THE ROLE OF BUSINESS RELATIONSHIPS IN EXPORT MARKET KNOWLEDGE ACQUISITION AND EXPORT PERFORMANCE OF UK SMALL MEDIUM SIZED ENTERPRISES

This thesis is submitted to the University of Strathclyde, for the Degree of Doctor of Philosophy

by

Thandiwe Phiri

Department of Marketing

October, 2009

Declaration of Authenticity and Author's Rights

This thesis is the result of the author's original research. It has been composed by the author and has not been previously submitted for examination which has lead to the award of a degree.

The copyright of this thesis belongs to the author under the terms of the United Kingdom Copyright Acts as qualified by University of Strathclyde Regulation 3.50. Due acknowledgement must always be made of the use of any material contained in, or derived from, this thesis.

Signed:

Date:

Acknowledgements

Dedication:

This thesis is dedicated to my grandfather, Mr. George Mihla Phiri, and my aunt, Miss. Jean Marion Phiri. The first academics I knew.

Abstract

This study is based on concepts from the Stages and Network approaches of internationalisation. The study focuses on the use of business relationships to acquire foreign market knowledge among UK SMEs. The study presents empirical results on two main notions. Firstly, the study tests whether acquisition of experiential knowledge through business relationships is a source of competence that can enhance the exporting performance of SMEs. Secondly, the study tests whether the quality of the relationship between the SME owner/manager and their business contacts encourages the two parties to exclusively exchange useful export market knowledge, thereby enhancing their competence and consequently their export performance. The main theoretical contribution this study makes is the combining of notions from the Knowledge Based View and Relational View of business literature to the conceptual models explaining exporting performance. The study concludes with suggestions on how export support organisations can enhance the development and maintenance of international relationships among SME exporters. With the current developments in information communication technology export support organisations in both developing and developed countries are urged to train small businesses on how they can harness the developments in internet technology (Web 2.0) which have created cheap and quicker ways of forming international business relationships.

Table of Contents

Table of Tables

Table of Figures

Appendices

1

INTRODUCTION

1.1 Background

This thesis is about the acquisition of export market knowledge using business relationships and its effect on export performance of Small and Medium Enterprises (SMEs) in the United Kingdom (UK).

Having worked for a non-governmental organisation (NGO) which financed small business start-ups in Malawi (a sub-Saharan, African country) between 1998 and 1999, the author was exposed to the formidable barriers to international trade that SMEs faced. Apart from lack of finance, SMEs had poor foreign market access, and faced both scarcity of intermediate suppliers and fierce domestic competition. The few SMEs involved in exporting activity in Malawi depended on business relationships with larger enterprises, NGOs or cooperative groups in order to access markets, resources or technology. This experience gave the author the initial interest into activities of SMEs, and subsequently conducting research on the role of business relationships in the business activities of SMEs.

After a review of literature on theories of the internationalisation, a key theme grasped from the Stages Approach to internationalisation was that experiential market knowledge is an important resource for internationalisation development of firms (Johanson and Vahlne, 1977). Literature focusing on small firm internationalisation highlighted how networks were a key means through which small firms acquired resources for their internationalisation process (Coviello and McAuley, 1999). With this preliminary knowledge, the author embarked on an exploratory study on acquisition of foreign market knowledge using business relationships among SMEs in the UK.

1.2   Research aims and objectives

Reiterating what is stated in **Section 1.1**, the Stage Approach to internationalisation propagates that possession of experiential knowledge is important for internationalisation growth (Johanson and Wierdersheim-Paul, 1975; Johanson and Vahlne, 1977). Exporting literature has also shown that knowledge gained from both market information and experiences in overseas markets is important to export ventures (Morgan et al., 2003). Large firms can acquire experiential knowledge as they enter various foreign markets. In addition, they can acquire more market knowledge through conducting market research. However, how can an SME in early exporting stages acquire foreign market knowledge?

According to the Network Approach to internationalisation, Johanson and Mattsson (1988) state that in order to gain access to external resources and make it possible to sell product, a firm establishes exchange relationships with other firms. A firm's interaction with other internationalised firms results in acquisition of experiential knowledge (Hadley and Wilson, 2003). SMEs are known to depend on networks for their internationalisation (Coviello and Munro, 1997; Coviello and McAuley, 1999). Business relationships are therefore a means of gaining both informational and experiential market knowledge for SMEs.

According to the Knowledge Based View (KBV) theory (Polanyi, 1962; Kogut and Zander, 1993), experiential knowledge is associated with being tacit. Tacit knowledge is difficult to codify and communicate. Such knowledge is said to be source of a sustainable competitive advantage according to the Resource Based View (RBV) theory (Wernerfelt, 1984; Fahy, 1999). This notion suggests that experiential knowledge could have an impact on a firm's performance.

A number of studies have shown that foreign market research and more generally, the perception and use of information about foreign markets increases SME performance (McAuley, 1993; Hart and Tzokas, 1999). In general, a firm's access to foreign market knowledge is one of the determinants of export performance, but there has been a lack of studies that have produced conclusive empirical results on the relationship between experiential knowledge and export performance. Therefore, the first aim of this study is to establish whether an SME's experiential knowledge has an impact on its export performance.

Studies conducted on foreign market knowledge needs of small exporting firms confirm that personal contacts tend to be the most popular choice of foreign market knowledge source for SMEs (Evigren et al., 1993; McAuley, 1993; Leonidou and Adams-Florou, 1999). However, any exchange of a resource of value is prone to opportunism by potential competitors. Exchange of valuable market knowledge in relationships is vulnerable to similar opportunism. According to RBV (Wernerfelt, 1984; Fahy, 1999) competitiveness is only achieved through resources or skills that are not easily accessible to competitors. For resources that are available through business relationships to be a source of competitiveness they need to be protected from opportunism. The Relational View theory (RV) highlights that the quality (or climate) of a relationship is very important for the exchange of critical information between the parties (Morgan and Hunt, 1999). Relationships based on trust are built on the belief that neither party will exploit the other party's vulnerability (Dyer and Singh, 1998). The implication of this notion is that market knowledge exchanged in trust-based relationships should be protected from opportunism by other competitors. Therefore, if knowledge resource is one of the resources that is exchanged between the parties whose relationship is characterised by trust, then that knowledge will be

contained inside the relationship and be inaccessible to competitors, this phenomenon is referred to as '*relationship-embeddedness of knowledge*' in this study. Since the RBV pundits propagate that only a value resource that is inaccessible to competitors has a potential of providing the firm with a sustainable competitive advantage, the second aim of this study is to establish whether there is a relationship between relationship-embeddedness of knowledge in an SME's business relationship and export performance. The specific research objectives of this study are to investigate;

1. in comparison to other sources of foreign market knowledge, how useful are business relationships as sources of foreign market knowledge.

2. whether a manager's;

   i. prior internationalisation knowledge

   ii. networking orientation

   iii. his contact's level of foreign market knowledge

   have an impact on the level of experiential knowledge he is able to acquire through business relationships.

3. whether the existence of (i) trust and (ii) commitment between the manager and his business relationship partner affects the extent to which the knowledge shared between them is exclusively shared in their relationship (relationship-embeddedness of knowledge).

4. whether experiential knowledge and relationship-embedded knowledge have an impact on export performance.

5. whether;

    i. experiential knowledge mediates the relationship between acquisition of market knowledge from business relationships and export performance.

    ii. relationship-embedded knowledge mediates the relationship between the quality of the relationship and export performance.

