed by country of origin and by export "stance" these differences are quite marginal. These findings support those of previous studies (see Section 2.5, p. 115).

However, an interesting result is that, apart from product design/quality, other marketing-related variables - pricing, promotion and distribution - are considered to be less important than providing good customer care. Clearly, the high service component in software and the "bespoke" nature of specialist software applications "packages" influence this finding. It contrasts with those of previous enquiries conducted within manufacturing industries which attach a significant importance to price (Tesar, 1977; Cavusgil and Naor, 1987), promotion (Tookey, 1964; Cavusgil, 1984) and distribution (Rosson and Ford, 1982). It can, therefore, be concluded that **sectoral factors have a bearing on the relative importance of certain export success variables.**

7.3.2 Export Success Factors versus Competitive Competencies

Although no significant differences were found in firms' perceived export competencies when analysed by country of origin, there is clear evidence of variations by export stance (see Section 6.7, p. 323). Apart from the fact that **aggressive** exporters' self-reported levels of competence were higher against nearly all export success factors, statistically significant differences were identified in respect of two key variables - managerial commitment and salesforce effort. Clearly, **aggressive** exporters were more confident of possessing competitive advantages than were their **occasional** or **frequent** counterparts.

Of equal interest is that all firms - irrespective of stance - believed they were less proficient than their competitors in the same areas, particularly, information gathering and promotional activities. While the latter are not regarded as especially critical by firms in the sector (see p. 405), their perceived competitive disadvantage in market intelligence activities are significant given the importance attached to these tasks.

Two main conclusions can be drawn from these results. Firstly, **increased involvement in exporting leads to greater levels of confidence concerning the firms competitive advantage.** Thus, the export development process approximates a learning curve in which greater experiential knowledge lowers perceptions of risk, improves decision-making and increases export commitment. This process is likely to be accelerated if the decision-maker has prior overseas experience. Secondly, **firms' export market intelligence activities remain an area of perceived competitive weakness, throughout this process.** Both of these conclusions have important implications for export promotion policy which will be discussed in Chapter 8.

7.3.3 Export Problems

Katsikeas' (1991) review of the literature on export problems concurs with Bodur's (1986) assertion that most are infrastructural and institutional rather than marketing management orientated (see Section 2.6, p. 127). In supporting this view, the present investigation goes even further and concludes that **the greatest problems facing small software exporters are finance-related.** In rank order, the problems cited by firms were delays in payment, setting competitive prices, communications with customers, obtaining export finance and currency fluctuation. In-depth interviews revealed that the cost of maintaining personal contact with clients was the main communication problem, but that such activities were critical due to the high service component in software. Nevertheless, although a small proportion of firms experienced major problems in these areas (see Table 6.16, p. 336), the intensity of these problems was not particularly high. Other factors, such as tariff barriers and export documentation, do not appear to present many difficulties.

In addition to highlighting small firm's financial constraints - which are widely recognised in the small-business literature - the findings suggest weaknesses in financial planning and control (see Section 2.1., p. 69). Both of these issues have important policy implications in the broader context of creating an improved business environment for small firms in general and not just ameliorating conditions for small exporters.

From an export assistance perspective, GATT directives prevent national governments from offering direct subsidies to exporters if they result in economic injury elsewhere. Thus - while they can support a broad range of export development activities (see Table 3.3, p. 164) - their scope to introduce direct measures that address small exporter's inherent financial limitations is restricted. However, financial management and control could be improved through the provision of programmes designed to help firms reduce delays in payment, limit their exposure to currency risks or gain greater access to sources of export finance. It may be argued that banks or other financial institutions do provide support of this nature. However, it does not come cheaply and - as discussed below - relationships between small firms and the banks appear to be rather ambivalent.

7.4 CONCLUSIONS CONCERNING FIRM'S GENERAL SOURCES OF EXPORT ASSISTANCE AND INFORMATION

There are three main findings relating to firms' general sources of export assistance and information. Firstly, that sales force feedback was widely used to increase firms' existing export knowledge. Press and commercial reports are also important sources. Secondly, that the vast majority of firms used EPO information sources, although not as extensively as they might do. About 50% of firms also obtained export information from other government sources - such as overseas diplomatic posts - or from trade associations. Thirdly, that only a very small proportion of firms availed of the export information and support services offered by banks and other financial institutions.

Two important conclusions can be drawn from these findings. Firstly, that **software firms have a preference for personal information sources**. This reflects the - widely-recognised - importance that small firms attach to experiential knowledge obtained through their own contact networks. As will be discussed in Section 7.5 (p. 410) it also has an important bearing on usage of - and satisfaction with - EPO services.

Secondly, **that the support provided by banks and financial institutions to small software exporters is unsatisfactory**. This conclusion supports a growing tide of criticism from small-business commentators and media analysts that banks have failed to support the sector to any great extent, or with any great enthusiasm. Indeed, the most strident critics aver that banks have discriminated against small -firm clients through the imposition of overly-high service charges, prohibitive lending rates and a general reluctance to extend credit facilities. Needless to say, banks strenuously reject these allegations. Nevertheless, a current perception is that bank's attitudes and behaviour are a barrier to small firm growth and that these institutions are presently part of the problem rather than the solution. Intervention by policy-makers would appear to be the only solution to this impasse.

It was clear that many software firms had experienced problems with their banks in terms of high charges and - especially - the bank's unwillingness to extend loan facilities. Respondents perceived that they were regarded as particularly high-risk not only due to the firm's size, but also because they were in the software sector. Thus, unlike manufacturing firms, they had fewer assets - plant, equipment, etc. - against which loans could be secured. As a consequence of these refusals, relations were often less than cordial and many firms were disinclined to use other facilities, including export services. However, many respondents conceded that, when they needed to use these provisions, they were quite satisfactory. It would, thus, appear that the problem lies with the attitudes of the banks rather with the delivery or quality of their export support services per-se.

7.5 CONCLUSIONS REGARDING AWARENESS AND USAGE OF - AND SATISFACTION WITH - EXPORT SERVICES

Unlike the findings of earlier enquiries - especially, those into Department of Commerce offerings in the US - the results of the present research are, generally, positive and reflect very favourably on the activities of EPO's in Finland, Ireland and Norway. As discussed in Chapter 6 (p. 348), awareness of specific EPO offerings was high, with only a few exceptions where legitimate reasons - such as the recent introduction of the service - could be identified. Usage of particular offerings varied but was quite acceptable overall. Although information-related services were moderately used - especially by more **aggressive** exporters - those offering financial support for export activities were well used by all firms in all countries. Firms were quite satisfied with information services and support services were very well received. Irish firms were slightly more aware of services than their Finnish or Norwegian counterparts and tended to use them more extensively. Overall, they were also slightly more satisfied with available offerings.

Several important conclusions can be drawn from these findings. Firstly, some enquiries suggest that small firms fail to use export services because they are not aware of them (Czinkota and Ricks, 1981; Albaum, 1983). In the present study - apart from a few new or selectively targeted services - knowledge of services was high, indicating good promotion on the part of the respective EPO's. However, not all services were widely used. Thus, **low usage rates cannot be attributed to low awareness levels, but must reflect perceptions concerning their utility.**

Secondly, there was a marked preference for services which offer financial support for practical activities over those which provide information. The latter were considered to be much too general in nature for firms' specific needs. Thus, it may be concluded that **practical support services are more valuable to small software firms than information-related offerings.**

This conclusion is totally consistent with those on the finance-related nature of small software firms' export problems and on their preference for experiential knowledge. Prioritising export promotion programmes that encourage - and financially support - firms' to develop their own networks of contacts in international markets would help to reduce perceptions of foreign market risk. Such programmes would also help to improve firms' competitive competencies and export performance.

From a research perspective, Seringhaus' (1986) guidelines are worth reiterating. He contends that enquiries should adopt a specific, individual approach to services, rather than a global export assistance construct (see Section 5.1, p. 253 and Figure 5.2, p. 254). He is also an advocate of comparative approaches and - along with various collaborators - is at the forefront of cross-national research into government export promotion policies (Seringhaus and Rosson, 1990; Seringhaus and Botschen, 1991). It is doubtful if many of the present findings could have been made using a global export assistance construct and similar results from different countries strengthen the conclusions drawn. Thus, despite the additional complexity and the higher costs involved in such approaches, they are essential to a greater understanding of export promotion issues.

7.6 CONCLUSIONS ON EXPORT DEVELOPMENT AND TRAINING PROGRAMMES

Low uptake of specific EPO export development initiatives and of export training programmes provided by other organisations meant that detailed analyses of these issues could not be carried out. Nevertheless, a number of findings emerged. Firstly, respondents indicated that lack of usage was as a result of low awareness of offerings and/or low perceived utility to firms in the software sector. Secondly, that users were generally larger firms and were satisfied with the offerings. Thus, low uptake is - most likely - a reflection of the absence of human resources in small software firms and their inability or unwillingness to release staff from day-to-day duties.

Therefore, an important conclusion is that **human resource constraints deter smaller software firms from participating in export development and training programmes**. In order to increase uptake and - thereby - enable firms to derive the maximum benefit from such offerings, they should be linked to mechanisms which provide firms with an opportunity to acquire the necessary additional human resources. Clearly, the need to tailor programmes to the specific needs of particular sectors and to promote them more effectively are also significant issues.

7.7. SUMMARY

This chapter outlines the main conclusions which emerge from the present research and makes some initial observations on their implications for policy. It also discusses how they support - or conflict with - those of previous export enquiry. In doing so, it highlights the methodological weaknesses which have contributed to diverse - and often contradictory - conclusions. As well as supporting calls for more comparative studies, it contends that "mixed" methodologies will provide richer, more insightful perspectives than logical-empiricist - and essentially quantitative - research approaches that have predominated heretofore.

The main conclusions of the present research are summarised under six headings. Namely, those on determinants of export behaviour; on the internationalisation process; on export competencies and problems; on usage of general sources of export information; on awareness and usage of - and satisfaction with - EPO services and; on participation in - and satisfaction with - export development and training programmes.

Firstly, in relation to **the determinants of export behaviour**, that:

- Small software firms in the countries investigated are not reluctant exporters. Their initial decision to export is strongly influenced by external factors. Small home markets, the rapid global growth of the computer software sector and the international expansion patterns of target industries are highly influential.

- While domestic client followership and - to a lesser extent - reaction to unsolicited orders or enquiries are important factors in export initiation, government export stimulation measures do not appear to have a significant impact.
- Small size and recent establishment do not inhibit software firms from exporting, but that variables such as size and age are often proxy indicators of the inherent resource limitations that hinder small firm's international expansion.
- The attributes and attitudes of key decision-makers are critical to export initiation and to the firm's subsequent export development. However - with the exception of decision-makers' previous export experience - many of the variables associated with export success are essentially entrepreneurial.

Secondly, in respect of **the internationalisation process**, that:

- Firms' internationalisation patterns are often unique and the process is highly situation-specific. Decisions are influenced by the firms' resources, sectoral and target-industry considerations, economic conditions in domestic and export markets, international activities of existing clients - and above all - managerial perceptions of the risks and opportunities presented by a distinctive combination of some or all of these factors.
- "Establishment chain" theories which emphasise "psychic proximity" and changes in entry mode are not appropriate for the software sector. In spite of their limitations, export commitment "stage" models are more realistic and useful from a policy-support perspective.

Thirdly, in relation to firms **export competencies and problems**, that:

- Increased involvement in exporting leads to greater confidence in the firms competitive competencies. However, despite this that market intelligence activities remain an area of perceived competitive weakness throughout the export development process. Although product quality and competitive pricing are important factors for export success other marketing-mix variables - distribution and promotion - are perceived to be less so by software firms.

- The main export problems of small software exporters are related to financial issues, but that - with a few exceptions - the strength of these and other problems is not especially high. Market intelligence activities are also perceived as an area of weakness.

Fourthly, in terms of their **usage of general sources of export information**, that:

- Firms have a preference for personal information sources. They use EPO sources, but not as extensively as they might. In contrast, few firms use export information and advice provided by banks or other financial institutions.

Fifthly, concerning **awareness and usage of - and satisfaction with - EPO services**, that:

- Low usage of specific offerings does not - generally - reflect low awareness. It may, however, be indicative of negative perceptions of utility or dissatisfaction with services which have been used in the past.
- Usage of - and satisfaction with - programmes which offer practical and financial support is higher than for services which provide information. Firms tend to be more critical of the latter, regarding them to be general in nature and - therefore - not specific enough to be particularly useful.

Finally, in terms of **participation in - and satisfaction with - export development and training programmes**, that:

- These are not as widely used by software firms as they could be. Human resource constraints are a major contributory factor, but the general nature of offerings and low levels of awareness also limit participation.

As has been indicated throughout this chapter, many of these conclusions have important implications for export promotion policy. Some also have a bearing on other aspects of government policy. These will be discussed in greater depth in the Chapter 8.

CHAPTER EIGHT

RECOMMENDATIONS

CONTENTS

This chapter discusses the policy implications which were raised in Chapter Seven and makes pertinent recommendations concerning the design and delivery of EPO services. It also draws attention to the limitations of the present study and suggests areas for future research.

INTRODUCTION

The proposed small-firm internationalisation policy model outlined in Chapter One provides a framework for discussing the policy implications emanating from the main findings and conclusions. It will also be used to make pertinent country, sector-specific and small-firm recommendations. (For convenience, the model is reproduced on page 415.)

As previously discussed (see Section 1.8, p. 63), this model is based on Czinkota and Johnston's (1983) six "stages" of export commitment and Seringhaus' (1987) conceptualisation of the nature of export needs at various stages of the process. As also indicated in Section 5.2.4 (p. 269), the export ratio was used in the present study to classify firms according to "stance" as **occasional**, **frequent** and **aggressive** exporters. Although the selected cut-off points are specific to the sector in the countries investigated, alternative parameters could be established for different industry sectors and/or locations. In the model Czinkota and Johnston's interested and experimenting firms - and those uninterested firms which sometimes accept unsolicited orders - correspond to **occasional** exporters; semi-experienced exporters equate to **frequent** exporters and experienced exporters to **aggressive** exporters. It should also be noted that Czinkota and Johnston's original model has been modified to remove references to firm size, which in the last two stages were deemed to be small and large exporters respectively.

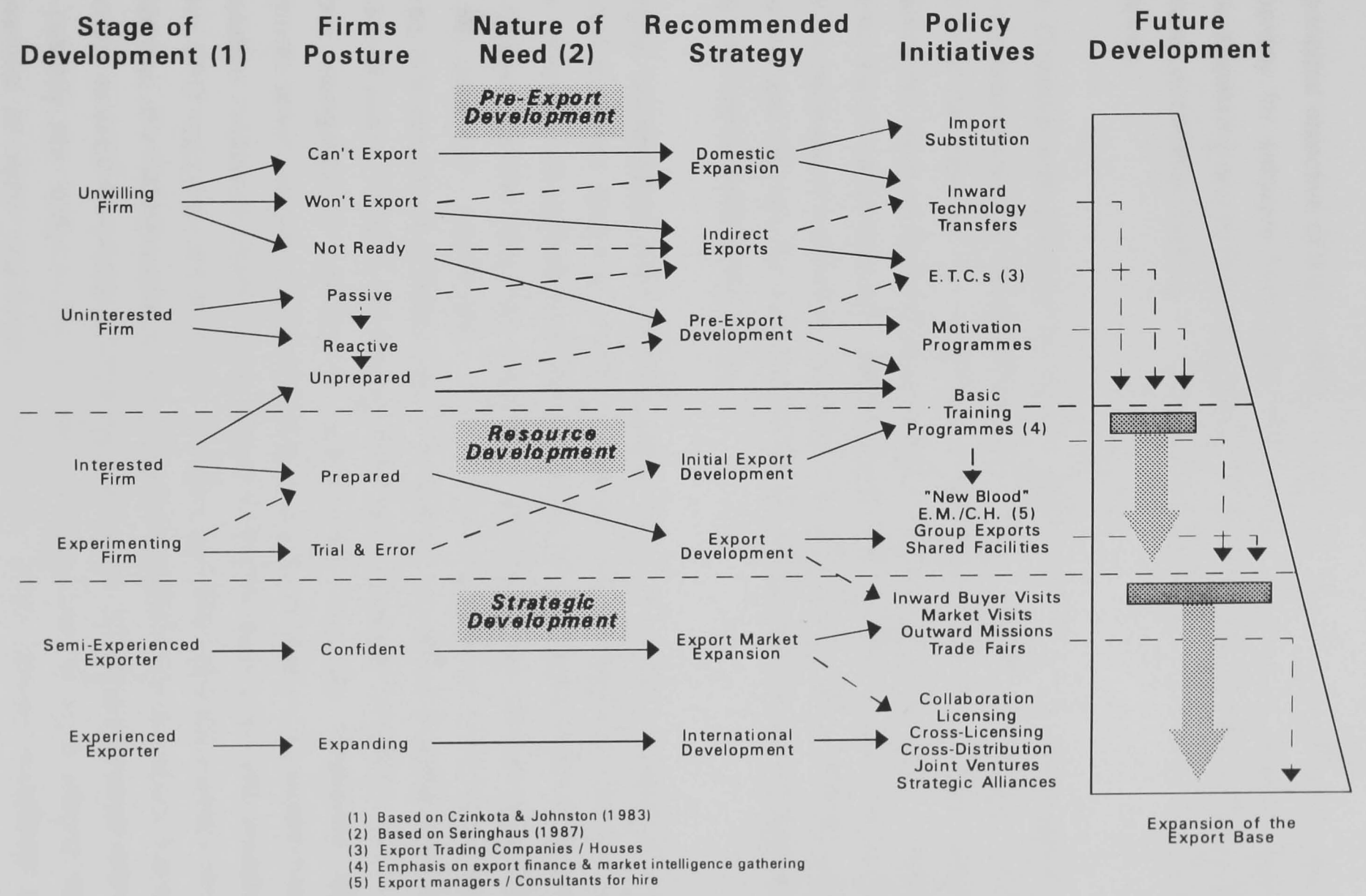


Figure 1.8: Proposed Small-firm Internationalisation Model
 (Reproduced from Section 1.8, p. 65)

(1) Based on Czinkota & Johnston (1983)
 (2) Based on Seringhaus (1987)
 (3) Export Trading Companies / Houses
 (4) Emphasis on export finance & market intelligence gathering
 (5) Export managers / Consultants for hire

The principal objective of the model is to show the types of support which are most appropriate for software firms according to their "stage" and "stance". However, before discussing any of these measures, a number of general observations should be made concerning unwilling or uninterested firms, which - in most cases - are non-exporters.

While Czinkota and Johnston do draw a distinction, many export studies tend to treat non-exporters as a homogenous group. This is clearly not the case, unwilling firms may be reluctant to export for a number of reasons: Firstly, they may genuinely not have an exportable product or service. Secondly, they may refuse to consider exporting as domestic market opportunities satisfy their growth and profit goals, or because of a previous unsatisfactory export experience. Thirdly, they may recognise that they are not yet ready to export, but do not rule out the possibility of doing so at some point in the future.

Similarly, uninterested firms include those which are totally passive and fail to respond to foreign enquiries or fulfil unsolicited orders. They may also be reactive firms which do not actively seek export orders, but are quite happy to satisfy any that happen to come their way. Clearly, the latter group are somewhat unprepared, but this does not - necessarily - mean that they have no previous experience. Indeed, it is possible that some have exported on an ad-hoc, irregular basis over a number of years. What is important - and will be elaborated hereafter - is that these various categories of unwilling or uninterested firms are essentially different segments which require diverse policy approaches if they are to benefit from any stimulation measures. Root (1974) argues that it is imperative that valuable and scarce EPO resources should not be dissipated on firms who have clearly no desire or intention of initiating export activities. As has already been observed, it is equally important to avoid encouraging firms into exporting - including interested ones - that are patently not ready to do so. The consequences of such actions may be deleterious or even catastrophic. Therefore, EPO's should objectively assess potential exporters competencies and prospects.

8.1 NATURE OF THE NEED

Traditionally - and not unnaturally, given their remits - most EPO's have focused, almost exclusively on **exporting** rather than internationalisation (i.e. all inward and outward international operations). Indeed, their goals - as summarised by Seringhaus and Botschen (1990) - all relate to export activity (see Section 3.3.1, p.172). Nevertheless, Luostarinen and Welch (1990) contend that internationalisation may often precede - and contribute to - export initiation. Furthermore, not all researchers are convinced that conventional pre-export stimulation measures have any significant impact, unless firms themselves are already favourably predisposed to exporting (Czinkota, 1982). The present research supports both of these views and - therefore - contends that policy-makers must consider more incisive measures which focus on broader internationalisation perspectives.