1.3   Contribution to Knowledge

This study contributes to the conceptualisation of theory explaining export performance of SMEs by highlighting the need to focus not only on a firm's internal resources, but also on the role of acquisition of relationship-based resources and the skills required in the management of these relationships. This study joins few studies that have embraced a relational perspective in studying export marketing (Ford and Leonidou, 1991; Styles and Ambler, 1994; Leonidou and Kaleka, 1998). However, this study goes further by exploring the role of both, relationships and the type of knowledge exchanged through them.

Secondly, the study enhances current knowledge on export performance literature by integrating insights from the Stages and Network approaches to internationalisation, the RV, RBV and KBV literature into exporting performance literature.

Thirdly, the findings of this study have implications at a practical level, for both the managers and organisations which support exporters, for example, the Chambers of Commerce, UK Trade & Invest (formerly, Trade Partners UK) and the Scottish Enterprise among others. One of the roles of these organisations is to encourage development of business relationships among potential exporters and importers, and they do this through the organising of trade visits. From the findings

of this study, these organisations are urged to continue their support of especially SMEs in enabling them to forge foreign market business relationships. They should also be investing in training SME owner/managers in how to maintain and develop good quality business relationships.

Lastly, the behavioural and relational aspects of relationships render themselves well towards qualitative methodology approaches. However, findings from qualitative studies have a limitation of being ungeneralisable to their respective population of study, because qualitative studies are conducted on small-sized samples. This study is an addition to the other studies e.g. (Iacobucci and Zerrillo, 1996; Styles and Ambler, 2000) which have adopted the quantitative approach to studying relationships, thereby generating findings which are generalisable to their respective populations. In this study the population is exporting SMEs in the UK.

1.4   Importance of Topic

1.4.1   The role of SMEs in the economy

SMEs play an important role in world economies because the vast majority of enterprises in advanced, emerging and developing countries are SMEs. In 2003, 99.8% of all enterprises in the EU were SMEs (OECD Report, 2005). Being the most dominant form of business organisation in all countries, SMEs have often been recognised as the core of future economic growth. They are responsible for most net job creation in OECD countries and they make important contributions to innovation, productivity and economic growth (OECD Report, 2002; OECD Report, 2005). In terms of the UK, a press release by the Department for Business, Enterprise and Regulatory Reform in August, 2007 stated that at the start of the year 2006 there were estimated 4.5 million business enterprises in the UK. Of these,

99.3% were small (0 to 49 employees), .6% were medium-sized (50 to 249 employees) and only .1% (6,000) were large (250 or more employees). At this period, SMEs together accounted for more than half of the employment (58.9%) and turnover (51.9%) in the UK, while small enterprises (0 to 49 employees) accounted for 47.1% of employment and 37.2% of turnover **Figure 1.1** showing that SMEs in the UK play a critical role in the economy by being the main job and wealth creators.

Figure 1:1 Share of enterprises, employment and turnover by size of business in the UK
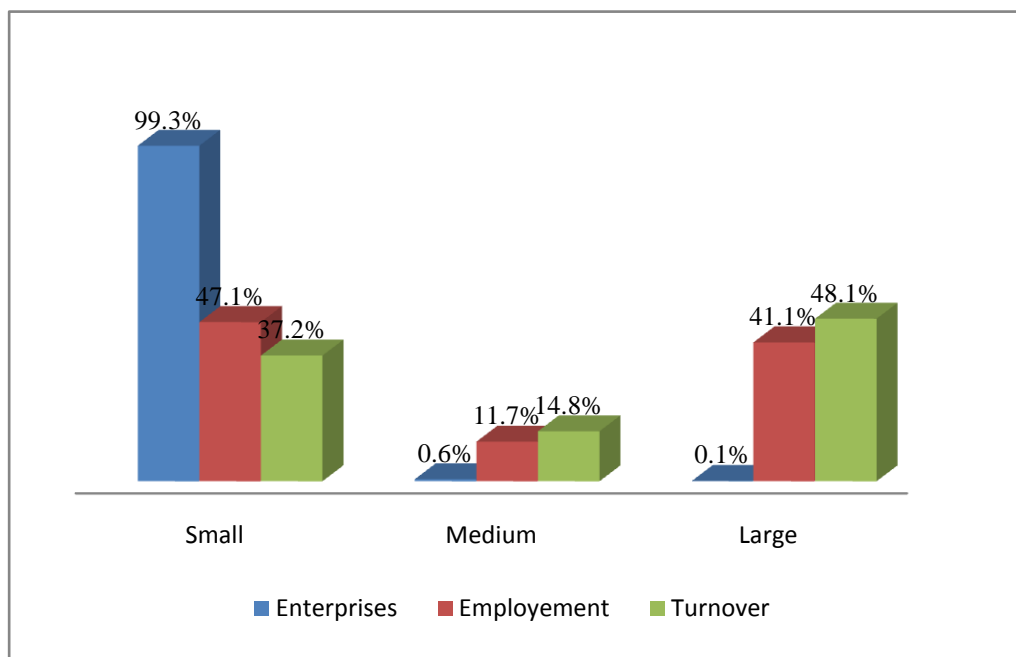
Source: Department for Business, Enterprise and Regulatory Reform Press Release August, 2007

1.4.2   The level of involvement of SMEs in exporting in the UK

SME involvement in exporting is also beneficial to country economies because exports create more jobs, spur economic growth, bring in tax revenues and improve balance of payments. Exporting also offers other long-term benefits for SMEs e.g.

increased sales volume thereby increasing income, diversified markets, thereby reducing risk, extension of product life cycles, economies of scale through increased production, increased competitiveness and enhanced understanding of global markets and competition (Hilton, 2005).

Although there is increasing evidence of their internationalisation, SMEs are in general, under-represented in world trade. Overall, SMEs are estimated to contribute between 25% and 35% of world manufactured exports. Approximately one-fifth of manufacturing SMEs in OECD countries draw between 10% and 40% of their turnover from cross-border activities (OECD Report, 2005). In the UK, a report from the Small Business Service (SBS), an agency of the Department of Trade and Industry (DTI) cited in Barclays Bank report on International Trade (2008) estimated that about a fifth of SMEs with employees exported products and services, showing that a minority of SMEs are involved in exporting (Barclays Bank Report, 2008). Statistics from the Scottish Government's Annual Survey of Small Businesses in Scotland 2005 showed that from their sample of 1005 SMEs, only 14% exported their products. These statistics give evidence that there is still room for improvement for exporting activities of SMEs in the UK. Research like this study aimed at gaining insights on how to enhance exporting is therefore still important to UK policy makers.

1.4.3   Lack of foreign market knowledge as barrier to exporting

Lack of foreign market knowledge is one of the barriers to SME exporting. SMEs are known to be reluctant to commit themselves to overseas ventures which are perceived to be riskier than the domestic ones, about which they do not possess relevant knowledge or lack the ability to acquire it (Spence, 2003). This has led to governments designing export promotion programs to help SMEs overcome this

obstacle. An example of some of the programs is trade missions and trade shows. Trade mission participants acquire first-hand experience with foreign countries' culture through direct contact with local business persons and government representatives, which allow them to adjust their perception of market potential and increase their knowledge of local business networks (Spence, 2003). Knowing that SMEs depend on business relationships to acquire foreign market knowledge (Evigren et al., 1993; McAuley, 1993; Leonidou and Adams-Florou, 1999), government programs encouraging building business relationships contribute towards overcoming lack of knowledge as an export barrier. This study contributes to the same goal by providing further insight into how SMEs can manage their business relationships knowledge acquisition, in such a way that it results in export success.

1.5   Definitions of key concepts used in the study

1.5.1   SMEs

This study uses the European Union's most frequent description of an SME, which is a firm with 250 employees (OECD Report, 2005). The firms included in the sample did not include firms which were subsidiaries of other firms, and all firms were manufacturing exporting SMEs.

1.5.2   Export market knowledge

In this study, information and knowledge are different but related concepts, in that knowledge is an output of information. Knowledge is being conceptualised as being derived from both; explicit meaningful information and experiences. The focus of the study being exporting, a manager's 'export market knowledge' as

conceptualised here refers to knowledge which a manager derives from both information and experience in export related activities.

Export market knowledge in this sense includes both the tacit and explicit forms of knowledge used by exporting SMEs. Tacit knowledge referring to knowledge based on the experience of individuals, thus, practical know-how (Polanyi, 1962), on how to conduct an exporting activity in a foreign market. Explicit knowledge is based on export information, which can be expressed, or specified verbally. The term used to refer to tacit exporting knowledge from this point on is experiential knowledge, while the term used to refer to explicit exporting knowledge is export information. Collectively, the two forms of knowledge will be referred to as export market knowledge. It should also be noted that literature highlights that informational and experiential knowledge are developed at both individual and organisational level (Morgan et al., 2003). The knowledge level being considered in this study is at the individual manager's level and not the organisational level, i.e. it is not the export market knowledge of the SME as an organisation being considered in this study. Rather, it is the export market knowledge accumulated by the manager (the respondent).

1.5.3 Business relationships

Business relationships are known by different terms in different studies. They are mostly referred to as networks, contacts or simply, linkages. Definitions for this concept vary, but for the purposes of this study, the meaning for the term business relationship is borrowed from Relationship Marketing literature, where a business relationship is refers to 'those relationships in which deep information exchange, trust, exists' (Morgan and Hunt, 1999; Dyer and Singh, 1998).

Networks have been operationalised in a number of ways depending on the unit of observation. Networks have been studied at actor level where the focus of the study is the individual firm, or at dyad level, where two partner firms to the relationship are studied e.g. manufacturer and distributor. Thirdly, as groups, where three or more interacting firms are studied or lastly as a network, where larger groups are studied (Iacobucci et al., 1996). In this study, the unit of study is at dyadic level. The actor or key informant is the firm's owner/manager. The respondents in the sample were asked to provide information about one key relationship they had, from whom they had sought and acquired knowledge which they used to enter or operate in a particular export market/s. Since the word 'network' implies that there are more than two actors involved, in this study the term 'business relationship' is the term used referring to the key contact whom the manager had the relationship with. This is to emphasise that the information on which this study is based, is about an SME manager's a single contact and not more than two (manager and contact) members of the same network.

1.5.4   Networking orientation

Networking orientation is a terminology developed from entrepreneurship literature (Granovetter, 1973; Gulati, 1998). The term international networking orientation refers to the extent to which the firm obtains resources from the environment through alliance creation and social embeddedness to use in its activities in foreign markets (Dimitratos and Plakoyiannaki, 2003). Deriving from Dimitratos and Plakoyiannaki (2003)'s definition, in this study, network orientation refers to the export manager's inclination and effort to acquire resources from business relationships for use in activities that enable entry and operation in export markets.

1.5.5   Relationship quality

Relationship quality is a concept derived from Relationship Marketing studies (Dyer and Singh, 1998; Morgan and Hunt, 1999) where its original meaning refers to the relationship between a seller and a customer. In this study this concept is used to mean the extent to which the interaction between the parties is marked by the development of goodwill, trust and expectations of reciprocity (Yli-Renko et al., 2001).

1.5.6   Relationship-embeddedness of knowledge

Relationship-embedded knowledge is a concept the author has derived from ideas from literature in Relationship Marketing and RBV literature as explained in **Section 1.2**. This concept refers to a characteristic of knowledge exchanged in trust-based relationships, where the existence of trust between the parties to the relationship ensures that crucial knowledge or any valuable resource exchanged in the relationship is kept guarded against opportunism from other players in the market.

1.5.7   Export performance

There is no uniform definition of export performance (Cavusgil and Zou, 1994) because different studies use varied measures of export performance. In general, export performance is the outcome of a firm's activities in export markets (Shoham, 1996). In this study, financial and non-financial measures have been used to determine export performance. For financial measures, export sales, and export profit from the venture were used. Non-financial measures included a Likert scale score showing manager's perception of how successful the venture was, and a Likert scale score showing managers perception of how well the venture performed in comparison to competitors in similar businesses.

1.5.8   Research Focus and Design

The focus of this research is on acquisition of foreign market knowledge using business relationships and its effect on export performance among UK SMEs. The business relationships included in the study are an exporting manager's relationship with either, a customer, supplier, distributor, agent, competitor, business colleague, personal friend or a family member. These are relationships which manager will have used for exporting related activities. The study focussed on a manager's export knowledge acquisition from one key business relationship which they had used in a recent export venture.

The fieldwork consisted of a survey conducted on a sample of 142 UK SMEs (mainly from England and Scotland). 75% of the sample was high-technology firms (manufacturers of medical equipment and other high-tech products), 18% were manufacturers in the electrical and machine sector, and 6% were textile manufacturers. The study used quantitative data analysis. The main data analysis technique used is Structural Equation Modeling. AMOS and SPSS software were used.

1.6   Thesis Structure

The thesis contains eight chapters. Chapter 1 presents the background and setting of the study. It starts with a brief discussion of events which led author's interest on the topic, research aims and objectives. This is followed by a discussion on the context of literature on which this study is based. The importance of this study is discussed by highlighting the role played by SMEs in the UK. Lastly the meaning of key concepts used in the study, the research focus and design of this study are presented.

Chapter 2 provides the theoretical background of the research. This chapter reviews key theories of internationalisation to set a background for the study. Even though a description of other internationalisation approaches (e.g. the Eclectic and Transactional cost theories) is presented, the focus of this chapter is to synthesise key ideas derived from the Stages and Network Approaches, which form the basis of this study. The chapter concludes with a review of literature on the nature of SMEs internationalisation processes.

Chapter 3 narrows the focus to export market knowledge, export performance, and relationship knowledge acquisition. Literature is reviewed covering the topics on exporting information needs and factors determining export performance. To recognise the importance of the role of business relationships among SMEs, literature from Entrepreneurship, Relational Marketing, the Network approach and Industrial Marketing and Purchasing studies is reviewed. This is followed by a review of literature on the KBV, RV and RBV theories creating the link between exclusive resources and export performance. The chapter ends with the research hypotheses and the conceptual framework of the study.

Chapter 4 is the methodology chapter. It starts out by introducing different forms of research and philosophies with the aim of justifying the research philosophy and approach (positivist) adopted in this study. Then, the research design is presented. This includes a description of the sample selection process, questionnaire design, data collection, data analysis and interpretation. Each of these is discussed with supporting reference to previous studies justifying the methodologies adopted.

Chapters 5 and 6 present results from the survey. Chapter 5 focuses on descriptive statistics results. These are results which show the profile of the sample

e.g. where the firms in the sample are located in the UK, their level of experience in exporting, the firm size, the profile of the respondent, the export information sources used by the sample. This chapter also includes results on the preliminary data screening, covering results on reliability and validity of the scales developed to measure the constructs in the conceptual model.

Chapter 6 is the second part of results. This chapter presents results on the proposed relationships in the research hypotheses. These are results that have been generated from multivariate data analysis approach SEM using AMOS and SPSS software.

Chapter 7 is the discussion chapter. This chapter explains the rationale underlying both the confirmed and unconfirmed relationships presented in the previous two chapters. The discussion compares the findings of this study link with findings from past studies, therefore relying more on theory to interpret the findings. Areas where this study builds on previous theory are highlighted, and areas where the findings of this study are in contrast with past literature are also highlighted.