8.1.1 Pre-export Development

There is evidence from the present study that some software firms began to export as a result of an inward transaction or because they followed a domestic client. This indicates that firms react positively to commercial prospects. A key policy-task - therefore - is to maximise firms' potential exposure to such opportunities, regardless of whether they emanate from home or abroad.

Greater EPO involvement in inward internationalisation would provide a number of benefits. Firstly, it would enable small indigenous firms to acquire new product or process technology, which in turn, may improve their domestic and - potentially, their international - competitiveness. This might influence domestic clients to source locally, rather than from abroad. However, diseconomies of scale due to a small domestic market may not make import substitution a realistic policy goal. Secondly, it would help to reduce perceptions of foreign risk by exposing firms to overseas markets and contacts in advance of them considering exporting. Thirdly, such exposure might lead to unforeseen export opportunities.

Domestic client followership also suggests that EPO's could be much more active in fostering business relationships between small firms and large home-based internationally-orientated companies. It is clear that a greater emphasis in this direction would have potential benefits for all parties. Small firms might secure additional domestic and foreign sales and their larger counterparts might be able to improve their overall offering and/or extend their product range.

The Irish results also suggest that the implicit linkage of development grants for new firms and their potential to export is a very powerful motivator that encourages firms to be more outwardly-orientated from the outset. It has the added advantages of addressing small firms resource limitations and helping to improve their competitiveness. Interestingly, this approach does not appear to contravene the GATT as such grant-aid is not specifically export-related. Neither has it raised any particular problems within the European Commission, which - in any case - tends to be rather less rigid in regulating small-firm initiatives, but this situation may change in the future.

As can be seen in Figure 1.8 (p. 415), several strategies are recommended in order to address pre-export development needs of firms with different postures. These, in turn, translate into a number of specific policy initiatives. Firstly, for unwilling firms who cannot or will not export, supporting their domestic expansion through inward technology transfer or other import substitution/internationalisation activities may lead to eventual interest in exporting in the longer-term. For unwilling firms who won't export or are not yet ready, encouraging indirect exports through trading companies may be feasible options. However, while this approach has been successful elsewhere - notably, Japan and Korea - and has been in vogue in the US, it does not appear to have lived up to expectations in Ireland. Finally, for firms that are not yet ready - but not opposed to exporting in principle - basic, export training programmes could at least begin to address difficulties and obstacles that they might face at some point in the future.

If anything, dealing with uninterested firms is a more intractable problem and - clearly - all the more frustrating for EPO staff as some of them may have considerable export potential. Two options exist for totally passive firms: Firstly, to encourage them to export indirectly, here greater EPO activity in developing contacts with large home-based exporting might be instrumental. Secondly, to attempt to persuade such firms to become more reactive. In these cases, motivation programmes which include outward activities might be appropriate. Clearly, even if firms can be persuaded to shift from a passive to a reactive posture, they are still likely to be unprepared and will require export training. However, as the fundamental problem is one of motivation, policy-makers must also consider whether additional incentives - that do not contravene GATT - might be provided.

In some respects, interested firms present the least problems, for they have - at least overcome an important psychological hurdle, in terms of less negative perceptions of foreign market risk. Thus, EPO's will have fewer difficulties motivating them. However, as indicated earlier (p. 418), not all of these firms should be actively encouraged in their long-term interests. Furthermore, although some firms will be enthusiastic because of a recent enquiry or order - or because they have identified a specific opportunity - others will be interested in the broad concept of exporting, but have little or no idea as to where to or how. The latter will require advice concerning their readiness to export, guidance as to product suitability and direction regarding choice of markets. They will also need basic export training.

Although the respective EPO's in Finland, Ireland and Norway all provide export appraisal programmes, it is interesting to note that they are not as widely used as many other services. However, the explanation is probably quite simple. The fact that many of the software firms in the present study have reacted to opportunities - for example, by following domestic clients into overseas markets - means that they have had no need to avail of these programmes. In effect, the suitability of offerings has already been established and the market choice is pre-determined. Nevertheless, these offerings are of value to firms who are proactively considering exporting.

8.1.2 Resource Development

Returning to the proposed policy model (see p. 415), Seringhaus' second phase concerns resource development. In this context the present study regards export knowledge as a resource. Thus, two essential elements are involved in this process. Firstly, developing the firm's knowledge base, through the provision of export information and market intelligence. Secondly, addressing the human and financial resource limitations which hinder export development by offering programmes which - often - offer financial assistance. These elements are often inextricably linked, for example, financial support provided towards participation in overseas trade fairs enables firms to gain export knowledge. However, as EPO offerings can be - broadly - subdivided into information services and support programmes, each will be discussed separately hereafter.

8.1.2 (i) Information services

Typically, the information services provided by EPO's can be subdivided into those designed for overseas consumption and information targeted at indigenous exporters. The former include guides for foreign companies interested in sourcing particular goods from the country - such as the Irish Software Directory - bulletins which inform potential overseas clients of new products and other general promotional material on opportunities for doing business with national firms.

Although many exporters may not - fully - appreciate the value of these activities, they are important and desirable. They create a favourable overall impression of national exporting capabilities and also generate awareness of industry and sectoral competencies. This, in turn, may lead to enquiries from foreign clients, either via the EPO or directly to the firm. In the case of the latter these may often appear to be unsolicited, but - nevertheless - they are not totally fortuitous. Thus, the present study recognises the value of these activities does not question the need for EPO's to be involved. Indeed, some sectoral-specific recommendations will be made in Section 8.5 (p. 434).

Information services provided to exporters are a different matter. The present study concludes that these are less extensively used than support programmes, satisfaction levels are - generally - lower and many software firms find them to be much too general to be really useful. Furthermore, a distinct preference for personal - rather than secondary - information sources is evident. These results are not altogether surprising as they are consistent with those of prior research which indicates that government export information services are better received by larger firms and more suited to their research needs (Pointon, 1978; Seringhaus, 1987). Whether or not, EPO's should continue to provide export information and support to large, experienced exporters is a matter of debate (see p. 423).

Two particular factors are pertinent. Firstly, small firms' preference for experiential knowledge, as opposed to objective information. Secondly, the desire small firms have for very specific market intelligence. Thus, for example, small firms are not especially interested in the total size of an export market or the structures, patterns and trends therein. What they do want to know is precisely which firms to contact in order to try and secure a worthwhile order. Typically, smaller firms believe that - once established - these contacts will provide them with all the pertinent market information they require. Clearly, this approach is more informal and less structured than the market intelligence gathering process of larger firms, or indeed, that recommended in the literature (Douglas and Craig, 1983).

These factors present particular problems to EPO's. Great importance is attached to providing export information and substantial resources are expended on these activities. However, because of resource constraints, they are unable to provide a tailored information service to every firm. Nor do they have the necessary sectoral expertise to provide specific market/sector intelligence to firms in a diverse range of industries. This is particularly the case in respect of small firms - which tend to target niche markets - and especially small software houses which often focus on very specialised niches.

In common with many other EPO's, the FFTA, Bord Tráchtála and Norges Eksportrad do offer firms the opportunity to commission market research and subsidise a part of the costs. They are also quite active in preparing sectoral reports for key exporting industries. Nevertheless, much of the other information provided is, inevitably, of a general nature. Moreover, given EPO resource constraints, any attempts to provide more specific information will need to be balanced by greater efficiencies or a reduction in other activities.

A number of potential measures to improve these provision exist. Firstly, it is clear that much of the general information EPO's provide is available elsewhere. For example banks and commercial organisations - such as the EIU, Euromonitor, Kompass, Datastream, etc. - produce country reports, sector/market analyses, trade directories and databases. Given firms' perceived market intelligence weaknesses, much greater emphasis should be placed on training firms to identify and exploit appropriate - and easily accessible - sources, rather than merely duplicating the information these sources provide.

Secondly, EPO's often produce similar types of information. For example, most prepare exporter's guides to specific foreign markets. Given that the basic information firms require on doing business in particular export markets is very similar, there is a clear opportunity for collaboration. Indeed, for EC members there is a compelling case for such productions to be centrally coordinated by the European Commission and produced in the official languages of the Community. The imminent full membership of Finland and Norway would enable them to participate in such an initiative. Not only would this be a more efficient way of providing the same basic information to small exporters throughout the Community, but information compiled on the market conditions in member states could also be made available to non-EC countries as a means of assuaging fears concerning the emergence of a "fortress" Europe. Such activities would also be beneficial to the Eastern European states and other countries which aspire to full EC membership in the longer term.

Thirdly, much of the information provided is currently in published form. Not only is this expensive, but it is also more difficult and costly to update on a regular basis. Having decided what information is strictly necessary, and whether or not to pool resources, EPO's should rapidly introduce new on-line systems. The respective national EPO's are already moving in this direction, with Norges Eksportrad - arguably - the most advanced in this respect. Some of Bord Tráchtála's information is databased, notably, the sectoral buyer's guides which are distributed in published format and on disc. However, the most desirable development would be the introduction of export "expert systems" to enable firms to access and interrogate databases. This would allow them to extract only that information that was pertinent and useful to them, to the degree of specificity they might require or was available. Expert systems could also be used for training purposes or to provide assistance or advice of a more specific nature.

Fourthly, universal provision of export information and support should be reviewed. While large companies were excluded from the present research, a number of respondents opined that they continued to obtain EPO support long after they really needed it, to the detriment of smaller and more deserving cases.

Clearly, this is a political decision and might be rather more difficult to implement in Finland and Norway as large companies contribute - directly or indirectly - to EPO funding (see Section 4.2, p. 222). In addition, any change in remit towards supporting smaller exporters to the exclusion of larger ones, may meet with EPO resistance - as was initially the case in Ireland - unless EPO performance evaluation criteria are also modified. However, given that small firms account for the vast proportion of all exporters in these countries - and that larger companies generally have substantial international experience - selective provision of EPO services merits serious consideration. Alternatively - if this should prove to be politically unacceptable - EPO's should consider charging larger firms the full commercial rates for export information services.

Finally, any - or all - of the preceding measures would make the provision of export information more efficient and less of a drain on EPO human and financial resources. These would enable EPO's to redirect their efforts towards support programmes that help firms gain experiential knowledge of export markets. After all, it is these type of offerings that small firms most appreciate.

8.1.2 (ii) Support programmes

The present study concludes that EPO support programmes are generally well received. In particular, trade mission programmes and those which provide financial help for export development activities are especially popular. Indeed, respondents indicated that even more support in these areas would be desirable. These results are influenced by two key factors: Firstly, the - aforementioned - preference that smaller firms have for experiential knowledge; secondly, the need for additional financial and human resources to enable them to develop their own international network of contacts.

As has already been observed (see Section 7.1.4, p. 398), the previous overseas experience of the decision-maker is a critical factor in export initiation. Increased exposure leads to a reduction in perceptions of foreign market risks, which - in turn - results in a greater commitment to export activities. Thus, any EPO measures that encourage smaller firms to become more internationally-orientated - such as financial support for outward missions and trade fairs - are highly desirable and particularly beneficial. In consequence, such programmes should be prioritised - if necessary - at the expense of reducing the number of export information services. Resources must be redirected in order to increase the scope of existing programmes and so as to develop specific initiatives for priority industry sectors. In terms of participation, the respective EPO's already impose restrictions on the number of times that a firm may obtain financial support to attend a particular trade fair. However, the merit of providing any financial support to large, experienced exporters is questionable and - as with information services - greater selectivity must be considered.

A shift away from information services and towards more practical support measures would also be highly beneficial to the EPO's themselves. This would clearly position them as an integral - and valuable - part of small firm's support networks, rather than as peripheral export information providers. Diamantopoulos et al. (1993) contend that export assistance must be relevant to the user and needs-focused. Insofar as smaller firms express a distinct preference for these types of programmes, such an emphasis might well improve perceptions of EPO assistance and - thereby - increase overall levels of usage and satisfaction.

This approach would also have a positive effect on relationships between clients and EPO's, at both organisational and inter-personal levels. Closer and more extensive interaction would lead to a greater understanding of the firm's specific requirements and to a more tailored response to these needs. Given the typical attitudes and characteristics of small business decision-makers, their dislike of bureaucracy and their inherent mistrust of government departments and semi-state organisations - which are often regarded as intrusive and unhelpful - any improvements in this respect would be desirable.

Furthermore, it could be argued that motivation and satisfaction levels among EPO staff would also increase as a consequence of greater personal involvement and cognizance of the value of their personal contributions. This, in turn, could lead to an improvement in the delivery and quality of services. It might even have a positive impact on the recruitment and retention of EPO personnel, although adequate remuneration of staff must also be addressed.

In terms of resource development it is important to recognise that two distinct but interrelated processes are involved: Firstly, the development of firms' existing capabilities to enable them to exploit their full export potential. Secondly, the identification of resource gaps which can only be addressed through the acquisition of additional human resources and/or the injection of additional capital.

In respect to the former, the present research contends that significant improvements are necessary in two important areas, financial management and control and market intelligence gathering. Clearly, these limitations reflect inherent small-firm weaknesses. Nevertheless, they are especially detrimental in an export development context. It is evident that EPO's and other training organisations must place particular emphasis on both these areas.

In terms of financial management and control; programmes, workshops and seminars dealing with export finance-related issues - such as competitive pricing for international markets, export payments and steps to prevent delays or default, management of foreign exchange risk, export insurance and additional sources of export finance - are needed. Also important is advice on export documentation, as failure to follow correct procedures often results in payment delays. These are pertinent to all inexperienced exporters, but particularly important to firms at the very early stages of exporting.

Conversely, market intelligence gathering remains a weakness long after firms have become quite competent in other aspects of exporting. While the national EPO's do provide grants towards the costs of conducting export market research, such support does not seem to address this fundamental weakness. It would - thus - appear that a more concerted approach is needed, which would involve EPO's and training providers in developing these competencies over a much longer time-scale.

In terms of resource gaps, the respective national EPO's have addressed these issues through a range of offerings. These include programmes that provide: part of the first year's salary and expenses of a newly-recruited export sales representative; grants for export marketing activities and; support for establishment abroad. Typically, 50% of the costs incurred are met. These offerings received the highest usage and satisfaction ratings from small software firms, reflecting their high perceived value.

Other innovative programmes which provide export consultants/managers for hire offer firms the chance of acquiring export management expertise. Support towards fees or salaries and/or the possibility of sharing these resources with other small exporters reduces the costs involved. These provisions are a particular a feature in Finland and Norway, although Ireland is also moving in this direction with the recent expansion of the Targeted Marketing Consultancy programme.

While such schemes are long-established, widely-used and - evidently -successful throughout Scandinavia, the present study found low levels of usage among small software firms. Nevertheless, the firms that had been involved in them were very satisfied. Similarly, more recently introduced Irish shared-resource initiatives - such as shared office projects and grouping for exports - were only use by a few software firms, but again satisfaction levels were high. Low usage by software firms should not detract from the intrinsic merits of these programmes which have proved popular with small firms in other industries. Nevertheless, there is a need to develop sectoral variants tailored to the particular requirements of small software firms and - thereafter - promote them more vigorously.

Unlike the aforementioned offerings which provide additional resources and/or encourage collaboration, participation in export development and training programmes is - at least in the short-term - a drain on scarce resources. Low awareness of offerings and their low perceived utility were cited as the main reasons for non-participation. However, was evident that many smaller software firms did not take part because the disadvantages of releasing key staff outweighed any perceived advantages. On the other hand, the larger firms that did participate were usually very satisfied.

The key issue for providers is that the very firms which might derive the greatest benefit are also those least likely to participate. Subsidising programmes is helpful and encourages firms which recognise the value of staff and company development. However, this alone is not enough, it is clear that firms must have the human resources to develop in the first place, or must be able to obtain them through the programme.

In this context, the suite of export marketing programmes offered by the Irish training agency - see Chapter 4 (p. 233) - provide excellent models. Indeed, the European version was highly commended by the Commission as one of the top ten training initiatives in the Community. The matching of recent graduates to smaller firms and the concurrent development of individual and company export competencies provided companies with the necessary human resources and graduates with international experience.

As can be seen from the preceding discussion, the need for resource development is a core issue in small-firm internationalisation. The major objective must be to improve firm's existing resource bases and to seek ways of expanding them within the constraints imposed by international agreements such as the GATT.

The results of the present survey indicate that small software firms have weaknesses in financial management and control and also in their market intelligence capabilities which must be addressed through training which specifically addresses these issues. In the case of the latter cognisance of their preference for experiential knowledge is essential. However, paucity of resources are their most critical limitations. EPO's in Finland, Ireland and Norway provide practical - and often innovative - measures to bridge these resource gaps. Nevertheless, what is also clear, is the need to tailor some of these provisions - which have proved successful among small firms in other industries - to the particular needs of small software houses.

8.1.3 Strategic Development

Seringhaus' third stage involves EPO's supporting firms' strategic export development. As can be seen in Figure 1.8, this entails export expansion strategies and international development. The former primarily relates to firms' export market selection decisions, the latter to alternative entry modes. Together, they incorporate a broad range of internationalisation issues.

8.1.3 (i) Export market expansion

Findings concerning internationalisation patterns of small software firms are very useful to policy-makers. Client followership and tracking the international expansion of target industries or niches feature prominently. These provide EPO's with clear direction as to which overseas markets and industries are important. They also reinforce the view that EPO's should play a greater part in developing relations between small software firms and large international operators.

These issues are best illustrated by examples. From the response to the survey, it was evident that Finnish software houses were particularly competent in developing applications for the shipping sector or for the metal fabrication industry. Both these industries are important to the Finnish economy and significant export earners. FFTA could - therefore - usefully target export markets with large merchant fleets or important light-engineering sectors. Similarly, many Norwegian software developers tended to specialise in oil-related applications. Focusing on oil-producing states would be an appropriate strategy for Norges Eksportrad, especially as they are already involved in assisting exporters of other oil-related goods and services in these countries. A high proportion of Irish software firms produce financial services packages; such as banking, payroll and accounting systems. Potential export markets are those which - along with Ireland - have adopted British accounting and banking practice (i.e most current or former Commonwealth nations). Bord Tráchtála should target the most promising of these countries.

The fact that Finland, Ireland and Norway have some degree of expertise in the aforementioned industries is also significant. It means that small software firms can "piggyback" into export markets with larger indigenous companies. They can also trade on the country's reputation in the target industry, which helps to compensate for a relatively low national image for software development when compared with other major software-producing nations such as the US.

8.1.3 (ii) International development

It is evident from the present research that two main factors influence the international expansion of small software firms. Firstly, the nature and characteristics of the software industry; secondly, the highly-specialised applications developed by the responding firms. It is clear that both these factors militate against firms establishing overseas production as it is neither necessary - given the relative ease of distribution - nor desirable, due to a narrow niche focus and the low volume, but high value, of sales. The need to provide "bespoke" design services and personalised customer support also dictates that direct exports are - and will remain - the main method of expansion into overseas markets. However, this approach limits firms' scope and pace of expansion as there is a finite number of clients and markets that they can service efficiently without imposing an undue strain on existing human and financial resources.

A number of the firms in the survey did have licensing agreements, but these were mainly site licenses which gave a domestic client the rights to use the application or package in its' overseas operations. Similarly, a small number of firms had some agreements with large computer companies regarding the development of applications to run on the latter's hardware platforms. Some had arrangements whereby their software was listed in hardware manufacturer's promotional material and distributed via their dealer networks as part of a recommended systems solution.

In one or two cases, small software firms had been able to secure R&D funding from the likes of IBM to develop packages which were of interest to the larger party. This last approach is increasing in popularity, as exceptional application packages are almost always developed by smaller teams of software developers. Consequently, larger computer producers are becoming much more aware of the potential benefits to be derived from "outsourcing" software application development to small software houses.

To describe the latter approaches as joint-ventures or strategic alliances is - perhaps - a little grandiose. Undoubtedly, they are of importance to small software houses and valuable - but not of strategic consequence - to large computer companies. Nevertheless, along with licensing agreements, such collaboration offers alternative export development opportunities. As has already been noted (p. 417), EPO's have traditionally tended to focus on exporting, but the case for providing greater assistance for a broader spectrum of activities is evident.