Finally, in chapter 8, conclusions of the study's key findings in relation to the research objectives are presented. Implications in terms of theory development are presented, followed by recommendations to business managers and export support organisations. Then, the chapter explains the limitations of this study and suggests directions for future research. In order to acknowledge the literature developments that have taken place during the course of this study, this chapter presents a brief up-date on literature in the field of International Entrepreneurship (IE). Developments in internet technology or Web 2.0 are also highlighted, with a focus on the potential impact of these developments on enabling business relationship development among SMEs.

2

INTERNATIONALISATION

2.1   Introduction

Before presenting a review and synthesis on the role of business relationships and foreign market knowledge on exporting performance in the next chapter, this chapter reviews key internationalisation theories. These are reviewed to present a background on which to build the discussion on the role of market knowledge and relationships in export performance.

This chapter is structured as follows; the first section reviews literature on the Process approaches to internationalisation. Then, the theories under the Economic approach to internationalisation are discussed. This is followed by a discussion on the Network approach to internationalisation. Lastly, a discussion on the characteristics of SME internationalisation is discussed. On this basis, the weaknesses of the previous approaches in explaining SME internationalisation are highlighted.

2.2   Internationalisation

The term 'internationalisation' has been defined in a number of ways. The classical writers of internationalisation (Johanson and Wierdersheim-Paul, 1975; Johanson and Vahlne, 1977) have defined it to mean both; the step by step increasing involvement of the firm in the individual foreign country, and successive establishment of operations in new countries.

Welch and Luostarinen (1988) introduced a broader definition saying, internationalisation is not only evidenced by a firm's extent of foreign operation methods, but also, the number of sales objects, the markets entered, a firm's organisational structure and personnel's international skills, experience and training.

A universally accepted definition has remained elusive (Welch and Luostarinen, 1988; Coviello and Munro, 1997; Coviello and McAuley, 1999), but there is agreement towards a more 'holistic' approach to defining internationalisation (Bell et al., 1998). The holistic view is more in agreement with the definition offered by Beamish (1990, p. 77) who defines internationalisation as;

> "…the process by which firms both increase awareness of the direct and indirect influence of international transactions on their future, and establish and conduct transactions with other countries".

This definition is useful because it does not restrict internationalisation to being a process-based phenomenon as is the case with the definition provided by the Stages Approach theorists i.e. Johanson and Vahlne (1977), but it goes further to recognise that internationalisation also includes other aspects such as;

- a firm's internal learning and its patterns of integration, therefore internationalisation has both behavioural and economic components (Williamson, 1975; Dunning, 1988).

- firms having both outward and inward internationalisation activities e.g. exporting or counter trade (Welch and Luostarinen, 1988; 1993).

- firms formation of relationships established through international transactions, and these can influence a firm's growth and expansion to other countries (Johanson and Mattsson, 1988; Coviello and Munro, 1997).

Having these different aspects is also evidence of different schools of thought explaining internationalisation from their respective angles. The three main frameworks which have been used to explain internationalisation include the Process

Approach, Economic Approach, and Network Approach. In the following section these frameworks will be explored.

2.3   The Process Approaches to Internationalisation

Process, internationalisation or establishment chain models of international expansion have evolved from studies of marketing and distribution. Most of these studies are more concerned with the growth of a firm's exports and export markets than with the growth of the firm (Jones, 1998). Theories in this area date back to the as early as 70s. Theorists propagating these theories tended to view internationalisation as an incremental process whereby international involvement is increased in gradual steps over time. Key contributions in this area include the work of Johanson and Wieldersheim-Paul (1975), Bilkey and Tesar (1977), Johanson and Vahlne (1977; 1990), Reid (1981), Czinkota (1982) and Cavusgil (1984). Of these, the work of Bilkey and Tesar (1977), Reid (1981), Czinkota (1982) and Cavusgil (1984) were more concerned with internationalisation through the expansion of export markets, while the work of Johanson and Wieldersheim-Paul (1975) and Johanson and Vahlne (1977;1990) were more concerned with the effect of export expansion on the organisation of the firm (Hamill, 1999; Jones, 1998).

2.3.1   The Process approaches explaining export development

From export studies, the stages that firms are proposed to go through are similar in principle, such that only the work of the two authors, i.e. Bilkey and Tesar (1977) and Cavusgil (1984) will be reviewed in this section.

The work of Bilkey and Tesar (1977) was from a survey of 423 Wisconsin manufacturing small firms. The paper explored the meaningfulness of a stages model for examining export behaviour, particularly of small and medium sized firms.

Essentially, they proposed that export development took place in stages as shown in the model **Table 2:1**.

Table 2:1 Export development according to Bilkey and Tesar (1977)

Stage	The firm's behaviour
1	Management is not interested in exporting; would not even fill an unsolicited export order
2	Management would fill unsolicited export order, but makes no effort to explore the feasibility of exporting
3	Management actively explores the feasibility of exporting (can be skipped if unsolicited export orders are received)
4	The firm exports on an experimental basis to some psychologically close country
5	The firm is an experienced exporter to that country and adjusts exports optimally to changing exchange rates, tariffs, etc
6	Management explores the feasibility of exporting to additional countries that are further away…and so on

Another key finding of this study was that management's drive to explore the feasibility of exporting (Stage 3) was more related to the management's general images of exporting and of foreign lands than of immediate economic considerations.

In 1984, Cavusgil's study on 70 manufacturers also confirmed the stage nature of exporting development. In his study, the results showed that exporting can be distinguished into three stages of involvement, namely; *experimenting*, *active* and *committed*. Activities that firm undertake in each stage of involvement are shown in the **Table 2:2**.

The sequential nature of the internationalisation process was attributed to greater perceived risk associated with international business decisions, tentative nature of managerial expectation, and greater genuine uncertainty. As firm become more experienced, management may develop higher expectations, more rational and

21

comprehensive policies concerning international business as well as new organisational procedures for handling new tasks (Cavusgil, 1984, p. 54).

Table 2:2 Exporting stages according to Cavusgil (1984)

Stage	Description
Experimental involvement	• Management exerting little commitment to overseas market development • Exporting prompted by unsolicited inquiries • Company treats international business as marginal business • Export sales may not account for more than 10% of total business • Few foreign markets involved
Active involvement	• Management recognises contribution of international business towards corporate goals • Willingness to make long term commitment to exporting • Unused capacity allocated only to export orders • Products designed to meet overseas needs • Export marketing department may be formed
Committed involvement	• Committed exporter searches for business opportunities worldwide • At this stage firm may consider other types of involvement like direct investment in production facilities (FDI) • Assessing opportunities in the global market much more systematically

The key contribution from this study is that the results showed that the groupings of firms' stages could be characterised in terms of measurable variables like company size as measured by sales and the percent of profits derived from exporting. In addition, significant differences existed among the three groupings of exporters. These differences were in terms of their domestic market environment, the nature of international business involvement, policy aspects of international marketing and foreign market research practices (p. 62).

The findings of the two studies are in consensus in showing that passive exporting is the first stage of exporting. Both studies identified the perceived risk due to uncertainty of foreign markets as being a key explanation for the hesitancy to be more involved in international trade. In addition, deriving this mainly from Bilkey and Tesar's (1977) findings, financial resource endowments of a firm may not necessarily be the main driver of internationalisation and neither are the prospects that managers perceive, rather, the level of exposure to international markets that the management possesses. Perhaps this is also the weakness of the two theories, in that they do not specifically identify the resources that a firm requires in order to move from one stage to another. This gap leads to a discussion of the work of Johanson and Vahlne (1977) where possession of resources and experiential market knowledge were highlighted as being central in the internationalisation development of the firm, in the theory known as the Stages approach.

2.3.2   The Stages Approach (Uppsala model)

Also referred to as the '*incremental*' approach or the Uppsala model, the Stages approach is a classical theory developed from the research conducted at Uppsala University from a study conducted on Swedish firms.

The model states that as firms slowly know and get experienced in foreign markets they increase their commitment and involvement in those markets. The authors also state that firms develop from their domestic market in a series of incremental decisions. That is, firms will start selling abroad using independent representatives, and as they get more knowledgeable and experienced, they will increase their commitment e.g. by setting up a foreign subsidiary. The authors state that obstacles to internationalisation are lack of knowledge and resources. A firm is said to be '*psychically distant*' if due to differences in culture, language, political

systems, trade practices…etc it lacks useful market knowledge of a particular foreign country (Johanson and Wieldersheim-Paul, 1975; Johanson and Vahlne, 1977).

As a terminology, psychic distance emerged from early literature (Beckermann, 1956; Linnemann, 1966). It is defined as the degree to which a firm is uncertain about a foreign market (Kogut and Singh, 1988). It is also referred to as the factors preventing or disturbing firms learning about and understanding a foreign environment (Johanson and Vahlne, 1977; Nordstrom and Vahlne, 1992). Examples of such factors include differences in language, culture, political systems, level of education and level of industrial development (Johanson and Wiedersheim-Paul, 1975). With more studies being done on this concept, a general consensus has emerged on the fact that this concept is more encompassing than previously defined, therefore other factors, such as legal and competitive environments, geographical distance need to be added to the list of factors preventing a firms learning about foreign markets (O'Grady and Lane, 1996; Stöttinger and Schlegelmilch, 1998; Evans et al., 2000; Dow, 2000). Having said that, it can also be argued that the strength of the argument of the existence of psychic distance has waned due to developments in information and communication technology (ICT). Development in internet technology allows business to enter foreign markets without having to deal with their customers face to face. Geographical distance as a barrier is not as significant due to developments in the rail and air travel and transportation of good technology.

Essentially, the psychic distance principle as developed by the classical theorists, it mainly explains the sequence in which firms will enter country markets (i.e. those perceived psychically close will be entered first). However, what also comes through from this principle is that foreign markets are not fully known due to

language, cultural and other barriers, therefore there is always need to learn and be conversant with e.g. the markets' needs, business practices of foreign markets…etc. Psychic distance as a predictor for the sequence of international market entry can be challenged, as it has been found that at times firms do not necessarily pursue markets that are psychically close. Entry into market may be dependent on the presence of a relation/friend (Zafarulla et al., 1998). In addition, the incremental aspect of process theories has been criticised for not being able to explain internationalisation fully, because at times firms may leapfrog and start internationalising by setting up a foreign subsidiary (Gankema et al., 1997). In critique of the Uppsala model specifically, Turnbull (1987) also stated that the choice of suitable organisational forms for internationalisation is independent of a company's previous experience in foreign markets. This is reinforced with the findings from the studies by Young and Hood (1976) and Turnbull and Valla (1986).

Despite these criticisms, the need for firms to learn and overcome barriers to lack of foreign market knowledge in order to be internationally competitive still remains unchallenged. This is more so emphasised by the findings of O'Grady and Lane (1996) where instead of psychically close countries being easy to enter and to do business in, it was found that the perceived similarity between 'close' countries can cause decision makers to fail because they do not prepare for the differences.

It is also evident from both the Process approaches in exporting studies and the Uppsala model, that internationalisation is a learning process. The learning involves both acquiring experience through conducting business in a particular foreign market, and also acquiring knowledge on how best to meet that markets needs. According to the Uppsala model, prior to making any significant step in internationalisation process, a firm needs relevant market information and

experience. Internationalisation is however not only about learning, rather, literature shows that internationalisation is also driven by economic decisions. This leads to the discussion in the next section on the theoretical contribution and weaknesses of Economic approaches to internationalisation.

2.4   The Economic Approaches to Internationalisation

The theories in this category were developed from the neo-classical and industrial trade theory. They support the internalisation of a firm's activities in international expansion. The theories in this category are associated with the work of authors like Williamson, (1975), Dunning (1981; 1988), Anderson and Gatignon, (1986) Buckley and Casson, (1993) to name a few. In the following section an explanation of some of the economic approaches will be discussed.

2.4.1   The market power approach

This theory is associated with the work of Kindleberger (1969) and Hymer (1976). It explains that firms which will internationalise this way are those operating in oligopolistic industry markets characterised by heavy barriers to entry. In this case the firm's competitive advantage could be possession of a unique asset, which could be e.g. super knowledge in production or marketing or any other unique offering in their value chain activities. It is assumed that, since such a company faces limited competition, it can exploit foreign markets with the asset which it controls.

In this approach, firms increase their share of the market through merger, collusion or capacity extension (Jones, 1998). International expansion occurs when concentration is such that the domestic market is dominated by few firms and it becomes difficult to increase concentration further. Profits earned from monopoly

power in the domestic market are invested in foreign production where the process of industry concentration continues.

The weakness of this theory is that it does not explain why foreign direct investment would be the only way to internationalise in order to exploit the companies (Forgsen, 1989). Alternative market-entry methods could also be used to earn loyalties from the unique asset which the firm has e.g. a company can license their unique manufacturing knowledge.

2.4.2   Internalisation/Transactional cost approach

The internalisation approach originates from the work of Coase (1937). He argued that a firm will expand until the cost of organising an extra transaction within the firm has become equal to the cost of carrying out the same transaction by means of an exchange on the open market (Hollensen, 2001). This means that for as long as it is cheaper to transact outside, the firm will transact outside itself, but if it is cheaper to carry out the same transaction within the firm, the firm will internalise that transaction. For example labour, if it is cheaper to have short term contracts of labour from outside the firm, then the firm will continue to outsource labour. However, if it is cheaper for a firm to hire employees over a long term and manage them itself, it will arrange long term employment contracts with the labour resource under the umbrella of the firm. According to Coase (1937, p. 43);

> "A firm becomes larger as additional transactions (which could be exchange transactions co-ordinated through the price mechanism) are organised by the entrepreneur and becomes smaller as he abandons the organisation of such transactions".

Later on, this approach was built on by Williamson (1975) as the Transaction Cost approach. Transaction costs are any costs incurred due to carrying out a transaction between a buyer and seller. These could be e.g. search costs, costs of

negotiating price, of seeking buyers and sellers   contracting costs, enforcement costs...etc (Hollensen, 2001). The transaction approach operates on the premise that information is costly and due to imperfections in the market, it may become economically rational for transactions to be performed internally within the boundaries of the firm rather than arms-length through trade in the open market (Jones, 1998). They conclude that a firm will perform internally those activities it can undertake at a lower cost and it will rely on the market (external agents) e.g. licensees, exporting agents for those activities which outsiders can carry out at a cheaper cost. Therefore, firms internalise i.e. integrate vertically or horizontally across border to reduce transaction costs. Factors that increase transaction costs are all situations which may result in increasing opportunistic behaviour by the other party to the transaction e.g.

- ownership of capital which cannot be reproduced without losing value e.g. equipment used for unique purposes.

- ownership of specific knowledge and expertise which cannot be transferred without losing value.

- bounded rationality, i.e. decisions can only be made on limited information available to the seller.

- small bargaining power by the seller (Hill, 2004).

2.4.3   The Eclectic Paradigm

The Eclectic paradigm originates from the work of Dunning (1988). It is called '*eclectic*' meaning that a full explanation of internalisation of firms needs to draw on several strands of economic theory. This approach draws together strands of trade and location theories with the internalisation approach (Johnson and Turner,

2003). Dunning (1988) highlights that in international trade goods are not only exchanged between independent sellers and buyers across national borders, but recognises that intermediate products are also transferred within the same enterprise. He argues that without market failures there could be no reason for international production. His explanation of internationalisation includes the internalisation principle from Coase (1937), but he also adds location and ownership factors to explain drivers of international production. The Eclectic paradigm therefore, states that for the firm to become involved in international production, it must possess ownership (O), location (L), and internalisation (I) advantages.