Thus far, discussion has centred on relationships between small software firms and the large - multi-national - computer hardware manufacturers. However, there is also potential for international collaboration between small firms in terms of cross-licensing, joint R&D projects and so forth. In this context, the European Commission is particularly well-disposed to collaboration between small high-technology firms and has led the way in terms of supporting initiatives such as SPRINT. Such approaches are very appropriate for small software firms and EPO's should actively encourage the EC to consider ways of expanding them. Indeed, this type of support may become even more important in future if the EC - rigorously - implements legislation preventing governments from providing any form of direct aid which distorts trade between member states. In this event the focus of support will switch towards assistance with R&D and sectoral or cooperative activities. However, as has already been noted (p. 418) the Commission has, thus far, tended to adopt a laissez-faire attitude towards national small-firm initiatives providing that their impact on competition policy is not significant.

8.2 BROADER POLICY ISSUES

Two other issues emerge from the present study, which - although outside their remit - impact EPO objectives. Firstly, the relationship between small firms and banks; secondly, fostering broader international perspectives within the workforce and among business decision-makers of the future. Improvements in both these areas would - undoubtedly - make the task of EPO's easier.

The need to improve relations between banks and small businesses is an issue which must be addressed by policy-makers. There is a groundswell of opinion that if governments cannot encourage financial institutions to become more proactive and supportive towards the sector - by offering additional tax incentives, underwriting loans to small firms, or other appropriate measures - then they should compel them to do so via taxes on "windfall" profits or other legislation.

The pros and cons of this particular debate are outside the scope of the present study and are not just confined to small exporters. Nevertheless, insofar as the problems facing small software exporters are predominantly finance-related - and inasmuch as software firms appear to be particularly disadvantaged in dealings with their banks - these issues are pertinent to developing the export potential of the sector. Moreover, given that many of these difficulties are common to small firms in general, they impact on the overall design and delivery of small-firm export support programmes.

Returning to the importance of decision-makers' international orientation, this issue also has important implications for policy-making outside the area of export promotion. Clearly, some individuals gain an international orientation long before they become business decision-makers by living, studying or working abroad. Government education and training policies must, therefore, place a high priority on incorporating international components - overseas visits, periods of study abroad, developing foreign language skills, etc. - into secondary and higher education and also into vocational training initiatives.

In this context, EC funding for programmes such as ERASMUS or TEMPUS - which facilitate academic exchanges within the Community, or between member states and Eastern European countries - provide useful support mechanisms. Similarly, other schemes which enable industrial trainees to work in large firms in other member states have considerable merit. Such initiatives reflect the growing convergence of education and training policies throughout the EC and the trend towards increased collaboration between member states.

EPO's and training agencies in the respective countries have been active in these areas, offering international internships, provisions such as the - aforementioned - Irish export marketing programmes and so forth. EPO's have also sought to provide expertise and financial support to exporters within the constraints of limited export promotion budgets. Nevertheless, it may be argued that many of their activities are - in effect - remedies to resolve problems that might have been avoided, had governments pursued radical small-firm development strategies in the first place and prioritised internationally-orientated education and training policies.

8.3 RECOMMENDATIONS

A number of recommendations emanate from the conclusions of the present research and the elaboration of the policy model. These relate to three areas: EPO services in general, sectoral issues and country-specific considerations. Each are presented in turn hereafter.

8.3.1 General Recommendations on EPO Services.

Four recommendations are made in respect to EPO services:

- **Firstly, EPO's have traditionally focused on exports. It is important that they embrace broader small-firm internationalisation issues. These must include: assisting and encouraging pre-export inward, outward and domestic market activities which may lead to export initiation; fostering relations between small firms and large, internationally-orientated companies located in the home market and; encouraging firms to consider methods other than exporting.**
- **Secondly, specific training must be made available to provide firms with adequate export skills. The two key areas are export financing and market intelligence activities. In the case of the latter, small firms' preferences for experiential knowledge must be recognised in the design and delivery of training.**
- **Thirdly, in the light of small-firms' preferences for experiential knowledge - rather than objective information - and their paucity of human and financial resources, EPO's should prioritise support programmes, if necessary, at the expense of information services.**

- **Fourthly, universal provision of assistance to all exporters and should be reconsidered. Scarce resources should not be dissipated on firms which have neither the potential nor the inclination to export. Nor should they be utilised to support larger experienced exporters with the wherewithal to succeed on their own.**

These recommendations are pertinent to EPO's in all three countries in the present study. In addition, they do not conflict with most prior research conducted in other locations into the nature of small firms' export problems and government export support. Thus, although the present investigation was undertaken in Finland, Ireland and Norway - and within the computer software sector - these recommendations are considered to be relevant to the provision of small-firm export assistance in other countries.

8.3.2 Sector-specific recommendations

It is evident that inadequate financial resources are a major impediment to small-firm growth, irrespective of whether this is sought in domestic or export markets. However, small software firms face particular problems in this respect for a number of reasons. Firstly, they have a much higher R&D spend than their counterparts in many other sectors. Secondly, while establishment costs are often relatively modest - compared with those of manufacturing firms - salaries for software developers are considerably higher than for blue collar employees. Thirdly, software firms appear to be viewed with particular suspicion by the banks because they have lower asset bases and find it harder to obtain loans (see Section 7.4, p. 408). Fourthly, policy-makers still tend to favour grant-aiding manufacturing firms in preference to service-based industries. Thus capital, R&D and training grants are harder to obtain. For small software exporters these problems are exacerbated by higher than average expenditure incurred in maintaining frequent personal contact with overseas clients because of the high service content in their offerings. This emphasis on personal selling and product demonstrations also means that software firms place a much lower priority on other promotional techniques such as advertising and that supporting publicity material is not always of a high quality.

In consequence, a number of sector-specific recommendations are made:

- **Firstly, the software sector requires greater financial support. However, this does not - necessarily - have to be export-related. More generous capital, R&D and training grant would allow firms to allocate scarce resources to improving export marketing activities.**
- **Secondly, EPO's should provide small software firms with additional support for outward visits. Unlike other traditional sectors, where client visits are desirable - but may only have to be occasional once a good relationship has been established - software firms need to have personal contact with clients on a very regular basis.**
- **Thirdly, given the low priority attached to promotional activities, EPO's should intervene at a sectoral level. A buyer's guide - like that already produced by the Irish EPO, which contains pertinent details of all firms in the sector - assists individual firms and improves awareness of the country's software capabilities in export markets. Other activities might include sectoral/national campaigns in the appropriate international trade press and consultancy advice, workshops, etc., to assist firms improve their promotional material.**

8.3.3 Country-specific Recommendations

Making country specific recommendations is rather more difficult for a number of reasons. Firstly, the choice of markets was made on the basis that EPO's in Finland, Ireland and Norway had a reputation for providing innovative and proactive support for small firms and - thus - provided an opportunity to evaluate good export promotion practice. As the results confirm that provisions were generally well received, no major criticisms of provisions can be made, nor can significant changes be recommended. Secondly, EPO's must support firms in all sectors. Low usage of specific services by software firms does not - necessarily - mean that they are not valuable to firms in other sectors. For example, Product Testing was not used by Norwegian software firms, but might be very useful to consumer goods exporters wishing to test product suitability in overseas markets. Thus, caution must be exercised in making generalisations regarding the need for - or utility of - specific services, based solely on responses of software firms.

Thirdly, and also related to the need to provide services for companies in different sectors, EPO's will - obviously - have certain priorities in terms of industries which demand particular attention because of their economic importance. Thus, recommendation relating to the software sector must be viewed in the context of the broader thrust of export promotion policy, wherein support for other industries may be deemed to be more critical. Moreover, it is accepted that because of resource constraints EPO's cannot tailor offerings sufficiently to satisfy the specific requirements of each firm in every sector all of the time. Given this caveat, the following recommendations are made:

- **Firstly, there is a need to tailor existing programmes for the software sector. This applies particularly to export development and training programmes offered by EPO's or other providers. However, it is also pertinent to other information and support offerings (see second sectoral recommendation).**
- **Secondly, should this approach not always be feasible, that - as an interim step - offerings should be differentiated to reflect the needs of service-intensive sectors compared with those of manufacturing industries.**
- **Thirdly, that a great opportunity exists to transfer good export promotion practice from one country to another.**

The latter recommendation requires amplification. When undertaking the empirical research certain offerings and activities were identified in each country which might be adopted elsewhere with beneficial effects. For example, both Finland and Norway should consider producing a software buyer's guide similar to the Irish one; Scandinavian export manager for hire schemes merit serious consideration elsewhere, as do the Irish Shared Office Projects; Ireland should explore the possibility of establishing a training institute dedicated solely to export marketing, such as those which exist in Finland and Norway. Thus, rather than seeking to reinvent the wheel, policy-makers should first examine what their counterparts in other countries are doing.

Furthermore, the recommendations made concerning the need for tailored programmes has been overtaken by events. Since the fieldwork was undertaken, the Irish EPO has - in fact - organised an export development programme specifically for software firms. This programme only finished in 1993 and has yet to be fully evaluated. Nevertheless, early indications suggest it was very successful and another is planned in the future. On this basis, the Finnish and Norwegian EPO's should consider a similar offering. Better still, they might explore the possibility of collaborating on a joint programme for software firms in both countries.

8.4 RESEARCH LIMITATIONS, DIRECTIONS AND AVENUES

The final section of this thesis deals with three issues: limitations of the present research, avenues of future enquiry and guidelines on conducting cross-national research. Each will be discussed hereafter.

8.4.1 Limitations of the Present Research

As has already been discussed in Chapter 5 (p. 253) the approach adopted in the present enquiry was influenced by previous research guidelines. These highlighted the need for more comparative studies, called for the use of "mixed" methodologies and presented a strong case for evaluating individual EPO offerings, rather than using a global construct. Because of the benefits derived from accepting these guidelines (see Chapter 7, p. 392) they are strongly commended to future researchers in the area.

Although a relatively small sample was selected and a single sector focus was adopted, both of these decisions were quite deliberate and have been explained and justified (see Section 5.2.1, p. 259). Follow-up in-depth interviews with MD's of responding firms and expert witness opinions from key EPO personnel enriched the data obtained from the mail questionnaire which elicited a high useable response rate of over 52%. This multi-stage, "mixed" approach also allowed data to be verified through methodological triangulation techniques.

The present research has certain limitations in terms of the country and sector focus. As small countries, Finland, Ireland and Norway all place a particularly high emphasis on export promotion. Thus, findings relating to awareness and usage of - and satisfaction with - particular services are country specific and enquiries in larger economies have often painted a quite different picture of the efficacy of export support. Similarly, as the study was conducted within the software sector, some caution should be exercised in generalising findings to other industries. Nevertheless, evidence of similar patterns between the countries surveyed - and support from studies conducted in other locations and sectors - suggests that many of the issues concerning small-firm support needs and export provisions are fairly universal.

Finally, a major criticism of research in the area is the lack of longitudinal enquiry. Clearly, this is difficult to address in a time-bounded study such as the present. Nonetheless, a multi-stage approach is an improvement on the single "snapshot" so often provided by investigations which only use a questionnaire or an interview. Moreover, as will be discussed hereafter, the present research can be built upon in a number of ways.

8.4.2 Areas for Future Research

There are a number of ways of developing the present research. Firstly, MD's who took part in the present study could be interviewed - at some point in the future - to determine what changes had occurred in the intervening period. This would provide a longitudinal dimension to the research. In particular, it would be most interesting to conduct a study among participants on the recent Irish export development programme for software firms, given that the vast majority were involved in the present enquiry. In addition to providing an evaluation of the programme, such a study could explore whether perceptions of EPO provisions had changed as a result of their participation. This might provide useful insights into the efficacy and merits - or otherwise - of sectorally-targeted offerings.

Secondly, it would be possible to replicate the research in other larger countries - but still within the software sector - to explore the same range of issues as were investigated in the present study and provide additional sectoral comparative data.

Thirdly, a study in the same countries, but in a different sector - probably, a more traditional manufacturing industry - might provide very useful cross-sectoral comparisons of EPO provisions and small-firm needs.

These alternatives have a unifying theme, they all focus on policy issues. A major research recommendation of the present study is that the time has - probably - come when it is pointless to carry out further research into issues such as the relationship between firm size and export initiation, export barriers and problems, etc. Nor does it serve much purpose to try and prove - using ever more complex statistical techniques - that firms' export behaviour conforms to models that are, increasingly, regarded as suspect. What is much more important, is to pursue avenues of enquiry which will assist small firms and policy-makers to resolve widely -accepted export-related problems.

In particular, three issues emerge; Firstly, how to help small exporters to overcome finance-related problems, not just vis-a-vis improving aspects of management and control, but also in respect of obtaining the necessary funding to finance export market expansion in the first place. Secondly, how to develop market intelligence systems which enable small firms to obtain the precise export information they require, taking into account the fact that they tend to approach this activity in an ad-hoc manner and much prefer to use personal sources. Thirdly, to establish what appropriate steps might be taken to give individuals an international orientation before they become business decision-makers and to internationalise firms before they begin to export. Resolution of these issues would - most certainly - simplify the tasks of national Export Promotion Organisations and make their objectives considerably easier to achieve.

8.4.3 Guidelines on Conducting Cross-national Research

As observed in the conclusions (see p. 401) many researchers have called for more comparative cross-national research into export-related issues, yet few - including, some who made the calls - have risen to the challenge. Moreover, while they recognise the need to shift direction, they do not offer any useful recommendations as to how to go about it. The experience gained in the present research allows some guidelines to be offered.

Firstly, large-scale survey techniques are not recommended. A postal questionnaire, distributed from the researcher's country, immediately reveals an ethno-centric orientation which is hardly consistent with any stated cross-national objectives. It is, therefore, imperative that the researcher is personally involved in the process and not just analysing data from a distance.

Secondly, visits to the country or countries are essential if a clear understanding of the particular circumstances and conditions is to be gained. Considerable preparatory work can be undertaken in advance in terms of gathering secondary information, corresponding with contacts, conducting telephone interview and so forth. An important issue is to establish clear objectives for these visits and plan activities in detail. In the present research, for example, in addition to those objectives described in Section 5.2.2 (p. 264), a task during the first market visits was to purchase stamps for the pre-paid envelopes which were later sent with the mail instrument. This might seem trivial, but it may well have been a contributory factor to high response rates.

Thirdly, it is important to advise any relevant bodies of your intentions, carefully explain the purpose of the research, seek their assistance and advice and visit them at the earliest opportunity. If they can be convinced of the merits of the research they will respond positively.

In the present research, staff in the respective EPO's offered considerable assistance in terms of:

- providing detailed information on their services, including making available certain confidential reports
- translating elements of the mail instrument and the covering letters into Finnish and Norwegian and proofing the drafts
- verifying the sample
- agreeing to act as expert witnesses in discussing the key findings and preliminary conclusions, providing opinions on issues relating to awareness and usage of - and satisfaction with - services, etc.

This help was provided very willingly and with "no strings attached", all as a result of approaching them in a courteous manner. Similarly the PA Consultants contacts in each country provided assistance in all aspects of administering and interpreting the PAPI personal inventory tests used with MD's in the in-depth interviews. Moreover, they did so with great enthusiasm and at no charge.

Fourthly, if a mail survey is necessary - as in the case of the present research - then it should be tailored to each market. On EPO advice - and given an excellent command of English in Finland and Norway - the questionnaires were prepared in English. However, EPO programmes and services - as well as those of export training organisations - were listed in Finnish or Norwegian. Similarly, letters accompanying the mail instrument should be in the language of the country. An interesting aside is that English is now the official language in Norges Eksportrad.

Fifthly, by following good market research practice, it is possible to obtain a high response rate. This includes careful instrument design and sample selection, attention to presentation, an explanatory letter seeking firms cooperation, pre-paid response envelopes, reminder letters, etc. (see Section 5.2.3, p. 265).

However, one technique which was particularly effective in encouraging late firms to respond was the use of a facsimile to send out reminders. It would appear that this conveys a sense of urgency and importance and - thereby - generates a quicker and higher response from such firms. The facsimile was also invaluable in confirming appointments and ensuring quick communications with the EPO's and other key informants.

Sixthly, "mixed" methodologies are recommended. The mail instrument should gather quantitative data which enable the researcher to identify suitable cases for in-depth study. Qualitative data obtained from follow-up interviews provide richer insights - especially into behavioural issues - and assist in the verification of information. In-depth interviews also enable the researcher to probe into particular and pertinent issues. The use of expert witnesses - as in the case of EPO staff and PA personnel - at all stages of the process is highly desirable and extremely beneficial. These individuals are an invaluable source of knowledge and can provide unique perspectives which - otherwise - may not be obtained.

Seventhly, organising these follow-up visits requires careful planning to ensure that research "down-time" is kept to a minimum. It is advisable to contact the potential interviewee by 'phone and confirm the arrangements by facsimile or letter. Interviews should be reconfirmed by 'phone on arrival in the market. The advance warning required by interviewees varies from one country to another. For example, in Finland and Norway 3-4 weeks is the minimum period, whereas in Ireland appointments can be made at relatively short notice. In all cases, MD's were extremely willing to meet a researcher prepared to travel to the market. Indeed the Finnish MD's were especially hospitable and small tokens of appreciation - in this case Irish whiskey - were extremely well received. This, again, reinforces the importance of personalising the whole research process.

Finally, as can be seen from the preceding discussion, cross-national research can involve a considerable investment of time, resources and money. This - perhaps - is another reason why researchers are reluctant to undertake it. In this context, the author is indebted to his present employers, the University of Ulster, for supporting the present research and allowing him to use the institution's physical and human resources. In conclusion, despite the added cost and complexity of undertaking such research, the experience is considerably richer than examining the mail for foreign postmarks, praying that the number of replies is high enough to be able to claim that "a satisfactory response was obtained".