A firm must possess some ownership specific advantages in order to be successful in foreign markets. These could be in the form of economies of scale, brand ownership, know-how, or technological prowess. Secondly, a firm will invest abroad if there are locational incentives. For example, if using a firm's assets with factor resources available in the firm's home country is unprofitable, that firm will locate in foreign markets where accessing these resources is cheaper. If availability of cheaper natural resources (e.g. labour, energy, materials, transport and communication) is high in foreign countries, firms will be driven to locate in such areas. Lastly, for international investment to take place, it must be to the firm's advantage to internalise the use of assets or other advantages i.e. it must be more beneficial to the firm to utilise resources across national borders itself than to sell the rights to other firms i.e. trade v. foreign production (Jones, 1998).

Internalising can be achieved through foreign market entry modes like having a wholly owned subsidiary or strategic alliances. If it is costly to internalise, a firm will externalise that activity through exporting, licensing or franchising (Johnson and

Turner, 2003). One of the strong points of this theory is that it incorporates a varied range of international production drivers.

The common thread through the three Economic theories is that a prerequisite for a firm to start internationalising is the firm's possession of a specific advantage over local companies. The second version, also known as the Internalisation theory, propagates that a firm possessing this unique asset will internationalise due to 'market failure'. This is especially true for such immaterial assets like knowledge because the right pricing for such assets is not possible therefore the product cannot be traded in the home or an ordinary market. Consequently, a firm is compelled to optimise the benefits from its asset under its own management in situations where transaction costs of the home market are higher than the administrative costs incurred in forming and controlling a foreign subsidiary (Forgsen, 1989, p. 22).

In agreement with this theory are Galan et al., (1999). After researching on Spanish firms they conclude that firms choose to internalise transactions through foreign direct investment when they want to directly run and control their strategic resources such as technology, image, reputation or experience. The economic approach theories still hold in explaining the activities of current multinational enterprises (MNEs), because most MNEs drivers to internationalise still remain as stated in the theory, i.e., reducing costs through economies of scale achieved (e.g. the case of most telecommunication companies setting up call centres in India in order to take advantage of reduced labour costs), maintaining control and ownership over key assets, safeguarding reliable sources of inputs through FDI and internalising transaction costs (Johnson and Turner, 2003). Another strong point of especially the Internalisation and the Eclectic paradigm in explaining internationalisation is that to some extent they explain when one form of market entry is more suitable than the

other e.g. when it is economically sensible for a company to invest in a wholly owned subsidiary, and not using licensing or exporting entry modes.

The criticism towards the economic approach is that it has narrow assumptions about human nature in terms of opportunistic behaviour and it ignores possible frictions which could increase costs within an organisation (Hill, 2005). In addition, in terms of small firms this approach may not be fully relevant especially in situations where transaction costs encourage externalisation/outsourcing, for example, small firms may outsource marketing activities because they lack such expertise internally.

Critics also state that research in this area is primarily used to explain a pattern of investment (in terms of its extent, form and location of international production), and not a long term process of international expansion of the firm (Johanson and Mattson, 1987; Melin 1992; Coviello and Munro, 1999, p. 225)

Interestingly, according to early findings on research done on this theory show that firms internationalising this way also tend to follow an evolutionary approach to internationalisation (Newbould et al., 1978; and Aharoni, 1966), reflecting incremental investing resulting from a process of ongoing managerial learning (Coviello, and McAuley, 1999). Similar to Stages theory it shows that for a firm to move from one stage of investment to another a firm's management needs to acquire knowledge which could be either experiential or objective.

2.5 The Network Approach to Internationalisation

In comparison to the other approaches, the Network approach is a relatively recent approach to the study of business and economics. This approach is evolving in a range of disciplines, but the 'network approach to the analysis of industrial

networks and international linkages' has become well developed among researchers connected with the Industrial Marketing and Purchasing (IMP) group and especially within the Swedish research community.

2.5.1   The Industrial Network Approach

According to this school of research, internationalisation depends on an organisation's set of network relationships rather than a firm-specific advantage. Therefore, externalisation rather than internalisation occurs (Coviello and McAuley, 1999, p. 227).

A significant contribution relating to internationalisation development has been from the work of Johanson and Mattsson (1988). In their study, markets are generally described as networks, where, an industrial system is composed of firms engaged in production, distribution and use of goods and services. In order to gain access to external resources and make it possible to sell product, exchange relationships have to be established with other firms. The relationships can involve customers, suppliers, competitors, private and public support agencies, family, friends and so on (Johanson and Vahlne, 1990; Coviello and McAuley, 1999). Through the activities in the network, the firm develops the relationships which secure access to important resources and the sale of its products and services. They state that the firm's success in entering new markets is more dependent on its position in a network and relationships within current markets, than on market and cultural characteristics. Since this theory places emphasis on the social exchange and resource dependency, and focuses on firm behaviour in the context of a network of inter-organisational and interpersonal relationships, it forms the basis of this study.

Internationalisation according to the Network approach means that the firm establishes and develops positions in relation counterparts in foreign networks, and this can be done through:

- establishment of positions in relation to counterparts in national nets that are new to the firm – international extension

- developing positions in those nets abroad where the firm already has positions – penetration

- increasing co-ordination between positions in different national nets – international integration

Basically, (in terms of the firm's specific industry/production net) internationalisation means that the number and strength of the relationships between the different parts of the global production network increase (p. 62). In their discussion they show a model showing what will be internal marketing activities of the firm, as it goes through four scenarios of internationalisation of its markets as shown in **Figure 2.1**.

(i) The early starter

A situation characterised by the firm having few and rather unimportant relationships with firms abroad, and the same being true for other firms in the production net i.e. competitors, customers, suppliers...etc. That is, other firms in the domestic market also having no important international relationships. In this scenario the firm has little knowledge about foreign markets and it cannot count upon utilising relationships in the domestic market to gain such knowledge. Therefore, in its internationalisation activities this firm is likely to use agents rather than setting up sales subsidiaries and it is likely to enter nearby markets. The agents in this case play

the role of guaranteeing the firms delivery capability or credibility to third parties (potential foreign customer). By using the agent, the firm is investing in confidence-creating activities. Initiatives in the early internationalisation of the firm are often undertaken by counterparts (i.e. e.g. distributors) who already have positions in the foreign markets. The distributor plays the role of the '*introducer*'.

Figure 2:1 Four cases of international marketing situations

Source: Johanson and Mattsson (1995) p. 63

(ii) The lonely international

This is a scenario where by the firm is highly internationalised while its market environment is not. The firm has experience of relationships with and in foreign countries, therefore failures are less likely. In this case initiatives to further internationalisation do not come from other parties in the production nets as the firm's suppliers, customers and competitors are less internationalised. On the contrary, the lonely international has the qualifications to promote the

internationalisation of its production net. Such front runners' internationalisation may enjoy competitive advantage over their competitors, particularly in tightly structured networks, because they will have developed their positions in the networks earlier than their competitors. International integration is their main feature of internationalisation.

(iii) The late starter

This is a situation where by the suppliers, customers and competitors of the firm are internationalised, but the firm itself is not. Automatically this firm will have indirect relations in foreign networks due to its internationalised domestic market. These domestic relationships may be the driving force to establish foreign markets.

In this case, gradual internationalisation is not necessary, and its internationalisation will be more of the market penetration approach. This is easier for small rather than larger firms, as small firms can easily adapt and target niche markets. Overall, the late starter has a comparative disadvantage to its competitors.