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Appendix I

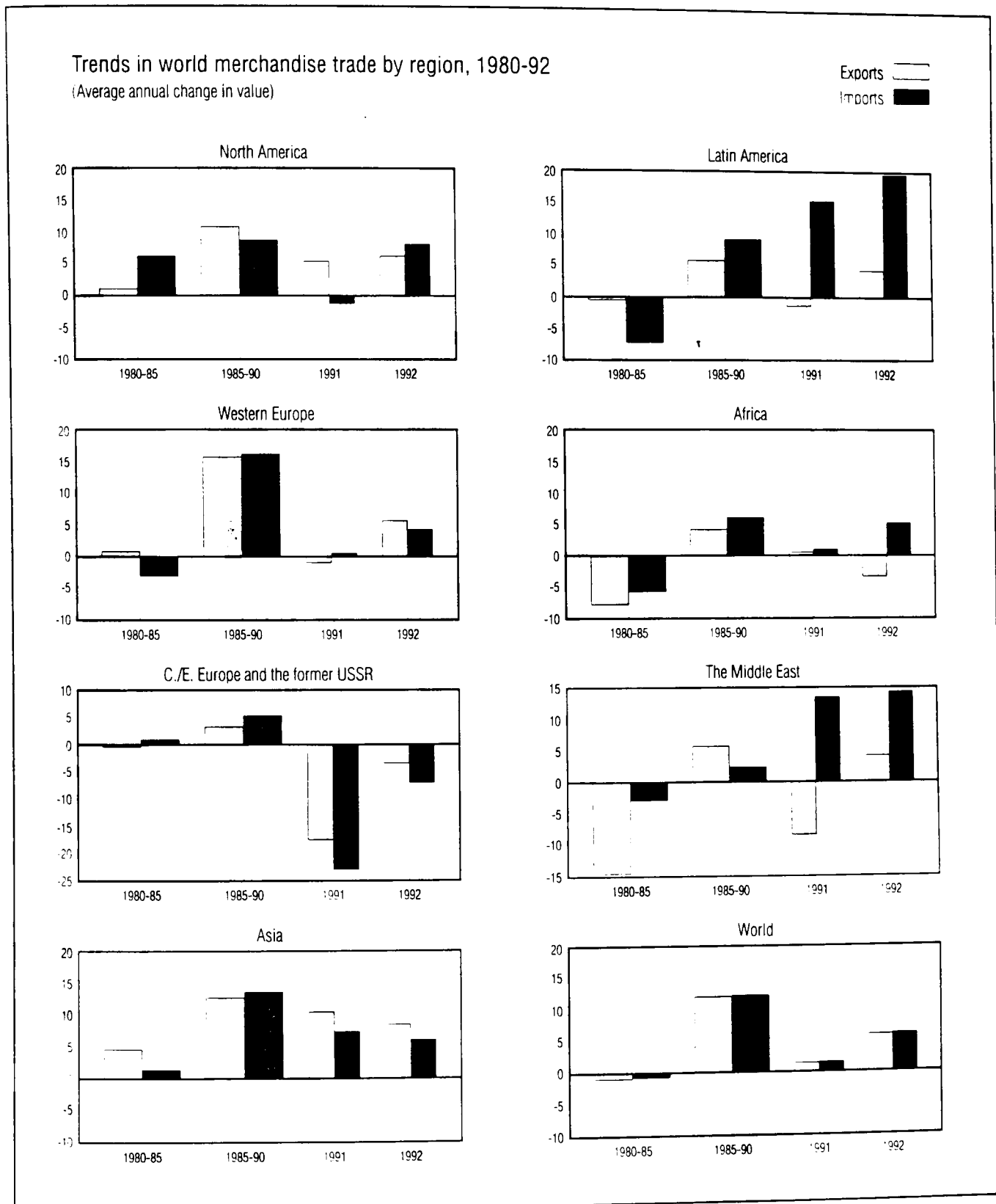


Figure 1: Trends in World Merchandise, Trade by Region (% change in value).
(Source: GATT, International Trade, 1993, Geneva)

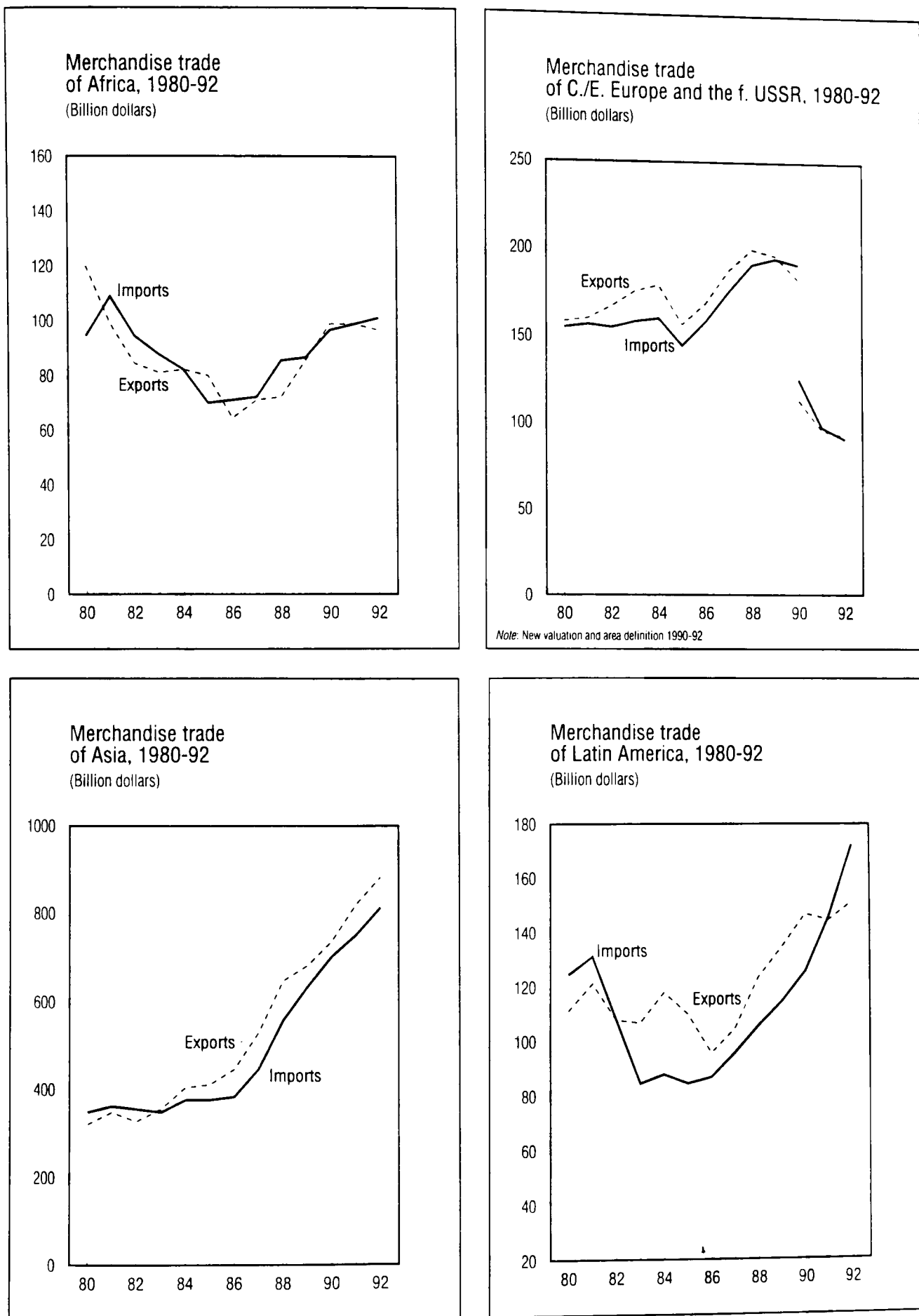


Figure 2: Merchandise Trade by Region.
 (Source: GATT, International Trade, 1993, Geneva)

Appendix II

1991 - 01 - 21

KANSAINVÄLINEN TUTKIMUS KORKEAN TEKNOLOGIAN YRITYSTEN VIENTITOIMINNASTA

Teen kansainvälistä tutkimusta, jossa vastaajina ovat toimialanne yritysten toimitusjohtajat ja viennistä vastaavat johtavassa asemassa olevat avainhenkilöt. Tutkimuksen päämääränä on selvittää vientikäyttäytymiseen vaikuttavia tekijöitä ja verrata palveluita, joita nykyisillä ja potentiaalisilla viejillä on käytössään eri maissa. Yrityksenne on valittu otokseen yhdeksi suomalaisyritysten edustajaksi. Kannanottonne kysymyksiin on tärkeitä riippumatta siitä, toimitteko tällä hetkellä kansainvälisillä markkinoilla.

Tutkimuksella ei tavoitella kaupallista voittoa ja se suoritetaan Suomen Ulkomaankauppaliiton hyväksymänä. Kaikki antamanne tiedot käsitellään **täysin luottamuksellisesti**; loppuraportista on mahdoton tunnistaa yksittäisiä yrityksiä.

Ohessa lähetän kyselylomakkeen ja palautuspostimerkillä varustetun kirjekuoren. Pahoittelen, että vain osa kyselylomakkeesta on suomeksi (englannin kielen taitonne ylittää taatusti erittäin rajallisen suomen kielen taitoni !). Yhteistyönne on erittäin tärkeitä ja olen suuresti kiitollinen avustanne.

Kiitän Teitä etukäteen ja toivotan menestyksestä vuotta 1991.

Parhain terveisin

Jim Bell
Professor of International Marketing

INTERNATIONAL SURVEY - FINLAND

SECTION 1 - BACKGROUND TO THE COMPANY

Office Use

<p>1. Company Name and Address _____ _____ _____</p> <p>Telephone Number _____ Telefax Number _____</p>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> 1,2,3
<p>2. Name of Respondent _____ Position in Company _____</p>	<input type="checkbox"/> 4
<p>3. Type of Organisation <i>(Please Tick)</i></p> <p style="padding-left: 100px;"> Independent Company <input type="checkbox"/> 5/1 Subsidiary of National Company <input type="checkbox"/> 5/2 Subsidiary of Foreign Company <input type="checkbox"/> 5/3 </p>	
<p>4. How long has your company been established? <i>(Please Tick)</i></p> <p style="padding-left: 100px;"> Less than 2 years <input type="checkbox"/> 6/1 2 - 5 years <input type="checkbox"/> 6/2 6 - 10 years <input type="checkbox"/> 6/3 11 - 20 years <input type="checkbox"/> 6/4 over 20 years <input type="checkbox"/> 6/5 </p>	
<p>5. How many people does your company employ? <i>(Please Tick)</i></p> <p style="padding-left: 100px;"> 1 - 10 <input type="checkbox"/> 7/1 11 - 20 <input type="checkbox"/> 7/2 21 - 50 <input type="checkbox"/> 7/3 51 - 100 <input type="checkbox"/> 7/4 101 - 200 <input type="checkbox"/> 7/5 over 200 <input type="checkbox"/> 7/6 </p>	
<p>6. Please indicate your company's annual sales turnover in 1990. <i>(Please Tick)</i></p> <p style="padding-left: 100px;"> (Million FIM) less than 3 <input type="checkbox"/> 8/1 3 - 6 <input type="checkbox"/> 8/2 7 - 12 <input type="checkbox"/> 8/3 13 - 30 <input type="checkbox"/> 8/4 31 - 60 <input type="checkbox"/> 8/5 over 60 <input type="checkbox"/> 8/6 </p>	

7. Please estimate the percentage of your turnover which can be attributed to :

	(%)	
Computing services		<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> 9,10,11
Professional services		<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> 12,13,14
Software products		<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> 15,16,17
Hardware products		<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> 18,19,20
Other related services		<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> 21,22,23
TOTAL	100	

8. Please tick if your company is :

A frequent exporter	<input type="checkbox"/>	24/1
An occasional exporter	<input type="checkbox"/>	24/2
Not an exporter	<input type="checkbox"/>	24/3

IF YOUR COMPANY DOES **NOT** EXPORT, PLEASE PROCEED TO QUESTION 19

SECTION 2 - INTERNATIONAL MARKET ACTIVITY

9. How long has your company sold in export markets?
(Please Tick)

less than 2 years	<input type="checkbox"/>	25/1
2 - 5 years	<input type="checkbox"/>	25/2
more than 5 years	<input type="checkbox"/>	25/3

10. Which was your first export market and in what year did you enter this market ?

Country _____	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	26,27,28
Year _____	<input type="checkbox"/> <input type="checkbox"/>	29,30

11. What factors most influenced your initial decision to export?
(Please tick all applicable answers)

Small domestic market	<input type="checkbox"/>	31/1
Declining domestic sales	<input type="checkbox"/>	32/1
Excess capacity	<input type="checkbox"/>	33/1
An unsolicited enquiry / order	<input type="checkbox"/>	34/1
Managerial ambitions	<input type="checkbox"/>	35/1
Profit advantage	<input type="checkbox"/>	36/1
Unique products	<input type="checkbox"/>	37/1
Design / technological advantage	<input type="checkbox"/>	38/1
Marketing advantage	<input type="checkbox"/>	39/1
Exclusive information	<input type="checkbox"/>	40/1
Export agency assistance	<input type="checkbox"/>	41/1
Tax advantages / grants / subsidies	<input type="checkbox"/>	42/1
Other (please specify)	<input type="checkbox"/>	43
_____	<input type="checkbox"/>	

12. What percentage of your current turnover is accounted for by export sales ?

less than 5 %	<input type="checkbox"/>
5 - 10 %	<input type="checkbox"/>
11 - 20 %	<input type="checkbox"/>
21 - 30 %	<input type="checkbox"/>
31 - 40 %	<input type="checkbox"/>
41 - 50 %	<input type="checkbox"/>
over 50 %	<input type="checkbox"/>

Office Use

- 44/1
- 44/2
- 44/3
- 44/4
- 44/5
- 44/6
- 44/7

13. To how many countries are you currently exporting ?

Number of countries _____

45.46.47

14. Currently, which countries are your major export markets ?
(Please list in order of importance)

	Country	Estimated % of total 1990 sales
1.	_____	_____
2.	_____	_____
3.	_____	_____
4.	_____	_____
5.	_____	_____

<input type="checkbox"/> <input type="checkbox"/>	47.48.49	<input type="checkbox"/> <input type="checkbox"/>	62.63.64
<input type="checkbox"/> <input type="checkbox"/>	50.51.52	<input type="checkbox"/> <input type="checkbox"/>	65.66.67
<input type="checkbox"/> <input type="checkbox"/>	53.54.55	<input type="checkbox"/> <input type="checkbox"/>	68.69.70
<input type="checkbox"/> <input type="checkbox"/>	56.57.58	<input type="checkbox"/> <input type="checkbox"/>	71.72.73
<input type="checkbox"/> <input type="checkbox"/>	59.60.61	<input type="checkbox"/> <input type="checkbox"/>	74.75.76

15. Please indicate the principal method of obtaining sales in these countries :
(Please tick)

Method	Country (see Q. 14)				
	1.	2.	3.	4.	5.
* Indirectly	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Agents	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Distributors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Franchisees	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Licencees	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Joint venture	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Export sales staff (based in Finland)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Export sales staff (based in market)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Subsidiary in market	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other (please specify)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

COUNTRY				
1	2	3	4	5
1/0	2/0	3/0	4/0	5/0
1/1	2/1	3/1	4/1	5/1
1/2	2/2	3/2	4/2	5/2
1/3	2/3	3/3	4/3	5/3
1/4	2/4	3/4	4/4	5/4
1/5	2/5	3/5	4/5	5/5
1/6	2/6	3/6	4/6	5/6
1/7	2/7	3/7	4/7	5/7
1/8	2/8	3/8	4/8	5/8
1/9	2/9	3/9	4/9	5/9

*Through Finnish based intermediaries (e.g. Export Houses, Trading Companies, Multinational Customers, Other Exporters etc..)

16. How have export revenues changed in the :
(Please tick)

% Per Annum	Last 2 years	Last 5 years	Office Use	
			Last 2	Last 5
Increased by more than 50 %	<input type="checkbox"/>	<input type="checkbox"/>	6/1	7/1
Increased by 21 - 50 %	<input type="checkbox"/>	<input type="checkbox"/>	6/2	7/2
Increased by 11 - 20 %	<input type="checkbox"/>	<input type="checkbox"/>	6/3	7/3
Increased by 1 - 10 %	<input type="checkbox"/>	<input type="checkbox"/>	6/4	7/4
Remained the same	<input type="checkbox"/>	<input type="checkbox"/>	6/5	7/5
Declined by 1 - 10 %	<input type="checkbox"/>	<input type="checkbox"/>	6/6	7/6
Declined by more than 10 %	<input type="checkbox"/>	<input type="checkbox"/>	6/7	7/7
Not applicable	<input type="checkbox"/>	<input type="checkbox"/>	6/8	7/8

17. How would you expect export revenues to change in the next 2 years ?
(Please tick)

% Per Annum		
Increase by more than 50 %	<input type="checkbox"/>	8/1
Increase by 21 - 50 %	<input type="checkbox"/>	8/2
Increase by 11 - 20 %	<input type="checkbox"/>	8/3
Increase by 1 - 10 %	<input type="checkbox"/>	8/4
Remain the same	<input type="checkbox"/>	8/5
Decline by 1 - 10 %	<input type="checkbox"/>	8/6
Decline by more than 10 %	<input type="checkbox"/>	8/7

18. Compared with domestic sales, would you consider that export sales are :
(Please tick)

More profitable ?	<input type="checkbox"/>	9/1
Equally profitable ?	<input type="checkbox"/>	9/2
Less profitable ?	<input type="checkbox"/>	9/3

COMPANIES WITH DOMESTIC SALES ONLY

19. If your company is currently not exporting does it have :
(Please tick)

Previous export experience ?	<input type="checkbox"/>	10/1
Plans to export in the future ?	<input type="checkbox"/>	10/2
No strong desire to export ?	<input type="checkbox"/>	10/3

IF YOU HAVE NO PLANS TO EXPORT, PLEASE PROCEED TO QUESTION 21

20 a. Have you any plans to enter new export markets in the next two years ?
 (Please tick)

Yes	<input type="checkbox"/>
No	<input type="checkbox"/>

Office Use

11/1
11/2

20 b. If yes, please indicate target market/s in order of importance.

	Country
1.	_____
2.	_____
3.	_____
4.	_____
5.	_____

<input type="checkbox"/>	<input type="checkbox"/>	12,13,14
<input type="checkbox"/>	<input type="checkbox"/>	15,16,17
<input type="checkbox"/>	<input type="checkbox"/>	18,19,20
<input type="checkbox"/>	<input type="checkbox"/>	21,22,23
<input type="checkbox"/>	<input type="checkbox"/>	24,25,26

21. Which factors do you consider to be important for success in export markets ? (If your firm is not exporting, please use your perception of importance)

(Please circle using the following scale)

- 1 = Not important
- 2 = Of minor importance
- 3 = Of average importance
- 4 = Fairly important
- 5 = Very important

	Not important			Very important		
Managerial commitment	1	2	3	4	5	27
Commitment of workforce	1	2	3	4	5	28
Gathering market information	1	2	3	4	5	29
Information on business practices	1	2	3	4	5	30
Obtaining financial information	1	2	3	4	5	31
Securing suitable representation	1	2	3	4	5	32
Product design /quality	1	2	3	4	5	33
Packaging / Trade marks / Brands	1	2	3	4	5	34
Advertising and promotion	1	2	3	4	5	35
Sales literature	1	2	3	4	5	36
Salesforce effort	1	2	3	4	5	37
Price	1	2	3	4	5	38
Terms of credit	1	2	3	4	5	39
Physical distribution	1	2	3	4	5	40
Providing design / technical advice	1	2	3	4	5	41
After sales service (parts / repairs)	1	2	3	4	5	42
Foreign language skills	1	2	3	4	5	43
Other (Please specify)	1	2	3	4	5	44

22. On which of these factors do you feel you have a special competitive advantage or suffer a major disadvantage ?

Office Use

(Please circle using the following scale)

1 = A major disadvantage

2 = A minor disadvantage

3 = Comparable to competitors

4 = A minor advantage

5 = A major advantage

	Major Disadvantage			Major Advantage		
	1	2	3	4	5	
Managerial commitment	1	2	3	4	5	45
Commitment of workforce	1	2	3	4	5	46
Gathering market information	1	2	3	4	5	47
Information on business practices	1	2	3	4	5	48
Obtaining financial information	1	2	3	4	5	49
Securing suitable representation	1	2	3	4	5	50
Product design /quality	1	2	3	4	5	51
Packaging / Trade marks / Brands	1	2	3	4	5	52
Advertising and promotion	1	2	3	4	5	53
Sales literature	1	2	3	4	5	54
Salesforce effort	1	2	3	4	5	55
Price	1	2	3	4	5	56
Terms of credit	1	2	3	4	5	57
Physical distribution	1	2	3	4	5	58
Providing design / technical advice	1	2	3	4	5	59
After sales service (parts / repairs)	1	2	3	4	5	60
Foreign language skills	1	2	3	4	5	61
Other (Please specify)	1	2	3	4	5	62

23. When exporting how great a problem are the following ? (If your firm is not exporting, please use your perception of importance)

(Please circle using the following scale)

1 = A major problem

2 = A minor problem

3 = Not a problem

	A Major Problem		Not a Problem	
	1	2	3	
Obtaining export finance	1	2	3	63
Obtaining export insurance	1	2	3	64
Export documentation	1	2	3	65
Product suitability	1	2	3	66
Communications with customers	1	2	3	67
Delivery delays	1	2	3	68
Pricing competitively	1	2	3	69
Tariff barriers	1	2	3	70
Currency fluctuation	1	2	3	71
Delays in payment	1	2	3	72
Other (Please specify)	1	2	3	73

24. Please indicate how frequently you use the following sources of export marketing information :

(Please circle using the following scale)

1 = Never used

2 = Used occasionally

3 = Frequently used

	Never used		Frequently used	
Suomen Ulkomaankauppaliitto (FFTA)	1	2	3	1
Finnish consulates / embassies	1	2	3	2
Foreign embassies / trade delegations	1	2	3	3
Trade associations	1	2	3	4
Chambers of commerce	1	2	3	5
Banks export divisions	1	2	3	6
Financial institutions	1	2	3	7
Commercial reports / databases	1	2	3	8
Press reports	1	2	3	9
General knowledge	1	2	3	10
Sales force feedback	1	2	3	11
Test marketing	1	2	3	12

Office Use

SECTION 3 - USAGE OF EXPORT PROMOTION AGENCY SERVICES

25a Please indicate your awareness of the following services offered by Suomen Ulkomaankauppaliitto (FFTA) or Kauppa- ja teollisuusministeriö (MTI) :