(iv) The international among others

In this situation, the firm and its environment are highly internationalised. Further internationalisation for the firm only means marginal extensions. Both penetration and extension can be achieved as long as the relationships are strong.

The thrust of the theory is that firms will internationalise on order to take advantage of other resource assets owned by international firms. According to this view, firms can expand from the domestic to international markets through existing relationships which offer contacts and help develop new partners and positions in new markets. Through these contacts, firms are likely to acquire knowledge on potential partners, and also potential markets, apart from other benefits. Studies done

on networking, and alliances in small firms, (Jones, 1999) conclude that small firms will form these alliances to benefit from the marketing knowledge and experience that the bigger firms have. In essence, cross-border networking is a means for acquiring the international marketing information and experience necessary for internationalisation.

2.6 The link between Stages, Economic and Network Approaches

As shown in the Stages Approach, firm experiential knowledge is highlighted as the main explanatory construct in the process of internationalisation. However, how can a firm in, for example, early exporting stages acquire experiential knowledge? This is where the international experiences and contacts of other international organisations can be invaluable if the inexperienced firm can learn from the lessons of others (Bornacossi, 1992). Since a number of empirical studies have demonstrated that a firm is able to acquire relevant international knowledge from its relationships (Chetty and Eriksson, 1998), in a way, the Network model, allows for the influence of external actors or organisations on the internationalisation of the firm (Hadley and Wilson, 2003). Even though the Stages approach emphasises the experience of the firm itself (i.e. the current activities of the firm itself being the main source of experiential knowledge), rather than the experience of individuals or external actors, essentially both the market (external actors) and firm experience are both required (Hadley and Wilson, 2003). Delay in generating experiential knowledge either at firm or market (external actors) level will mean internationalisation progresses slowly (Johanson and Vahlne, 1977).

Drawing from the three approaches it can be concluded that internationalisation is driven by possession of resources, however the source of such

resources could be from both, the experiences of the firm itself (Stages and Economic approach), or from the firm's external actors (Network approach).

In terms of acquisition of experiential knowledge and even other resources, external actors may prove to be the most prominent source of such resources especially in the case of small firms which have not gathered significant international trade experience by themselves.

Even though small firms are also active in international markets, the development of the main approaches to internationalisation discussed is mainly from studies conducted on large multinational firms. Since small firms have different characteristics from large firms in terms of size, managerial style, independence, and ownership their internationalisation process is expected to be different from that of larger firms (Coviello and McAuley, 1999). In order to gain an understanding of the nature of internationalisation of SMEs, which is the focus of this study, a discussion reviewing literature on internationalisation of small firms is discussed in the following section.

2.7 Internationalisation of small firms

A review of literature by Coviello and McAuley (1999) showed that while all the three main theoretical frameworks explaining internationalisation were supported in different studies conducted on small firms, it was also found that in some studies, the approaches were not fully supported. In the case of small high technology firms, Bell (1995) found internationalisation was rapid and non-incremental. It was also noted that though some firms entered '*close*' markets, other firms entered markets that were psychically or geographically distant; therefore, the traditional Stages approach was inadequate to explain their nature of internationalisation.

Furthermore, although stages of internationalisation were identifiable in small firm international growth, it was found that small firms move rapidly through them due to the influence of network relationships. Instead, Bell (1995) concluded that inter-firm relationships were most influential on the internationalisation of the small high technology firms. Thus, development of network relationships allows small firms to overcome the size-related challenges so often argued to restrain their growth (Coviello and McAuley, 1999). While economic approaches were rarely found to explain small firm internationalisation, a view supported by most studies conclude that the Network perspective is perhaps most useful in understanding of small firm internationalisation. At the same time, it is also argued that none of the three schools of thought are truly distinct from each other because it has been found that foreign direct investment (FDI) though mostly explained through economic theories, reflects a staged managerial learning process (Aharoni, 1966).

In addition, it has also been identified that there is an influence of network relationships on the stages of internationalisation (Bodur and Madsen, 1993; Fontes and Cooms, 1997). While the Network approach may be most common approach explaining small firms' internationalisation, integrating the three internationalisation approaches explains small firm internationalisation better (Coviello and McAuley, 1999).

In assessing the applicability of the three approaches discussed to small firms, it is also worth noting the effects of the degree to which the world has developed in terms of improved communication, new digital technologies, low cost transportation, on internationalisation activities of small firms. All these changes are said to have contributed to increasingly global demand in many markets which has forced firms regardless of age to adopt an international perspective (Ohmae, 1990). These

changes are also argued to have brought about small firms which do not follow the traditional gradual process of internationalisation, such firms trade internationally from the outset. These firms are referred to as International New Ventures (INVs) (McDougall, Shane and Oviatt, 1994; Oviatt and McDougall, 1994; 1995; 1997). From inception, INVs seek competitive advantage by use of resources and the sale of output in multiple counties. They are also characterised as;

- appearing to require some highly valuable resources at the least cost possible (often human resource) wherever in the world that resource is.

- employing a strategy of serving globalising niche markets with unique products and services.

- being founded by internationally experienced entrepreneurs with very aggressive growth goals.

- have tightly co-ordinated organisational processes (McDougall et al., 1994; Oviatt and McDougall, 1995).

From the discussion above it is evident that internationalisation approaches do provide a useful starting point in understanding international development of firms, however, each of the approaches has its strengths and weaknesses. While learning is essential for internationalisation, this does not necessarily mean that internationalisation will have to be in gradual steps for all firms, this is even more not the case with the developments in information technology. Possession of unique assets is essential for international competitiveness, but these do not have to be necessarily sourced from inside the firm only, competitiveness and international growth can also be due to external business relationships as explained by the Network approach. In the case of small firms, these theories need to be integrated

and be developed further to accommodate the different ways in which small firms cope with international marketing challenges in the global environment.

2.8 Conclusion

In conclusion, internationalisation is a phenomenon having several aspects. Internationalisation is not only a learning process, but it also constitutes patterns of firm integration which are driven by economic rationale. It can be both, outward or inward. It is not only driven by a firm's possession of unique resources, but also formation of relationships external to the firm which can influence firm international expansion.

The three approaches to internationalisation include the Process, Economic and Network approaches. The Process approaches place emphasis on managerial learning as being critical in driving the internationalisation process. Through *psychic distance*, the Uppsala model also highlights that a disturbance to the flow of information between markets impedes managerial learning, thereby affecting the internationalisation process (Johanson and Wiedersheim-Paul, 1975).

The Economic approaches highlight the possession of unique resources as a key driver for international production. With the Transaction cost and Eclectic paradigm explaining internationalisation further through the internalisation concept.

Lastly, the Network theory's emphasis on the social exchange and resource dependency highlights the importance of interaction between international parties and the exchange of international market knowledge and other resources in the internationalisation process. All in all, while each approach has its own weaknesses and strengths, literature agrees on the fact that these frameworks are actually interlinked, (foreign direct investment may also incorporate gradual learning, and the

resources for international growth could be sourced through networks...etc.) therefore their application should be integrated.

In the case of internationalisation of small firms, due to them lacking resources, the Network approach seems to offer a stronger framework to explain their internationalisation. With the changes in global trends in the economic, technological, social, and political environment, it is suggested that these approaches need to be developed further to accommodate the rise of INVs and the unique ways how small firms develop internationally.

Literature in the area of SME internationalisation has developed. Key developments have been especially in the field of International Entrepreneurship field (IE). Key developments in this field are acknowledged and discussed in brief in the Conclusion chapter of this study (see **Section 8.7** on page **195**).