(Please circle your level of usage on the following scale)

1 = Never used

2 = Used occasionally

3 = Frequently used

		Never used		Frequently used	
Suomen Ulkomaankauppaliitto (FFTA)	Awareness				<input type="checkbox"/> 13,14 <input type="checkbox"/> 15 <input type="checkbox"/> 16
Valikoiva vientitietopalvelu (VVP)	Yes /No	1	2	3	
Tietopalvelut ja tiedonhauk kansainvälisistä tietokannoista, markkinaselvitykset	Yes /No	1	2	3	<input type="checkbox"/> 17,18 <input type="checkbox"/> 19 <input type="checkbox"/> 20 <input type="checkbox"/> 21,22 <input type="checkbox"/> 23 <input type="checkbox"/> 24
Maakatsaukset	Yes /No	1	2	3	
Kehityksmaissa avautuvia projektivientimahdollisuuksia koskeva tiedote	Yes /No	1	2	3	<input type="checkbox"/> 25,26 <input type="checkbox"/> 27 <input type="checkbox"/> 28
Osallistuminen yhteisesti järjestettäviin vienninedistämistapahtumiin	Yes /No	1	2	3	<input type="checkbox"/> 29,30 <input type="checkbox"/> 31 <input type="checkbox"/> 32 <input type="checkbox"/> 33,34 <input type="checkbox"/> 35 <input type="checkbox"/> 36
Juristien sopimuspalvelut	Yes /No	1	2	3	<input type="checkbox"/> 37,38 <input type="checkbox"/> 39 <input type="checkbox"/> 40
Kirjasto	Yes /No	1	2	3	
Kehityksmaariskien kehitystä seuraileva maariskibarometri	Yes /No	1	2	3	<input type="checkbox"/> 41,42 <input type="checkbox"/> 43 <input type="checkbox"/> 44 <input type="checkbox"/> 45,46 <input type="checkbox"/> 47 <input type="checkbox"/> 48
Kaupallisten sihteerien palvelut	Yes /No	1	2	3	<input type="checkbox"/> 49,50 <input type="checkbox"/> 51 <input type="checkbox"/> 52
Tietoja ulkomaankaupan määräyksistä	Yes /No	1	2	3	
Kauppa- ja teollisuusministeriö (MTI)					
Avustukset vientituotteiden markkinoinnin edistämiseen	Yes /No	1	2	3	<input type="checkbox"/> 53,54 <input type="checkbox"/> 55 <input type="checkbox"/> 56
Avustukset yrityskohtaisiin näyttelyosallistumisiin	Yes /No	1	2	3	<input type="checkbox"/> 57,58 <input type="checkbox"/> 59 <input type="checkbox"/> 60
Avustukset vientimarkkinointihenkilöstön palkkaamiseen	Yes /No	1	2	3	<input type="checkbox"/> 61,62 <input type="checkbox"/> 63 <input type="checkbox"/> 64
Vientitakuulaitos					
Vientitakaukset	Yes /No	1	2	3	<input type="checkbox"/> 65,66 <input type="checkbox"/> 67 <input type="checkbox"/> 68
Other (Please specify)	Yes /No	1	2	3	<input type="checkbox"/> 69,70 <input type="checkbox"/> 71 <input type="checkbox"/> 72

25b Please indicate your level of satisfaction with the services you have used :

(Please circle using the following scale)

- 1 = *Very dissatisfied*
 2 = *Dissatisfied*
 3 = *Moderately satisfied*
 4 = *Satisfied*
 5 = *Very satisfied*

Office Use

	Very dissatisfied			Very satisfied			
	1	2	3	4	5		
Suomen Ulkomaankauppaliitto (FFTA)							
Valikoiva vientitietopalvelu (VVP)						<input type="checkbox"/> 13.14	<input type="checkbox"/> 15
Tietopalvelut ja tiedonhaut kansainvälisistä tietokannoista, markkinaselvitykset						<input type="checkbox"/> 16.17	<input type="checkbox"/> 18
Maakatsaukset						<input type="checkbox"/> 19.20	<input type="checkbox"/> 21
Kehitysmaissa avautuvia projektivientimahdollisuuksia koskeva tiedote						<input type="checkbox"/> 22.23	<input type="checkbox"/> 24
Osallistuminen yhteisesti järjestettäviin vienninedistämistäpahtumiin						<input type="checkbox"/> 25.26	<input type="checkbox"/> 27
Juristien sopimuspalvelut						<input type="checkbox"/> 28.29	<input type="checkbox"/> 30
Kirjasto						<input type="checkbox"/> 31.32	<input type="checkbox"/> 33
Kehitysmaariskien kehitystä seuraileva maariskibarometri						<input type="checkbox"/> 34.35	<input type="checkbox"/> 36
Kaupallisten sihteerien palvelut						<input type="checkbox"/> 37.38	<input type="checkbox"/> 39
Tietoja ulkomaankaupan määräyksistä						<input type="checkbox"/> 40.41	<input type="checkbox"/> 42
Kauppa- ja teollisuusministeriö (MTI)							
Avustukset vientituotteiden markkinoinnin edistämiseen						<input type="checkbox"/> 43.44	<input type="checkbox"/> 45
Avustukset yrityskohtaisiin näyttelyosallistumisiin						<input type="checkbox"/> 46.47	<input type="checkbox"/> 48
Avustukset vientimarkkinointihenkilöstön palkkaamiseen						<input type="checkbox"/> 49.50	<input type="checkbox"/> 51
Vientitakuulaitos							
Vientitakaukset						<input type="checkbox"/> 52.52	<input type="checkbox"/> 54
Other (Please specify _____)						<input type="checkbox"/> 55.56	<input type="checkbox"/> 57

25c Please comment on the reasons for your satisfaction or dissatisfaction :

73
 74

For the Attention of the Chief Executive

Dear Sir,

**KANSAINVÄLINEN TUTKIMUS KORKEAN TEKNOLOGIAN YRITYSTEN
VIENTITOIMINNASTA**

I am currently conducting an international survey into exporting within your industry. The purpose of this research is to investigate influences on export behaviour and to compare the range of services available to current or potential exporters in different countries. Your company was selected to form a representative sample of Finnish firms and a communication and questionnaire was mailed to you on the 21st of January.

The response has been most encouraging. However, to date, I do not appear to have received a reply from your company. As it is very important to have as complete a response as possible, I am writing to ask for your personal assistance in this matter. Please accept my apologies in advance if a reply has been forwarded recently.

Please find enclosed a further copy of the questionnaire. I would also be very happy to answer any specific queries you have on this or the study. In this event, I would ask you to kindly transmit your name and number to the above fax., marked for my attention. I will then contact you by telephone.

I would assure you that the information you provide will be treated in **strictest confidence**. No company names or specific data will appear in the final report (a summary of this can be made available to you on request).

Thanking you in anticipation.

Yours Sincerely

Jim Bell
Professor of International Marketing

21st. January 1991

**INTERNATIONAL SURVEY OF EXPORT ACTIVITY IN
HIGH TECHNOLOGY FIRMS**

I am conducting an international survey among Managing Directors and key executives responsible for exporting within your industry. The purpose of this research is to investigate influences on export behaviour and to compare the range of services available to current and potential exporters in different countries. Your company has been selected to form a representative sample of Irish firms. Your opinions on these issues would be greatly valued, whether or not you are presently involved in international markets.

I would like to stress that the research is not being undertaken for commercial gain and is being conducted with the full knowledge of Córas Tráchtála. I would also assure you that any information you provide will remain **strictly confidential** and that it will be impossible to identify individual companies in the final report. **A free copy of the summary of this report will be made available to all participating firms.**

Please find enclosed a questionnaire and a pre-paid envelope for your convenience. I would be most grateful if you could endeavour to respond by Friday 8th of February. Your cooperation is very important and your assistance will be greatly appreciated.

Thanking you in anticipation and wishing you a prosperous 1991,

Yours sincerely,

Jim Bell
Senior Lecturer in International Marketing

INTERNATIONAL SURVEY - IRELAND

SECTION 1 - BACKGROUND TO THE COMPANY

Office Use

<p>1. Company Name and Address _____ _____ _____ Telephone Number _____ Telefax Number _____</p>	<p><input type="checkbox"/><input type="checkbox"/><input type="checkbox"/> 1,2,3</p>
<p>2. Name of Respondent _____ Position in Company _____</p>	<p><input type="checkbox"/> 4</p>
<p>3. Type of Organisation <i>(Please Tick)</i></p> <p style="padding-left: 100px;"> Independent Company <input type="checkbox"/> Subsidiary of National Company <input type="checkbox"/> Subsidiary of Foreign Company <input type="checkbox"/> </p>	<p>5/1 5/2 5/3</p>
<p>4. How long has your company been established? <i>(Please Tick)</i></p> <p style="padding-left: 100px;"> Less than 2 years <input type="checkbox"/> 2 - 5 years <input type="checkbox"/> 6 - 10 years <input type="checkbox"/> 11 - 20 years <input type="checkbox"/> over 20 years <input type="checkbox"/> </p>	<p>6/1 6/2 6/3 6/4 6/5</p>
<p>5. How many people does your company employ? <i>(Please Tick)</i></p> <p style="padding-left: 100px;"> 1 - 10 <input type="checkbox"/> 11 - 20 <input type="checkbox"/> 21 - 50 <input type="checkbox"/> 51 - 100 <input type="checkbox"/> 101 - 200 <input type="checkbox"/> over 200 <input type="checkbox"/> </p>	<p>7/1 7/2 7/3 7/4 7/5 7/6</p>
<p>6. Please indicate your company's annual sales turnover in 1990. <i>(Please Tick)</i></p> <p style="padding-left: 100px;"> (Million IR£) less than 0.5 <input type="checkbox"/> 0.5 - 1 <input type="checkbox"/> 1.1 - 2 <input type="checkbox"/> 2.1 - 5 <input type="checkbox"/> 5.1 - 10 <input type="checkbox"/> over 10 <input type="checkbox"/> </p>	<p>8/1 8/2 8/3 8/4 8/5 8/6</p>

<p>7. Please estimate the percentage of your turnover which can be attributed to :</p>	<p style="text-align: right;">(%)</p> <p>Computing services</p> <p>Professional services</p> <p>Software products</p> <p>Hardware products</p> <p>Other related services</p> <p style="text-align: right;">TOTAL</p>	<p style="text-align: right;">Office Use</p> <p><input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> 9.10.11</p> <p><input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> 12.13.14</p> <p><input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> 15.16.17</p> <p><input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> 18.19.20</p> <p><input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> 21.22.23</p>
<p>8. Please tick if your company is :</p>	<p>A frequent exporter <input type="checkbox"/></p> <p>An occasional exporter <input type="checkbox"/></p> <p>Not an exporter <input type="checkbox"/></p>	<p>24/1</p> <p>24/2</p> <p>24/3</p>

IF YOUR COMPANY DOES NOT EXPORT, PLEASE PROCEED TO QUESTION 19

SECTION 2 - INTERNATIONAL MARKET ACTIVITY

<p>9. How long has your company sold in export markets? (Please Tick)</p>	<p>less than 2 years <input type="checkbox"/></p> <p>2 - 5 years <input type="checkbox"/></p> <p>more than 5 years <input type="checkbox"/></p>	<p>25/1</p> <p>25/2</p> <p>25/3</p>
<p>10. Which was your first export market and in what year did you enter this market ?</p>	<p>Country _____</p> <p>Year _____</p>	<p><input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> 26.27.28</p> <p><input type="checkbox"/> <input type="checkbox"/> 29.30</p>
<p>11. What factors most influenced your <u>initial</u> decision to export? (Please tick all applicable answers)</p>	<p>Small domestic market <input type="checkbox"/></p> <p>Declining domestic sales <input type="checkbox"/></p> <p>Excess capacity <input type="checkbox"/></p> <p>An unsolicited enquiry / order <input type="checkbox"/></p> <p>Managerial ambitions <input type="checkbox"/></p> <p>Profit advantage <input type="checkbox"/></p> <p>Unique products <input type="checkbox"/></p> <p>Design / technological advantage <input type="checkbox"/></p> <p>Marketing advantage <input type="checkbox"/></p> <p>Exclusive information <input type="checkbox"/></p> <p>Export agency assistance <input type="checkbox"/></p> <p>Tax advantages / grants / subsidies <input type="checkbox"/></p> <p>Other (please specify) _____ <input type="checkbox"/></p>	<p>31/1</p> <p>32/1</p> <p>33/1</p> <p>34/1</p> <p>35/1</p> <p>36/1</p> <p>37/1</p> <p>38/1</p> <p>39/1</p> <p>40/1</p> <p>41/1</p> <p>42/1</p> <p>43</p>

12. What percentage of your current turnover is accounted for by export sales ?

less than 5 %	<input type="checkbox"/>
5 - 10 %	<input type="checkbox"/>
11 - 20 %	<input type="checkbox"/>
21 - 30 %	<input type="checkbox"/>
31 - 40 %	<input type="checkbox"/>
41 - 50 %	<input type="checkbox"/>
over 50 %	<input type="checkbox"/>

Office Use

44/1
44/2
44/3
44/4
44/5
44/6
44/7

13. To how many countries are you currently exporting ?

Number of countries _____

45.46.47

14. Currently, which countries are your major export markets ?
(Please list in order of importance)

	Country	Estimated % of total 1990 sales
1.	_____	_____
2.	_____	_____
3.	_____	_____
4.	_____	_____
5.	_____	_____

47.48.49 62.63.64
 50.51.52 65.66.67
 53.54.55 68.69.70
 56.57.58 71.72.73
 59.60.61 74.75.76

15. Please indicate the principal method of obtaining sales in these countries :
(Please tick)

Method	Country (see Q. 14)				
	1.	2.	3.	4.	5.
* Indirectly	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Agents	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Distributors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Franchisees	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Licencees	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Joint venture	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Export sales staff (based in Ireland)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Export sales staff (based in market)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Subsidiary in market	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other (please specify)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

COUNTRY				
1	2	3	4	5
1/0	2/0	3/0	4/0	5/0
1/1	2/1	3/1	4/1	5/1
1/2	2/2	3/2	4/2	5/2
1/3	2/3	3/3	4/3	5/3
1/4	2/4	3/4	4/4	5/4
1/5	2/5	3/5	4/5	5/5
1/6	2/6	3/6	4/6	5/6
1/7	2/7	3/7	4/7	5/7
1/8	2/8	3/8	4/8	5/8
1/9	2/9	3/9	4/9	5/9

*Through Irish based intermediaries (e.g. Export Houses, Trading Companies, Multinational Customers, Other Exporters etc..)

16. How have export revenues changed in the :
(Please tick)

% Per Annum	Last 2 years	Last 5 years
Increased by more than 50 %	<input type="checkbox"/>	<input type="checkbox"/>
Increased by 21 - 50 %	<input type="checkbox"/>	<input type="checkbox"/>
Increased by 11 - 20 %	<input type="checkbox"/>	<input type="checkbox"/>
Increased by 1 - 10 %	<input type="checkbox"/>	<input type="checkbox"/>
Remained the same	<input type="checkbox"/>	<input type="checkbox"/>
Declined by 1 - 10 %	<input type="checkbox"/>	<input type="checkbox"/>
Declined by more than 10 %	<input type="checkbox"/>	<input type="checkbox"/>
Not applicable	<input type="checkbox"/>	<input type="checkbox"/>

Office Use

Last 2	Last 5
6/1	7/1
6/2	7/2
6/3	7/3
6/4	7/4
6/5	7/5
6/6	7/6
6/7	7/7
6/8	7/8

17. How would you expect export revenues to change in the next 2 years ?
(Please tick)

% Per Annum	
Increase by more than 50 %	<input type="checkbox"/>
Increase by 21 - 50 %	<input type="checkbox"/>
Increase by 11 - 20 %	<input type="checkbox"/>
Increase by 1 - 10 %	<input type="checkbox"/>
Remain the same	<input type="checkbox"/>
Decline by 1 - 10 %	<input type="checkbox"/>
Decline by more than 10 %	<input type="checkbox"/>

8/1
8/2
8/3
8/4
8/5
8/6
8/7

18. Compared with domestic sales, would you consider that export sales are :
(Please tick)

More profitable ?	<input type="checkbox"/>
Equally profitable ?	<input type="checkbox"/>
Less profitable ?	<input type="checkbox"/>

9/1
9/2
9/3

COMPANIES WITH DOMESTIC SALES ONLY

19. If your company is currently not exporting does it have :
(Please tick)

Previous export experience ?	<input type="checkbox"/>
Plans to export in the future ?	<input type="checkbox"/>
No strong desire to export ?	<input type="checkbox"/>

10/1
10/2
10/3

IF YOU HAVE NO PLANS TO EXPORT, PLEASE PROCEED TO QUESTION 21

20 a. Have you any plans to enter new export markets in the next two years ?
 (Please tick)

Yes	<input type="checkbox"/>
No	<input type="checkbox"/>

Office Use

11/1
11/2

20 b. If yes, please indicate target market/s in order of importance.

	Country
1.	_____
2.	_____
3.	_____
4.	_____
5.	_____

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	12,13,14
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	15,16,17
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	18,19,20
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	21,22,23
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	24,25,26

21. Which factors do you consider to be important for success in export markets ? (If your firm is not exporting, please use your perception of importance)
 (Please circle using the following scale)

- 1 = Not important
- 2 = Of minor importance
- 3 = Of average importance
- 4 = Fairly important
- 5 = Very important

	Not important		Very important			
Managerial commitment	1	2	3	4	5	27
Commitment of workforce	1	2	3	4	5	28
Gathering market information	1	2	3	4	5	29
Information on business practices	1	2	3	4	5	30
Obtaining financial information	1	2	3	4	5	31
Securing suitable representation	1	2	3	4	5	32
Product design /quality	1	2	3	4	5	33
Packaging / Trade marks / Brands	1	2	3	4	5	34
Advertising and promotion	1	2	3	4	5	35
Sales literature	1	2	3	4	5	36
Salesforce effort	1	2	3	4	5	37
Price	1	2	3	4	5	38
Terms of credit	1	2	3	4	5	39
Physical distribution	1	2	3	4	5	40
Providing design / technical advice	1	2	3	4	5	41
After sales service (parts / repairs)	1	2	3	4	5	42
Foreign language skills	1	2	3	4	5	43
Other (Please specify)	1	2	3	4	5	44

22. On which of these factors do you feel you have a special competitive advantage or suffer a major disadvantage ?

Office Use

(Please circle using the following scale)

- 1 = A major disadvantage
 2 = A minor disadvantage
 3 = Comparable to competitors
 4 = A minor advantage
 5 = A major advantage

	Major Disadvantage			Major Advantage		
	1	2	3	4	5	
Managerial commitment	1	2	3	4	5	45
Commitment of workforce	1	2	3	4	5	46
Gathering market information	1	2	3	4	5	47
Information on business practices	1	2	3	4	5	48
Obtaining financial information	1	2	3	4	5	49
Securing suitable representation	1	2	3	4	5	50
Product design /quality	1	2	3	4	5	51
Packaging / Trade marks / Brands	1	2	3	4	5	52
Advertising and promotion	1	2	3	4	5	53
Sales literature	1	2	3	4	5	54
Salesforce effort	1	2	3	4	5	55
Price	1	2	3	4	5	56
Terms of credit	1	2	3	4	5	57
Physical distribution	1	2	3	4	5	58
Providing design / technical advice	1	2	3	4	5	59
After sales service (parts / repairs)	1	2	3	4	5	60
Foreign language skills	1	2	3	4	5	61
Other (Please specify)	1	2	3	4	5	62

23. When exporting how great a problem are the following ? (If your firm is not exporting, please use your perception of importance)

(Please circle using the following scale)

- 1 = A major problem
 2 = A minor problem
 3 = Not a problem

	A Major Problem		Not a Problem	
	1	2	3	
Obtaining export finance	1	2	3	63
Obtaining export insurance	1	2	3	64
Export documentation	1	2	3	65
Product suitability	1	2	3	66
Communications with customers	1	2	3	67
Delivery delays	1	2	3	68
Pricing competitively	1	2	3	69
Tariff barriers	1	2	3	70
Currency fluctuation	1	2	3	71
Delays in payment	1	2	3	72
Other (Please specify)	1	2	3	73

24. Please indicate how frequently you use the following sources of export marketing information :

(Please circle using the following scale)

- 1 = Never used
- 2 = Used occasionally
- 3 = Frequently used

	Never used	Frequently used	
Córas Tráchtála (CTT)	1	2 3	1
Irish consulates / embassies abroad	1	2 3	2
Foreign embassies / trade delegations	1	2 3	3
Trade associations	1	2 3	4
Chambers of commerce	1	2 3	5
Banks export divisions	1	2 3	6
Financial institutions	1	2 3	7
Commercial reports / databases	1	2 3	8
Press reports	1	2 3	9
General knowledge	1	2 3	10
Sales force feedback	1	2 3	11
Test marketing	1	2 3	12

Office Use

SECTION 3 - USAGE OF EXPORT PROMOTION AGENCY SERVICES

25a Please indicate your awareness of the following Córas Tráchtála services :

(Please circle your level of usage on the following scale)

- 1 = Never used
- 2 = Used occasionally
- 3 = Frequently used

	Awareness	Never used	Frequently used	
Chargeable MarketPlace Services				
Market Introduction / Market Scan	Yes /No	1	2 3	<input type="checkbox"/> 13,14 <input type="checkbox"/> 15 <input type="checkbox"/> 16
Market Investigation / Market Feedback	Yes /No	1	2 3	<input type="checkbox"/> 17,18 <input type="checkbox"/> 19 <input type="checkbox"/> 20
Agent Assessment	Yes /No	1	2 3	<input type="checkbox"/> 21,22 <input type="checkbox"/> 23 <input type="checkbox"/> 24
Market List / Market Mailshot	Yes /No	1	2 3	<input type="checkbox"/> 25,26 <input type="checkbox"/> 27 <input type="checkbox"/> 28
Market Information	Yes /No	1	2 3	<input type="checkbox"/> 29,30 <input type="checkbox"/> 31 <input type="checkbox"/> 32
PR Advisory / Field Assistance / Overseas Office Facilities	Yes /No	1	2 3	<input type="checkbox"/> 33,34 <input type="checkbox"/> 35 <input type="checkbox"/> 36
Interpreter and Courier	Yes /No	1	2 3	<input type="checkbox"/> 37,38 <input type="checkbox"/> 39 <input type="checkbox"/> 40
Trade Consultants	Yes /No	1	2 3	<input type="checkbox"/> 41,42 <input type="checkbox"/> 43 <input type="checkbox"/> 44
Other Services				
Market Research Advisory	Yes /No	1	2 3	<input type="checkbox"/> 45,46 <input type="checkbox"/> 47 <input type="checkbox"/> 48
Trade fairs / Outgoing missions	Yes /No	1	2 3	<input type="checkbox"/> 49,50 <input type="checkbox"/> 51 <input type="checkbox"/> 52
Incoming buyers visits	Yes /No	1	2 3	<input type="checkbox"/> 53,54 <input type="checkbox"/> 55 <input type="checkbox"/> 56
Export Sales Personnel Grant Scheme	Yes /No	1	2 3	<input type="checkbox"/> 57,58 <input type="checkbox"/> 59 <input type="checkbox"/> 60
Sales Performance Incentive Scheme (SPIS)	Yes /No	1	2 3	<input type="checkbox"/> 61,62 <input type="checkbox"/> 63 <input type="checkbox"/> 64
Targeted Marketing Consultancy (TMC)	Yes /No	1	2 3	<input type="checkbox"/> 65,66 <input type="checkbox"/> 67 <input type="checkbox"/> 68
Shared office projects	Yes /No	1	2 3	<input type="checkbox"/> 69,70 <input type="checkbox"/> 71 <input type="checkbox"/> 72
CTT library	Yes /No	1	2 3	<input type="checkbox"/> 73,74 <input type="checkbox"/> 75 <input type="checkbox"/> 76
CTT publications / Irish exporters handbook	Yes /No	1	2 3	<input type="checkbox"/> 77,78 <input type="checkbox"/> 79 <input type="checkbox"/> 80
Design Advisory	Yes /No	1	2 3	<input type="checkbox"/> 1,2 <input type="checkbox"/> 3 <input type="checkbox"/> 4
Export Credit Facilities (ICI) *	Yes /No	1	2 3	<input type="checkbox"/> 5,6 <input type="checkbox"/> 7 <input type="checkbox"/> 8
Other (Please specify)	Yes /No	1	2 3	<input type="checkbox"/> 9,10 <input type="checkbox"/> 11 <input type="checkbox"/> 12

* Insurance Corporation of Ireland service

27a. Has your company participated on any export training or development programme offered by CTT / IMI or FAS ?

Yes
No

Office Use

23/1

23/2

27b. If Yes, please specify the programme/s
(Please indicate year of participation and circle level of satisfaction using the following scale)

- 1 = *Very dissatisfied*
- 2 = *Dissatisfied*
- 3 = *Moderately satisfied*
- 4 = *Satisfied*
- 5 = *Very satisfied*

Name of programme	Year	Very dissatisfied					Very satisfied				
CTT / IMI Export Development Programme for Small Firms	___	1	2	3	4	5	<input type="checkbox"/> 24	<input type="checkbox"/> 25,26	<input type="checkbox"/> 27		
FAS UK Export Marketing Programme European Export Marketing Programme	___	1	2	3	4	5	<input type="checkbox"/> 28	<input type="checkbox"/> 29,30	<input type="checkbox"/> 31		
USA Export Marketing Programme	___	1	2	3	4	5	<input type="checkbox"/> 32	<input type="checkbox"/> 33,34	<input type="checkbox"/> 35		
Other (Please specify) _____	___	1	2	3	4	5	<input type="checkbox"/> 36	<input type="checkbox"/> 37,38	<input type="checkbox"/> 39		
	___	1	2	3	4	5	<input type="checkbox"/> 40	<input type="checkbox"/> 41,42	<input type="checkbox"/> 43		

27c. Please comment on the reasons for your satisfaction or dissatisfaction :
(Please identify the programme/s to which your comments refer)

48

49

THANK YOU VERY MUCH FOR YOUR PARTICIPATION

For the Attention of the Chief Executive

Dear Sir,

**INTERNATIONAL SURVEY OF EXPORT ACTIVITY
IN HIGH TECHNOLOGY FIRMS**

I am currently conducting an international survey into exporting within your industry. The purpose of this research is to investigate influences on export behaviour and to compare the range of services available to current or potential exporters in different countries. Your company was selected to form a representative sample of Irish firms and a communication and questionnaire was mailed to you on the 21st of January.

The response has been most encouraging. However, to date, I do not appear to have received a reply from your company. As it is very important to have as complete a response as possible, I am writing to ask for your personal assistance in this matter. Please accept my apologies in advance if a reply has been forwarded recently.

Please find enclosed a further copy of the questionnaire. I would also be very happy to answer any specific queries you have on this or the study. In this event, I would ask you to kindly transmit your name and number to the above fax., marked for my attention. I will then contact you by telephone.

I would assure you that the information you provide will be treated in **strictest confidence**. No company names or specific data will appear in the final report (a summary of this can be made available to you on request).

Thanking you in anticipation.

Yours Sincerely

Jim Bell
Senior Lecturer of International Marketing

21. januar 1991

**INTERNASJONAL UNDERSØKELSE VEDRØRENDE EKSPORTAKTIVITETER
I HIGH-TECH BRANSJEN**

Undertegnede er i ferd med å gjennomføre en undersøkelse blant bedriftsledere og eksportansvarlige innen Deres bransje.

Hensikten med denne undersøkelsen er å kartlegge hvilke faktorer og holdninger som påvirker eksportsatsningen. Videre foretas en sammenligning av det virkemiddelapparat som er tilgjengelig for nåværende og potensielle eksportører i de forskjellige land.

Deres firma er valgt ut fra et representativt utvalg av norske bedrifter innen bransjen.

Deres syn på de ulike spørsmål som reises i undersøkelsen vil være av stor betydning uansett om bedriften er i gang med eksport eller ikke.

Jeg vil gjerne understreke at undersøkelsen er ledd i et ikkekommersielt forskningsprosjekt. Spørsmålene er gjennomgått og godkjent av Norges Eksportråd.

Jeg vil videre forsikre Dem om at all informasjon som mottas blir behandlet strengt konfidensielt og at det i rapporten som blir utgitt ikke vil være mulig å identifisere bedrifter.

Vedlagt oversendes et spørreskjema og en frankert returkonvolutt. Jeg ber Dem unnskyldt at bare deler av spørreskjemaet er på norsk. Mitt kjennskap til nordmenns engelskkunnskaper tilsier at dette ikke vil være noe problem.

Deres besvarelse vil ha stor betydning for undersøkelsen og jeg håper De har anledning til å avse noen minutter til dette.

Jeg takker Dem på forhånd og vil samtidig benytte anledningen til å ønske Dem et riktig Godt Nyttår.

Med vennlig hilsen

Jim Bell
Professor i internasjonal markedsføring

INTERNATIONAL SURVEY - NORWAY

SECTION 1 - BACKGROUND TO THE COMPANY

Office Use

<p>1. Company Name and Address _____ _____ _____ Telephone Number _____ Telefax Number _____</p>	<p><input type="checkbox"/> 1,2,3</p>
<p>2. Name of Respondent _____ Position in Company _____</p>	<p><input type="checkbox"/> 4</p>
<p>3. Type of Organisation <i>(Please Tick)</i></p> <p style="padding-left: 100px;"> Independent Company <input type="checkbox"/> 5/1 Subsidiary of National Company <input type="checkbox"/> 5/2 Subsidiary of Foreign Company <input type="checkbox"/> 5/3 </p>	
<p>4. How long has your company been established? <i>(Please Tick)</i></p> <p style="padding-left: 100px;"> Less than 2 years <input type="checkbox"/> 6/1 2 - 5 years <input type="checkbox"/> 6/2 6 - 10 years <input type="checkbox"/> 6/3 11 - 20 years <input type="checkbox"/> 6/4 over 20 years <input type="checkbox"/> 6/5 </p>	
<p>5. How many people does your company employ? <i>(Please Tick)</i></p> <p style="padding-left: 100px;"> 1 - 10 <input type="checkbox"/> 7/1 11 - 20 <input type="checkbox"/> 7/2 21 - 50 <input type="checkbox"/> 7/3 51 - 100 <input type="checkbox"/> 7/4 101 - 200 <input type="checkbox"/> 7/5 over 200 <input type="checkbox"/> 7/6 </p>	
<p>6. Please indicate your company's annual sales turnover in 1990. <i>(Please Tick)</i></p> <p style="padding-left: 100px;"> (Million NOK) less than 5 <input type="checkbox"/> 8/1 5 - 10 <input type="checkbox"/> 8/2 11 - 20 <input type="checkbox"/> 8/3 21 - 50 <input type="checkbox"/> 8/4 51 - 100 <input type="checkbox"/> 8/5 over 100 <input type="checkbox"/> 8/6 </p>	

7. Please estimate the percentage of your turnover which can be attributed to :

	(%)	
Computing services		<input type="text"/> <input type="text"/> <input type="text"/> 9.10.11
Professional services		<input type="text"/> <input type="text"/> <input type="text"/> 12.13.14
Software products		<input type="text"/> <input type="text"/> <input type="text"/> 15.16.17
Hardware products		<input type="text"/> <input type="text"/> <input type="text"/> 18.19.20
Other related services		<input type="text"/> <input type="text"/> <input type="text"/> 21.22.23
TOTAL	100	

Office Use

8. Please tick if your company is :

A frequent exporter	<input type="checkbox"/>	24/1
An occasional exporter	<input type="checkbox"/>	24/2
Not an exporter	<input type="checkbox"/>	24/3

IF YOUR COMPANY DOES NOT EXPORT, PLEASE PROCEED TO QUESTION 19

SECTION 2 - INTERNATIONAL MARKET ACTIVITY

9. How long has your company sold in export markets?
(Please Tick)

less than 2 years	<input type="checkbox"/>	25/1
2 - 5 years	<input type="checkbox"/>	25/2
more than 5 years	<input type="checkbox"/>	25/3

10. Which was your first export market and in what year did you enter this market ?

Country	_____	<input type="text"/> <input type="text"/> <input type="text"/> 26.27.28
Year	_____	<input type="text"/> <input type="text"/> 29.30

11. What factors most influenced your initial decision to export?
(Please tick all applicable answers)

Small domestic market	<input type="checkbox"/>	31/1
Declining domestic sales	<input type="checkbox"/>	32/1
Excess capacity	<input type="checkbox"/>	33/1
An unsolicited enquiry / order	<input type="checkbox"/>	34/1
Managerial ambitions	<input type="checkbox"/>	35/1
Profit advantage	<input type="checkbox"/>	36/1
Unique products	<input type="checkbox"/>	37/1
Design / technological advantage	<input type="checkbox"/>	38/1
Marketing advantage	<input type="checkbox"/>	39/1
Exclusive information	<input type="checkbox"/>	40/1
Export agency assistance	<input type="checkbox"/>	41/1
Tax advantages / grants / subsidies	<input type="checkbox"/>	42/1
Other (please specify)	<input type="checkbox"/>	43
_____	<input type="checkbox"/>	

12. What percentage of your current turnover is accounted for by export sales ?

less than 5 %	<input type="checkbox"/>
5 - 10 %	<input type="checkbox"/>
11 - 20 %	<input type="checkbox"/>
21 - 30 %	<input type="checkbox"/>
31 - 40 %	<input type="checkbox"/>
41 - 50 %	<input type="checkbox"/>
over 50 %	<input type="checkbox"/>

Office Use

- 44.1
- 44.2
- 44.3
- 44.4
- 44.5
- 44.6
- 44.7

13. To how many countries are you currently exporting ?

Number of countries _____

45.46.47

14. Currently, which countries are your major export markets ?
(Please list in order of importance)

	Country	Estimated % of total 1990 sales
1.	_____	_____
2.	_____	_____
3.	_____	_____
4.	_____	_____
5.	_____	_____

<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> 47.48.49	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> 62.63.6
<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> 50.51.52	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> 65.66.6
<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> 53.54.55	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> 68.69.7
<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> 56.57.58	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> 71.72.7
<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> 59.60.61	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> 74.75.7

15. Please indicate the principal method of obtaining sales in these countries :
(Please tick)

Method	Country (see Q. 14)				
	1.	2.	3.	4.	5.
* Indirectly	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Agents	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Distributors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Franchisees	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Licencees	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Joint venture	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Export sales staff (based in Norway)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Export sales staff (based in market)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Subsidiary in market	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other (please specify) _____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

COUNTRY				
1	2	3	4	5
1/0	2/0	3/0	4/0	5/0
1/1	2/1	3/1	4/1	5/1
1/2	2/2	3/2	4/2	5/2
1/3	2/3	3/3	4/3	5/3
1/4	2/4	3/4	4/4	5/4
1/5	2/5	3/5	4/5	5/5
1/6	2/6	3/6	4/6	5/6
1/7	2/7	3/7	4/7	5/7
1/8	2/8	3/8	4/8	5/8
1/9	2/9	3/9	4/9	5/9

*Through Norwegian based intermediaries (e.g. Export Houses, Trading Companies, Multinational Customers, Other Exporters etc..)

16. How have export revenues changed in the :
(Please tick)

% Per Annum	Last 2 years	Last 5 years
Increased by more than 50 %	<input type="checkbox"/>	<input type="checkbox"/>
Increased by 21 - 50 %	<input type="checkbox"/>	<input type="checkbox"/>
Increased by 11 - 20 %	<input type="checkbox"/>	<input type="checkbox"/>
Increased by 1 - 10 %	<input type="checkbox"/>	<input type="checkbox"/>
Remained the same	<input type="checkbox"/>	<input type="checkbox"/>
Declined by 1 - 10 %	<input type="checkbox"/>	<input type="checkbox"/>
Declined by more than 10 %	<input type="checkbox"/>	<input type="checkbox"/>
Not applicable	<input type="checkbox"/>	<input type="checkbox"/>

Office Use

Last 2	Last 5
6/1	7/1
6/2	7/2
6/3	7/3
6/4	7/4
6/5	7/5
6/6	7/6
6/7	7/7
6/8	7/8

17. How would you expect export revenues to change in the next 2 years ?
(Please tick)

% Per Annum	
Increase by more than 50 %	<input type="checkbox"/>
Increase by 21 - 50 %	<input type="checkbox"/>
Increase by 11 - 20 %	<input type="checkbox"/>
Increase by 1 - 10 %	<input type="checkbox"/>
Remain the same	<input type="checkbox"/>
Decline by 1 - 10 %	<input type="checkbox"/>
Decline by more than 10 %	<input type="checkbox"/>

8/1
8/2
8/3
8/4
8/5
8/6
8/7

18. Compared with domestic sales, would you consider that export sales are :
(Please tick)

More profitable ?	<input type="checkbox"/>
Equally profitable ?	<input type="checkbox"/>
Less profitable ?	<input type="checkbox"/>

9/1
9/2
9/3

COMPANIES WITH DOMESTIC SALES ONLY

19. If your company is currently not exporting does it have :
(Please tick)

Previous export experience ?	<input type="checkbox"/>
Plans to export in the future ?	<input type="checkbox"/>
No strong desire to export ?	<input type="checkbox"/>

10/1
10/2
10/3

IF YOU HAVE NO PLANS TO EXPORT, PLEASE PROCEED TO QUESTION 21

20 a. Have you any plans to enter new export markets in the next two years ?
 (Please tick)

Yes
 No

Office Use

11/1
 11/2

20 b. If yes, please indicate target market/s in order of importance.

Country

1. _____
 2. _____
 3. _____
 4. _____
 5. _____

12,13,14
 15,16,17
 18,19,20
 21,22,23
 24,25,26

21. Which factors do you consider to be important for success in export markets ? (If your firm is not exporting, please use your perception of importance)

(Please circle using the following scale)

- 1 = Not important
- 2 = Of minor importance
- 3 = Of average importance
- 4 = Fairly important
- 5 = Very important

	Not important		Very important			
Managerial commitment	1	2	3	4	5	27
Commitment of workforce	1	2	3	4	5	28
Gathering market information	1	2	3	4	5	29
Information on business practices	1	2	3	4	5	30
Obtaining financial information	1	2	3	4	5	31
Securing suitable representation	1	2	3	4	5	32
Product design /quality	1	2	3	4	5	33
Packaging / Trade marks / Brands	1	2	3	4	5	34
Advertising and promotion	1	2	3	4	5	35
Sales literature	1	2	3	4	5	36
Salesforce effort	1	2	3	4	5	37
Price	1	2	3	4	5	38
Terms of credit	1	2	3	4	5	39
Physical distribution	1	2	3	4	5	40
Providing design / technical advice	1	2	3	4	5	41
After sales service (parts / repairs)	1	2	3	4	5	42
Foreign language skills	1	2	3	4	5	43
Other (Please specify)	1	2	3	4	5	44

22. On which of these factors do you feel you have a special competitive advantage or suffer a major disadvantage ?

Office Use

(Please circle using the following scale)

- 1 = A major disadvantage
- 2 = A minor disadvantage
- 3 = Comparable to competitors
- 4 = A minor advantage
- 5 = A major advantage

	Major Disdvantage			Major Advantage		
Managerial commitment	1	2	3	4	5	45
Commitment of workforce	1	2	3	4	5	46
Gathering market information	1	2	3	4	5	47
Information on business practices	1	2	3	4	5	48
Obtaining financial information	1	2	3	4	5	49
Securing suitable representation	1	2	3	4	5	50
Product design /quality	1	2	3	4	5	51
Packaging / Trade marks / Brands	1	2	3	4	5	52
Advertising and promotion	1	2	3	4	5	53
Sales literature	1	2	3	4	5	54
Salesforce effort	1	2	3	4	5	55
Price	1	2	3	4	5	56
Terms of credit	1	2	3	4	5	57
Physical distribution	1	2	3	4	5	58
Providing design / technical advice	1	2	3	4	5	59
After sales service (parts / repairs)	1	2	3	4	5	60
Foreign language skills	1	2	3	4	5	61
Other (Please specify)	1	2	3	4	5	62

23. When exporting how great a problem are the following ? (If your firm is not exporting, please use your perception of importance)

(Please circle using the following scale)

- 1 = A major problem
- 2 = A minor problem
- 3 = Not a problem

	A Major Problem		Not a Problem	
Obtaining export finance	1	2	3	63
Obtaining export insurance	1	2	3	64
Export documentation	1	2	3	65
Product suitability	1	2	3	66
Communications with customers	1	2	3	67
Delivery delays	1	2	3	68
Pricing competitively	1	2	3	69
Tariff barriers	1	2	3	70
Currency fluctuation	1	2	3	71
Delays in payment	1	2	3	72
Other (Please specify)	1	2	3	73

24. Please indicate how frequently you use the following sources of export marketing information :

(Please circle using the following scale)

1 = Never used

2 = Used occasionally

3 = Frequently used

	Never used		Frequently used	
Norges Eksportråd	1	2	3	1
Norwegian consulates / embassies abroad	1	2	3	2
Foreign embassies / trade delegations	1	2	3	3
Trade associations	1	2	3	4
Chambers of commerce	1	2	3	5
Banks export divisions	1	2	3	6
Financial institutions	1	2	3	7
Commercial reports / databases	1	2	3	8
Press reports	1	2	3	9
General knowledge	1	2	3	10
Sales force feedback	1	2	3	11
Test marketing	1	2	3	12

Office Use

SECTION 3 - USAGE OF EXPORT PROMOTION AGENCY SERVICES

25a Please indicate your awareness of the following Norges Eksportråd services :

(Please circle your level of usage on the following scale)

1 = Never used

2 = Used occasionally

3 = Frequently used

	Awareness	Never used		Frequently used	
Forutsetningsanalyse	Yes /No	1	2	3	<input type="checkbox"/> 13.14 <input type="checkbox"/> 15 <input type="checkbox"/> 16
Markedsinformasjon	Yes /No	1	2	3	<input type="checkbox"/> 17.18 <input type="checkbox"/> 19 <input type="checkbox"/> 20
Markedsanalyse	Yes /No	1	2	3	<input type="checkbox"/> 21.22 <input type="checkbox"/> 23 <input type="checkbox"/> 24
Markedsrapporter	Yes /No	1	2	3	<input type="checkbox"/> 25.26 <input type="checkbox"/> 27 <input type="checkbox"/> 28
Markedsovervåkning	Yes /No	1	2	3	<input type="checkbox"/> 29.30 <input type="checkbox"/> 31 <input type="checkbox"/> 32
Markedsbesøk	Yes /No	1	2	3	<input type="checkbox"/> 33.34 <input type="checkbox"/> 35 <input type="checkbox"/> 36
Representasjonssøk / Valg av samarbeidspartner	Yes /No	1	2	3	<input type="checkbox"/> 37.38 <input type="checkbox"/> 39 <input type="checkbox"/> 40
Produkttest	Yes /No	1	2	3	<input type="checkbox"/> 41.42 <input type="checkbox"/> 43 <input type="checkbox"/> 44
Bransjeaktiviteter	Yes /No	1	2	3	<input type="checkbox"/> 45.46 <input type="checkbox"/> 47 <input type="checkbox"/> 48
Assistanse i.f.m. uteetablering	Yes /No	1	2	3	<input type="checkbox"/> 49.50 <input type="checkbox"/> 51 <input type="checkbox"/> 52
Assistanse i.f.m. markedsaktiviteter	Yes /No	1	2	3	<input type="checkbox"/> 53.54 <input type="checkbox"/> 55 <input type="checkbox"/> 56
Assistanse i.f.m. messer / seminarer	Yes /No	1	2	3	<input type="checkbox"/> 57.58 <input type="checkbox"/> 59 <input type="checkbox"/> 60
Assistanse i.f.m. FN-prosjekter og prosjekter via multilaterale org.	Yes /No	1	2	3	<input type="checkbox"/> 61.62 <input type="checkbox"/> 63 <input type="checkbox"/> 64
Juridisk bistand	Yes /No	1	2	3	<input type="checkbox"/> 65.66 <input type="checkbox"/> 67 <input type="checkbox"/> 68
Presseaktiviteter	Yes /No	1	2	3	<input type="checkbox"/> 69.70 <input type="checkbox"/> 71 <input type="checkbox"/> 72
Publikasjoner	Yes /No	1	2	3	<input type="checkbox"/> 73.74 <input type="checkbox"/> 75 <input type="checkbox"/> 76
Toll og statistikk	Yes /No	1	2	3	<input type="checkbox"/> 77.78 <input type="checkbox"/> 79 <input type="checkbox"/> 80
Eksportkredittgarantier (GIEK)*	Yes /No	1	2	3	<input type="checkbox"/> 1.2 <input type="checkbox"/> 3 <input type="checkbox"/> 4
Other (Please specify)	Yes /No	1	2	3	<input type="checkbox"/> 5.6 <input type="checkbox"/> 7 <input type="checkbox"/> 8

* GIEK service

N - 7

27a. Has your company participated on any Norges Eksportskole programmes ?

Yes
No

Office Use

23/1
23/2

27b. If Yes, please specify the programme/s
(Please indicate year of participation and circle level of satisfaction using the following scale)

- 1 = *Very dissatisfied*
- 2 = *Dissatisfied*
- 3 = *Moderately satisfied*
- 4 = *Satisfied*
- 5 = *Very satisfied*

Name of programme	Year	Very dissatisfied					Very satisfied					
Lederprogram i internasjonal forretningsutvikling	_____	1	2	3	4	5	<input type="checkbox"/> 24	<input type="checkbox"/> 25,26	<input type="checkbox"/> 27	<input type="checkbox"/> 28	<input type="checkbox"/> 29,30	<input type="checkbox"/> 31
Eksportselger - program	_____	1	2	3	4	5	<input type="checkbox"/> 32	<input type="checkbox"/> 33,34	<input type="checkbox"/> 35	<input type="checkbox"/> 36	<input type="checkbox"/> 37,38	<input type="checkbox"/> 39
Eksportkandidat - program	_____	1	2	3	4	5	<input type="checkbox"/> 40	<input type="checkbox"/> 41,42	<input type="checkbox"/> 43			
Eksportsekretærprogrammet	_____	1	2	3	4	5						
Other (Please specify)	_____	1	2	3	4	5						

27c. Please comment on the reasons for your satisfaction or dissatisfaction :
(Please identify the programme/s to which your comments refer)

48
 49

THANK YOU VERY MUCH FOR YOUR PARTICIPATION

For the Attention of the Chief Executive

Dear Sir,

**INTERNASJONAL UNDERSØKELSE VEDRØRENDE EKSPORTAKTIVITETER
I HIGH-TECH BRANSJEN**

I am currently conducting an international survey into exporting within your industry. The purpose of this research is to investigate influences on export behaviour and to compare the range of services available to current or potential exporters in different countries. Your company was selected to form a representative sample of Norwegian firms and a communication and questionnaire was mailed to you on the 21st of January.

The response has been most encouraging. However, to date, I do not appear to have received a reply from your company. As it is very important to have as complete a response as possible, I am writing to ask for your personal assistance in this matter. Please accept my apologies in advance if a reply has been forwarded recently.

Please find enclosed a further copy of the questionnaire. I would also be very happy to answer any specific queries you have on this or the study. In this event, I would ask you to kindly transmit your name and number to the above fax., marked for my attention. I will then contact you by telephone.

I would assure you that the information you provide will be treated in **strictest confidence**. No company names or specific data will appear in the final report (a summary of this can be made available to you on request).

Thanking you in anticipation.

Yours Sincerely

Jim Bell
Professor of International Marketing

INTERNATIONAL SURVEY - DEPTH INTERVIEWS

SECTION 1 - BACKGROUND TO THE COMPANY

Office Use

1. **Company Name and Address** _____

Telephone Number _____
Telefax Number _____

2. **Name of Respondent** _____
Position in Company _____

3. **Classification of Organisation**

1,2,3

4

5

SECTION 2 - PROFILE OF DECISIONMAKER

4. **Age**

Under 25	<input type="checkbox"/>	6/1
26 - 35	<input type="checkbox"/>	6/2
36 - 45	<input type="checkbox"/>	6/3
46 - 55	<input type="checkbox"/>	6/4
over 55	<input type="checkbox"/>	6/5

5a. **Educational Qualifications**

Secondary	<input type="checkbox"/>	7/1
Graduate	<input type="checkbox"/>	7/2
Postgraduate	<input type="checkbox"/>	7/3
Doctorate	<input type="checkbox"/>	7/4
Technical	<input type="checkbox"/>	7/5
Vocational	<input type="checkbox"/>	7/6

5b. **Comments / specific details (Area of specialisation etc.)**

8

9

6a. Previous employment experience

Office Use

Size of company _____
Industry sector _____
Position in company _____
Duration _____

- 10
- 11
- 12
- 13

6b. Comments / specific details

- 14
- 15

7a. Overseas experience (all applicable)

Born abroad
Studied abroad (6 months)
Lived / worked abroad for 6 months - < 2 years
Lived / worked abroad > 2 years
Extensive business travel
Occasional business travel
Holidays abroad

- 16/1
- 17/1
- 18/1
- 19/1
- 20/1
- 21/1
- 22/1

7b. Comments / specific details

- 23
- 24

10. Perceptions and preferences

L	0	1	2	3	4	5	6	7	8	9
P	0	1	2	3	4	5	6	7	8	9
I	0	1	2	3	4	5	6	7	8	9
T	0	1	2	3	4	5	6	7	8	9
V	0	1	2	3	4	5	6	7	8	9
X	0	1	2	3	4	5	6	7	8	9
S	0	1	2	3	4	5	6	7	8	9
B	0	1	2	3	4	5	6	7	8	9
O	0	1	2	3	4	5	6	7	8	9
R	0	1	2	3	4	5	6	7	8	9
D	0	1	2	3	4	5	6	7	8	9
C	0	1	2	3	4	5	6	7	8	9
Z	0	1	2	3	4	5	6	7	8	9
E	0	1	2	3	4	5	6	7	8	9
K	0	1	2	3	4	5	6	7	8	9
F	0	1	2	3	4	5	6	7	8	9
W	0	1	2	3	4	5	6	7	8	9
N	0	1	2	3	4	5	6	7	8	9
G	0	1	2	3	4	5	6	7	8	9
A	0	1	2	3	4	5	6	7	8	9

Office Use

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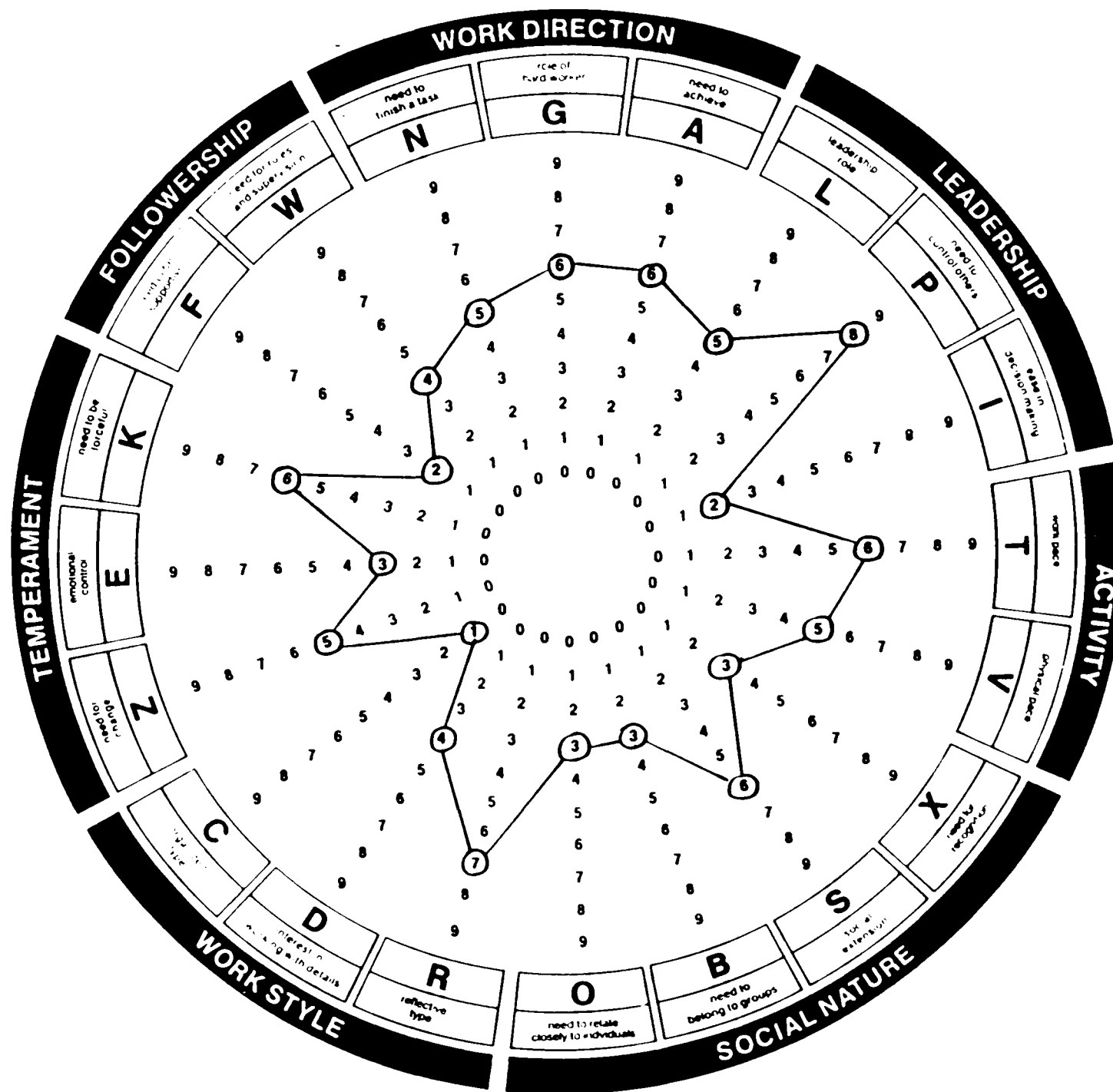
PA

	I	S	R	D	C	E
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
31	Jeg arbeider hardt	31 ←	21 ←	11 ←	1 ←	
	Jeg tenker og planlegger meget	→ 31	→ 21	→ 11	→ 1	
32	Jeg liker å lede gruppen	32 ←	22 ←	12 ←	2 →	→
	Detaljer interesserer meg	→ 32	→ 22	→ 12	← 2	
33	Jeg fatter beslutninger lett og raskt	33 ←	23 ←	13 →	3 →	→
	Jeg har god orden i sakene mine	→ 33	→ 23	← 13	← 3	
34	Jeg arbeider raskt	34 ←	24 →	14 →	4 →	→
	Jeg blir ikke ofte sint eller lei meg	→ 34	← 24	← 14	← 4	
35	Jeg vil være en del av gruppen	35 →	25 →	15 →	5 →	→
	Jeg vil bare gjøre én ting ad gangen	← 35	← 25	← 15	← 5	
36	Jeg forsøker å skaffe meg nære venner	36 →	26 →	16 →	6 →	→
	Jeg anstrenger meg virkelig for å bli best	← 36	← 26	← 16	← 6	
37	Jeg liker nye moter når det gjelder klær og biler	37 →	27 →	17 →	7 →	→
	Jeg liker å ha ansvar for andre	← 37	← 27	← 17	← 7	
38	Jeg liker å argumentere	38 →	28 →	18 →	8 →	→
	Jeg liker å bli lagt merke til	← 38	← 28	← 18	← 8	
39	Jeg liker å gjøre mine overordnede fornøyde	39 →	29 →	19 →	9 →	→
	Jeg er interessert i å være en del av gruppen	← 39	← 29	← 19	← 9	
40	Jeg liker å følge regler nøye	40 →	30 →	20 →	10 →	→
	Jeg vil at andre skal kjenne meg godt	← 40	← 30	← 20	← 10	
		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
		O	Z	K	F	W
						<input type="checkbox"/>
						Total

Fortsett på neste side!

Kostick PAPI

Perception and Preference Inventory



PAPI

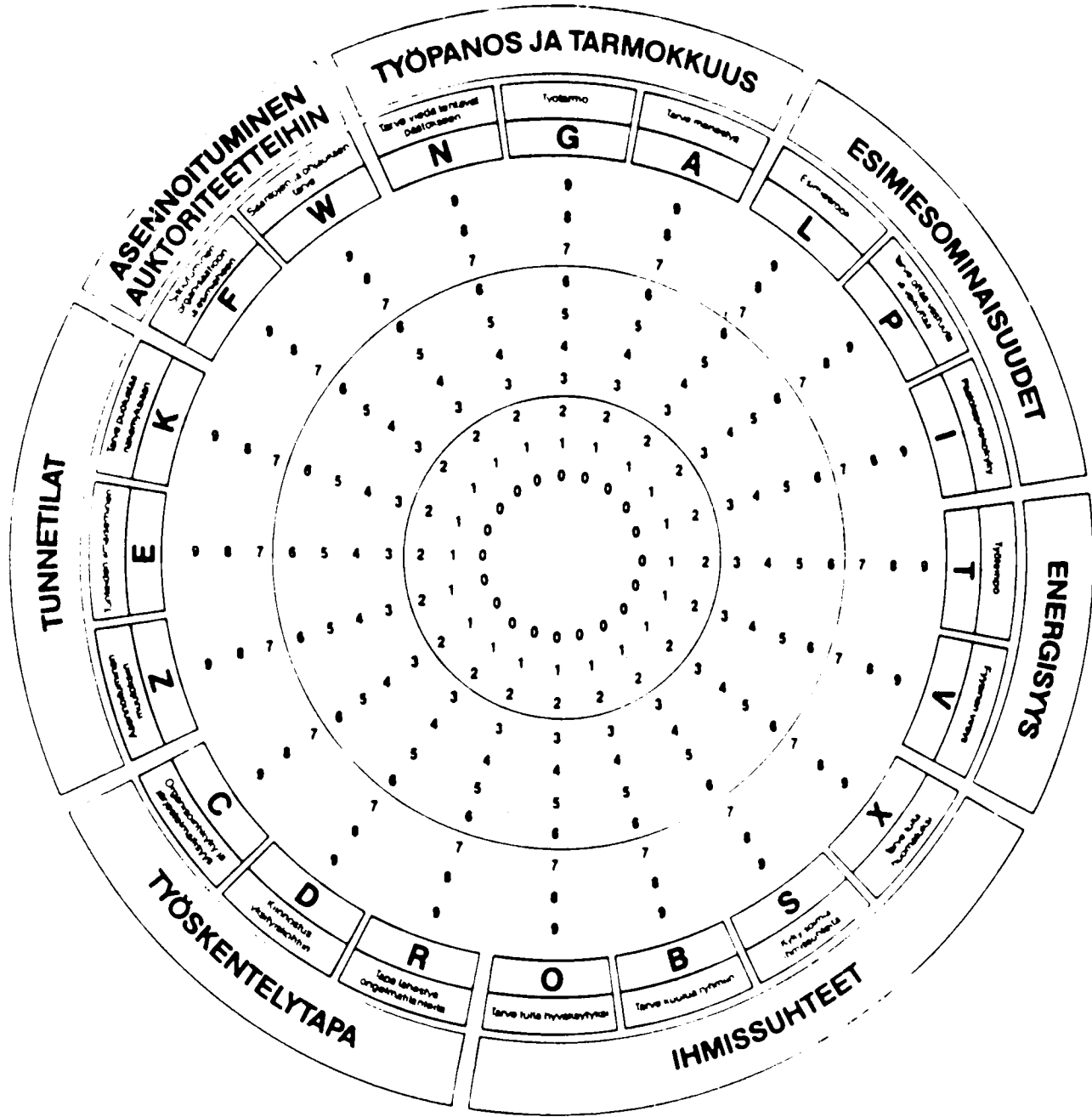
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PA Consulting Group Oy
 Kaupintie 11 A, PL 7
 00441 Helsinki
 Puhelin (90) 562 6366
 Telefax (90) 562 6498



PROFILE
 FOR PA'S PREFERENCE INVENTORY



NIMI _____ SYNT V _____

KOULUTUS _____ VALM V _____

NYKYINEN TEHTÄVÄ _____ PAIVAYS _____

UUSI TEHTÄVÄ _____ KONSULTTI _____

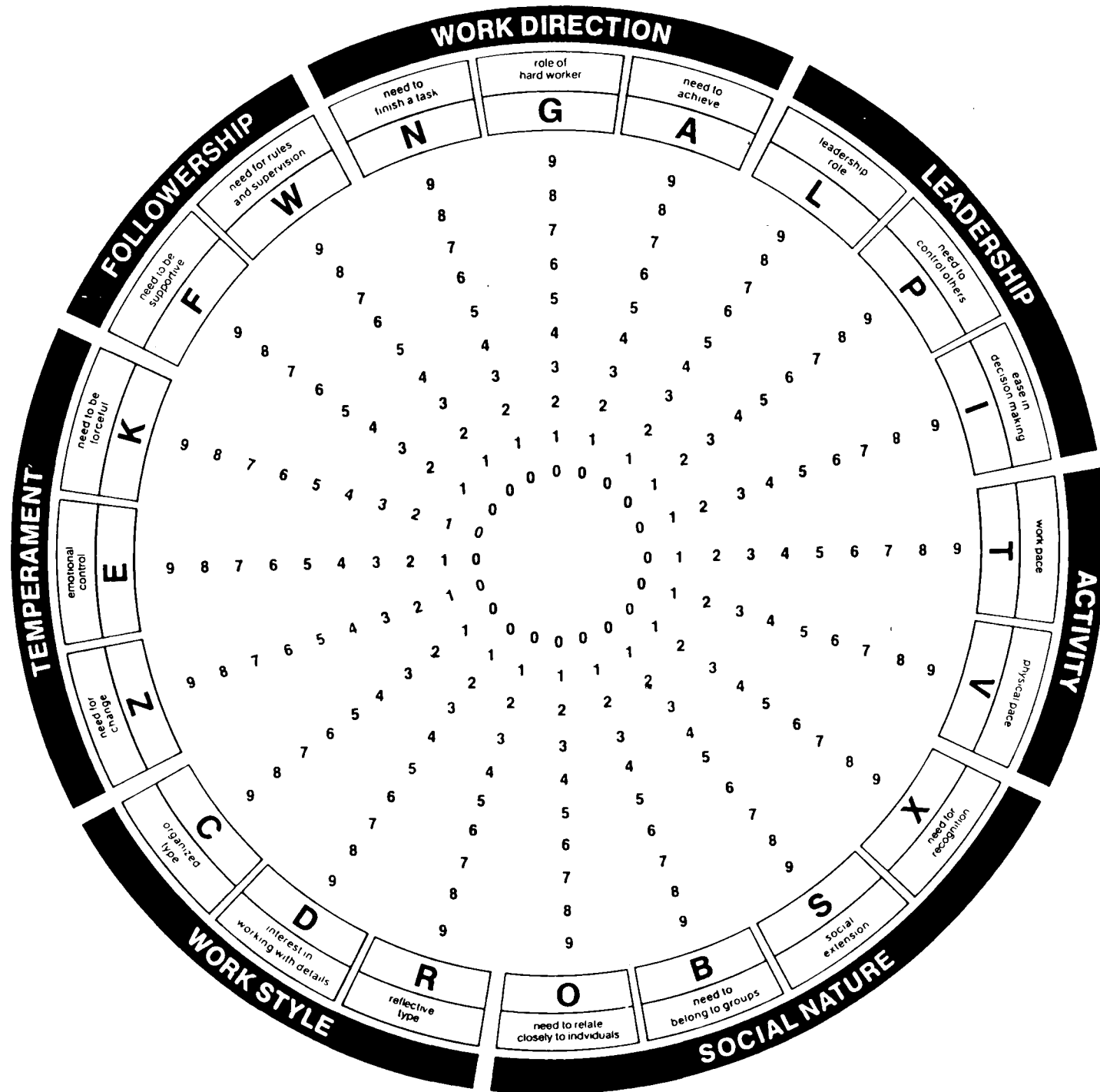
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Kostick PAPI

Perception and Preference Inventory

Name _____

Date _____



PAPI

PA®

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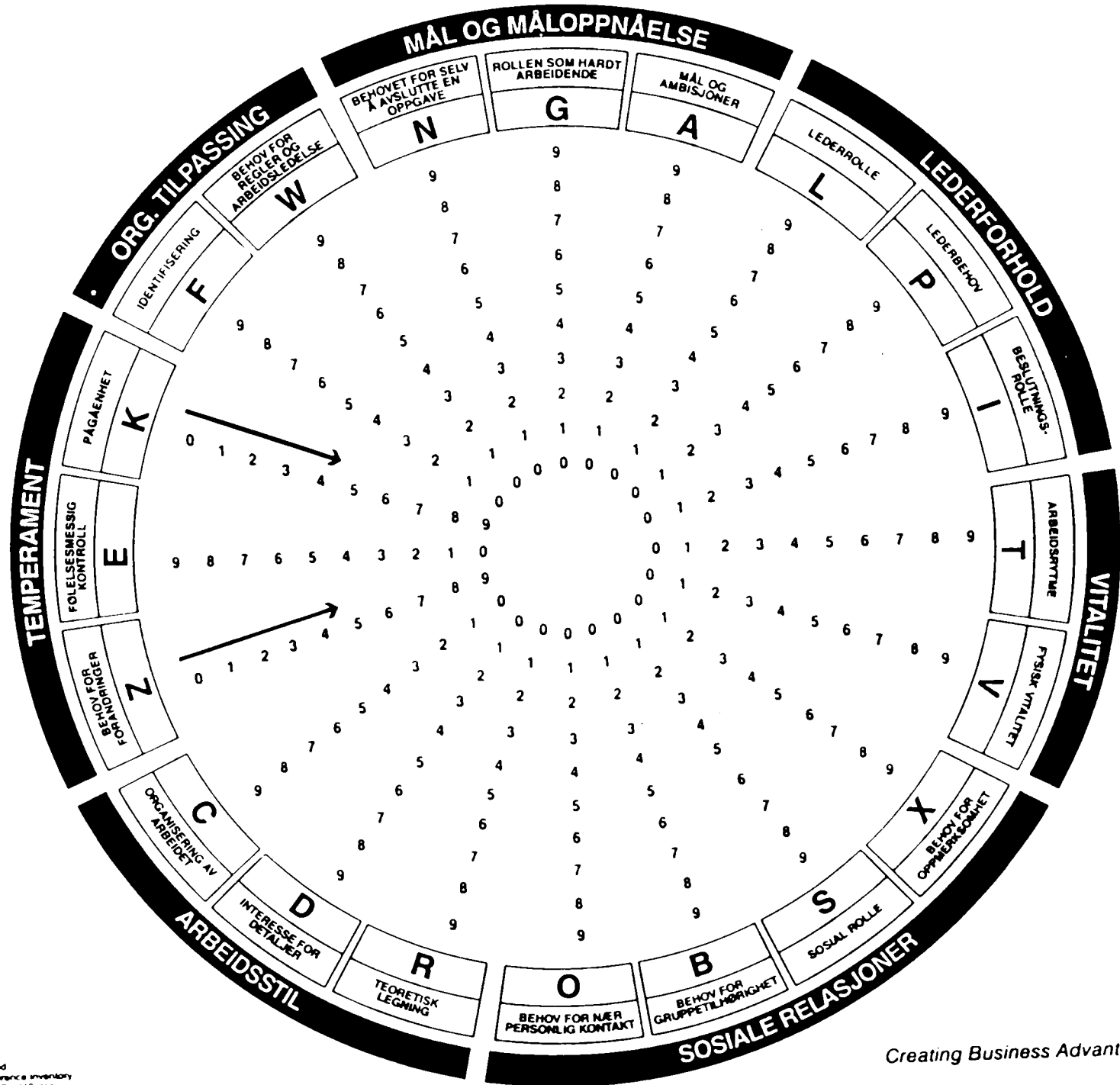
PA Preference Inventory

PAPI

Norge

Navn _____

Dato _____



Appendix III

GROWTH IN EXPORTS (last 2 years)

Export Ratio	Details	< 20%	> 20%	Row Total
< 10%	Count	7	10	17
	Exp value	10.3	6.7	22.4%
	Row Pct	41.2%	58.8%	
	Col Pct	15.2%	33.3%	
	Tot Pct	9.2%	13.2%	
11 - 50 %	Count	14	12	26
	Exp Value	15.7	10.3	34.2%
	Row Pct	53.8%	46.2%	
	Col Pct	30.4%	40.0%	
	Tot Pct	18.4%	15.8%	
> 50%	Count	25	8	33
	Exp Value	20.0	13.0	43.4%
	Row Pct	75.8%	24.2%	
	Col Pct	54.3%	26.7%	
	Tot Pct	32.9%	10.5%	
	Column Totals	46	30	76
		60.5%	39.5%	100.0%

Chi-square	Value	DF	Significance
Pearson	6.35403	2	.04171
Likelihood Ratio	6.48551	2	.03906
Mantel-Haenszel	6.12523	1	.01333
Minimum Expected Frequency - 6.711			

Table 1: Export Ratio vs. Export Growth (last 2 years)

GROWTH IN EXPORTS (last 5 years)

Export Ratio	Details	< 20%	> 20%	Row Total
< 10%	Count	2	7	9
	Exp value	5.7	3.3	15.8%
	Row Pct	22.2%	77.8%	
	Col Pct	5.6%	33.3%	
	Tot Pct	3.5%	12.3%	
11 - 50 %	Count	9	9	18
	Exp Value	11.4	6.6	31.6%
	Row Pct	50.0%	50.0%	
	Col Pct	25.0%	42.9%	
	Tot Pct	15.8%	15.8%	
> 50%	Count	25	5	30
	Exp Value	18.9	11.1	52.6%
	Row Pct	83.3%	16.7%	
	Col Pct	69.4%	23.8%	
	Tot Pct	43.9%	8.8%	
	Column Totals	36	21	57
		63.2%	36.8%	100.0%

Chi-square	Value	DF	Significance
Pearson	13.06878	2	.00145
Likelihood Ratio	13.50286	2	.00117
Mantel-Haenszel	12.80397	1	.00035
Minimum Expected Frequency - 3.316			
Cells with Expected Frequency <5 - 1 of 6 (16.7)			

Table 2: Export Ratio vs. Export Growth (last 5 years)

NUMBER OF YEARS EXPORTING

Export Ratio	Details	< 5 Years	> 5 Years	Row Total
< 10%	Count	16	6	22
	Exp value	10.9	11.1	25.9%
	Row Pct	72.7%	27.3%	
	Col Pct	38.1%	14.0%	
	Tot Pct	18.8%	7.1%	
11 - 50 %	Count	13	15	28
	Exp Value	13.8	14.2	32.9%
	Row Pct	46.4%	53.6%	
	Col Pct	31.0%	34.9%	
	Tot Pct	15.3%	17.6%	
> 50%	Count	13	22	35
	Exp Value	17.3	17.7	41.2%
	Row Pct	37.1%	62.9%	
	Col Pct	31.0%	51.2%	
	Tot Pct	15.3%	25.9%	
	Column Totals	42 49.4%	43 50.6%	85 100.0%

Chi-square	Value	DF	Significance
Pearson	6.99180	2	.03032
Likelihood Ratio	7.18826	2	.02748
Mantel-Haenszel	6.38193	1	.01153
Minimum Expected Frequency - 10.871			

Table 3: Export Ratio vs. Export Experience

AGE OF COMPANY

Export Ratio	Details	< 10 Years	> 10 Years	Row Total
< 10%	Count	14	9	23
	Exp value	15.5	7.5	26.7%
	Row Pct	60.9%	39.1%	
	Col Pct	24.1%	32.1%	
	Tot Pct	16.3%	10.5%	
11 - 50 %	Count	17	11	28
	Exp Value	13.9	9.1	32.6%
	Row Pct	60.7%	39.3%	
	Col Pct	29.3%	39.3%	
	Tot Pct	19.8%	12.8%	
> 50%	Count	27	8	35
	Exp Value	23.6	11.4	40.7%
	Row Pct	77.1%	22.9%	
	Col Pct	46.6%	28.6%	
	Tot Pct	31.4%	9.3%	
	Column Totals	58	28	86
		67.4%	32.6%	100.0%

Chi-square	Value	DF	Significance
Pearson	2.52967	2	.28229
Likelihood Ratio	2.59520	2	.27319
Mantel-Haenszel	1.92422	1	.16539
Minimum Expected Frequency - 7.488			

Table 4: Export Ratio vs. Age of Company

TYPE OF ORGANISATION

Export Ratio	Details	Independent	Subsidiary	Row Total
< 10%	Count	18	5	23
	Exp value	17.9	5.1	26.7%
	Row Pct	78.3%	21.7%	
	Col Pct	26.9%	26.3%	
	Tot Pct	20.9%	5.8%	
11 - 50 %	Count	24	4	28
	Exp Value	21.8	6.2	32.6%
	Row Pct	85.7%	14.3%	
	Col Pct	35.8%	21.1%	
	Tot Pct	27.9%	4.7%	
> 50%	Count	25	10	35
	Exp Value	27.3	7.7	40.7%
	Row Pct	71.4%	28.6%	
	Col Pct	37.3%	52.6%	
	Tot Pct	29.1%	11.6%	
	Column Totals	67	19	86
		77.9%	22.1%	100.0%

Chi-square	Value	DF	Significance
Pearson	1.84670	2	.39719
Likelihood Ratio	1.89988	2	.38676
Mantel-Haenszel	.56246	1	.45327
Minimum Expected Frequency - 5.081			

Table 5: Export Ratio vs. Type of Organisation

NUMBER OF EMPLOYEES

Export Ratio	Details	Up to 20	21 - 50	51+	Row Total
< 10%	Count	11	4	8	23
	Exp value	11.5	5.1	6.4	26.7%
	Row Pct	47.8%	17.4%	34.8%	
	Col Pct	25.6%	21.1%	33.3%	
	Tot Pct	12.8%	4.7%	9.3%	
11- 50 %	Count	13	7	8	28
	Exp Value	14.0	6.2	7.8	32.6%
	Row Pct	46.4%	25.0%	28.6%	
	Col Pct	30.2%	36.8%	33.3%	
	Tot Pct	15.1%	8.1%	9.3%	
> 50%	Count	19	8	8	35
	Exp Value	17.5	7.7	9.8	40.7%
	Row Pct	54.3%	22.9%	22.9%	
	Col Pct	44.2%	42.1%	33.3%	
	Tot Pct	22.1%	9.3%	9.3%	
	Column Totals	43	19	24	86
		50.0%	22.1%	27.9%	100.0%

Chi-square	Value	DF	Significance
Pearson	1.28210	4	.86441
Likelihood Ratio	1.28713	4	.86356
Mantel-Haenszel	.68747	1	.40703
Minimum Expected Frequency - 5.081			

Table 6: Export Ratio vs. Size of Company (no. of employees)

TURNOVER (£ MILLIONS)

Export Ratio	Details	0 - 2 M	> 2 M	Row Total
< 10%	Count	13	10	23
	Exp value	14.2	8.8	26.7%
	Row Pct	56.5%	43.5%	
	Col Pct	24.5%	30.3%	
	Tot Pct	15.1%	11.6%	
11 - 50 %	Count	14	14	28
	Exp Value	17.3	10.7	32.6%
	Row Pct	50.0%	50.0%	
	Col Pct	26.4%	42.4%	
	Tot Pct	16.3%	16.3%	
> 50%	Count	26	9	35
	Exp Value	21.6	13.4	40.7%
	Row Pct	74.3%	25.7%	
	Col Pct	49.1%	27.3%	
	Tot Pct	30.2%	10.5%	
	Column Totals	53	33	86
		61.6%	38.4%	100.0%

Chi-square	Value	DF	Significance
Pearson	4.22583	2	.12088
Likelihood Ratio	4.31540	2	.11559
Mantel-Haenszel	2.33088	1	.12683
Minimum Expected Frequency - 8.826			

Table 7: Export Ratio vs. Size of Company (turnover)

SELF-REPORTED EXPORT ORIENTATION

Export Ratio	Details	Frequent Exporter	Occasional Exporter	Row Total
< 10%	Count	5	18	23
	Exp value	15.8	7.2	26.7%
	Row Pct	21.7%	78.3%	
	Col Pct	8.5%	66.7%	
	Tot Pct	5.8%	20.9%	
11 - 50 %	Count	19	9	28
	Exp Value	19.2	8.8	32.6%
	Row Pct	67.9%	32.1%	
	Col Pct	32.2%	33.3%	
	Tot Pct	22.1%	10.5%	
> 50%	Count	35	0	35
	Exp Value	24.0	11.0	40.7%
	Row Pct	100.0%	0%	
	Col Pct	59.3%	0%	
	Tot Pct	40.7%	0%	
	Column Totals	59 68.6%	27 31.4%	86 100.0%

Chi-square	Value	DF	Significance
Pearson	39.47816	2	.00000
Likelihood Ratio	47.77343	2	.00000
Mantel-Haenszel	38.60208	1	.00000
Minimum Expected Frequency - 7.221			

Table 8: Export Ratio vs. Self-Reported Orientation

PROJECTED GROWTH IN EXPORTS (next 2 years)

Export Ratio	Details	> 20%	< 20%	Row Total
< 10%	Count	14	9	23
	Exp value	14.3	8.7	27.1%
	Row Pct	60.9%	39.1%	
	Col Pct	26.4%	28.1%	
	Tot Pct	16.5%	10.6%	
11 - 50 %	Count	20	7	27
	Exp Value	16.8	10.2	31.8%
	Row Pct	74.1%	25.9%	
	Col Pct	37.7%	21.9%	
	Tot Pct	23.5%	8.2%	
> 50%	Count	19	16	35
	Exp Value	21.8	13.2	41.2%
	Row Pct	54.3%	45.7%	
	Col Pct	35.8%	50.0%	
	Tot Pct	22.4%	18.8%	
	Column Totals	53	32	85
		62.4%	37.6%	100.0%

Chi-square	Value	DF	Significance
Pearson	2.57212	2	.27636
Likelihood Ratio	2.63758	2	.26746
Mantel-Haenszel	.46073	1	.49728
Minimum Expected Frequency - 8.659			

Table 9: Export Ratio vs. Projected Growth in Exports (next 2 years)

**PERCEIVED PROFITABILITY OF EXPORT SALES
(vs Domestic Sales)**

Export Ratio	Details	More Profitable	Equally Profitable	Less Profitable	Row Total
< 10%	Count	6	10	6	22
	Exp value	7.9	10.2	3.9	26.2%
	Row Pct	27.3%	45.5%	27.3%	
	Col Pct	20.0%	25.6%	40.0%	
	Tot Pct	7.1%	11.9%	7.1%	
11- 50 %	Count	7	14	6	27
	Exp Value	9.6	12.5	4.6	32.1%
	Row Pct	25.9%	51.9%	22.2%	
	Col Pct	23.3%	35.9%	40.0%	
	Tot Pct	8.3%	16.7%	7.1%	
> 50%	Count	17	15	3	35
	Exp Value	12.5	16.3	6.3	41.7%
	Row Pct	48.6%	42.9%	8.6%	
	Col Pct	56.7%	38.5%	20.0%	
	Tot Pct	20.2%	17.9%	3.6%	
	Column Totals	30	39	15	84
		35.7%	46.4%	17.9%	100.0%

Chi-square	Value	DF	Significance
Pearson	6.12529	4	.18998
Likelihood Ratio	6.30446	4	.17754
Mantel-Haenszel	4.86439	1	.02742
Minimum Expected Frequency - 3.929			
Cells with Expected Frequency < 5 - 2 of 9 (22.2%)			

Table 10: Export Ratio vs. Perceived Profitability of Export Sales

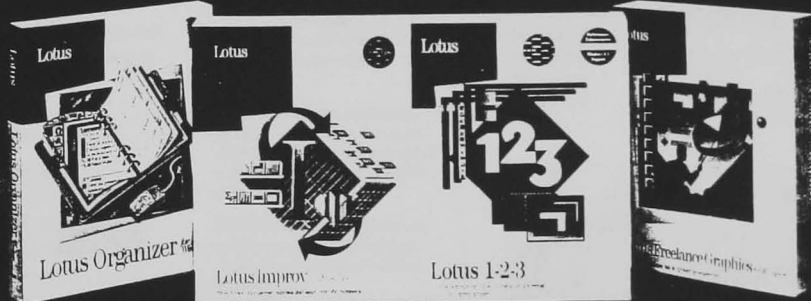
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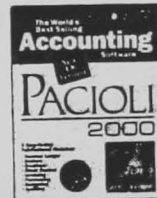
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