3

FOREIGN MARKET KNOWLEDGE ACQUISITION AND EXPORT PERFORMANCE

3.1   Introduction

This chapter is aimed at developing a conceptual framework which argues for a link between relationship knowledge acquisition and export performance. The discussion begins with two theoretical strands that explain firm performance; the resource based view (RBV) and industrial organisation (IO). Afterwards, a discussion proposing why two key concepts; experiential knowledge and relationship-embedded knowledge are a potential source of competitive advantage is presented. Then, the influence of manager's knowledge acquisition efforts and skills on experiential knowledge acquisition, and the influence of factors affecting relationship quality on embeddedness of knowledge are discussed. The chapter also presents research hypotheses for this study, and concludes with a conceptual framework.

3.2   Achievement of high performance

Two prominent views which explain sources of supernormal returns in a firm are the Industrial Organisation (IO) theory and the Resource-Based View (RBV). The IO states that the structure of the industry in which a firm operates in (i.e. e.g. the number of sellers and buyers, product differentiations, barriers to entry, degree of fixed versus variable costs, vertical integration) determines the firms conduct (in terms of e.g. pricing, advertising) which in turn determines a firm's economic performance (Conner, 1991, p. 4). This view is also associated with the industry structure view associated with Porter (1980). He propagates that supernormal returns are primarily a function of a firm's membership in an industry with favourable structural characteristics (e.g. relative bargaining power, barriers to entry and so on),

thus studies that adopt this view to explain firm performance focus on the industry as the unit of analysis.

The term 'Resource Based View' was first coined by Birger Wernerfelt, (1984). This explanation of performance is grounded in the early economic models of monopolistic competition (Chamberlin, 1933). Here the firm is conceived as a unique bundle of tangible and intangible 'resources' (assets, capabilities, processes, managerial attributes, information, and knowledge). Only those resources and skills that have the qualities of being idiosyncratic, heterogeneous, inimitable and not easily transferable enable a firm to achieve a sustainable competitive advantage (Penrose, 1955; Wernerfelt, 1984; Fahy and Smithee, 1999). This is because these qualities provide a barrier to duplication by competitors and enable a firm to provide value to its market. If a firm controls these resources, they enable it to conceive and implement strategies aimed at improving its efficiency and effectiveness (Barney, 1991; Daft, 1983; Wernerfelt, 1984) resulting in differential firm performance from its competitors. Differential performance is fundamentally due to firm heterogeneity rather than industry structure (Barney, 1991; Rumelt, 1984; Wernerfelt, 1984). Therefore, according to RBV the principal determinants of a firm's performance and strategy are the internal organisation's resources (Barney, 1991; Collis, 1991).

These two perspectives contribute to our understanding of how firms achieve high performance, as together they highlight that a firm's performance can be explained by its response to both its internal (resources and capabilities) and external factors (creating defensible positions against competitive forces). However, Penrose (1959) noted that the importance of the inherent characteristics of individuals and the relationships between individuals are ignored. In agreement, Dyer and Singh (1998) state that these approaches ignore the disadvantages or advantages that a firm may

possess due to its being linked to an external network. Dyer and Singh (1998) further argue that the search for competitive advantage should not only focus on those resources and capabilities housed within the firm, but also on critical resources that may extend beyond the firm's boundaries through its business relationships. Consequently, they proposed the Relational View (RV) for explaining firm performance.

While the role of the industry on performance is appreciated, SME's are dependent on business relationships for various value chain activities, including acquisition of the foreign market knowledge, such that a combination of RBV and the RV to explaining firm performance is considered to be the appropriate paradigm for explaining competitiveness and performance for SMEs in this study.

The following section, therefore, specifically focuses on how resources, capabilities and relationships are a source of exporting competitiveness and export performance.

3.3 Determinants of export performance

Numerous studies have been conducted on factors affecting export performance, most of these have been reviewed by Aaby and Slater (1989), Zou and Stan (1998); Leonidou, et al., (2002); Wheeler, Ibeh and Dimitratos (2008). The early model summarising the independent factors that influence export performance was the *Strategic Export Model* by Aaby and Slater (1989). This model explained export performance as being influenced by mainly internal factors (firm characteristics, competencies and strategy); therefore it is a model which is based on the RBV's explanation of performance.

Bringing in the ideas from the Industrial Organization (IO) theory, Zou and Stan (1998) added the role of external factors in determining the firm's strategy which in turn determines economic performance (Scherer and Ross, 1990). The logic being that the external environment imposes pressures to which a firm must adapt in order to survive and prosper (Collis, 1991). This led to a classification of determinants of export performance into controllable (e.g. the firm's market strategy, management attitude and perceptions) and uncontrollable factors (e.g. export market characteristics and industry characteristics). However, four years before Zou and Stan's study, Styles and Ambler (1994) drawing from marketing/interaction/network theory, added to the model explaining export performance by highlighting the importance of networks/relationships factors to export performance (Wheeler, Ibeh and Dimitratos, 2008). A few recent studies (Styles and Ambler, 1994; 2000; Ling-yee and Ogunmokun, 2001; Lages et al., 2005; Styles et al., 2008; Katsikeas et al., 2009) have explored the role of business relationships in explaining export performance, and this study aims to join in exploring the relationship dimension further. However, the focus of this study is specifically on use of relationships for foreign market knowledge acquisition.

3.4 Sources of exporting competitiveness

In terms of independent factors that influence performance, most studies conceptualise a direct link (effect) between various independent variables on to export performance. Consequently, there are few studies in exporting literature which explain clearly how firms derive exporting competitiveness from resources, capabilities or relationships, and how these competencies result in improved export performance. Kaleka (2002) argued that there is a dearth of empirical studies

investigating dimensions and determinants of export competitive advantage, limiting the advancement of both theory and management practice in the exporting field.

A firm achieves competitive advantage whenever it performs a particular activity better than its competitors do. One or more competitive advantages are usually necessary in order to develop a winning strategy, and this in turn should enable a company to achieve above-average growth and profits (Wilson and Gilligan, 1997, p. 334). Firms that are able to accumulate resources that are rare, valuable, nonsubstitutable, and difficult to imitate will achieve a competitive advantage over competing firms (Barney, 1991; Dierickx and Cool, 1989; Rumelt, 1984). The resources here are defined as any entity, tangible or intangible that the firm has at its disposal to enable it to produce efficiently and/or effectively a market offering that has value for some market segment or segments (Hunt and Morgan, 1995). These resources can be categorised as financial, legal, physical, human, organisational, informational and relational (Barney, 1991). A competitive advantage is said to be sustainable only to the extent that the resources/skill that produce it cannot be purchased, or are immobile or they cannot be found (Hunt and Morgan, 1999). Characteristics of resources which result in sustainable competitive advantage are summarised in **Table 3:1**.

According to the RBV, gaining a competitive advantage through the provision of greater value to customers can be expected to lead to superior performance measured in conventional terms like market-based performance e.g. market share, customer satisfaction or financial-based performance e.g. return on investment, shareholder wealth creation. For exporting in particular, Kaleka (2002) described two distinct types of competitive advantage as being:

Table 3:1 Requirements of resources to provide sustainable competitive advantage

Critical Requirement	Explanation	Authors
Efficiency/effectiveness	The resources must continue to contribute to the firm's ability to efficiently/effectively produce valued market offerings for some market segment(s)	Hunt and Morgan (1995)
Heterogeneity	Central to the resource-based view, heterogeneity acknowledges that firms differ significantly in the resources that are at their disposal; this heterogeneity arises from limited availability of these assets: although some are abundant, others are relatively rare	Barney (1991), Hunt and Morgan (1995), Peteraf (1993)
Imperfect imitable	Resources should be difficult for competitors to imitate; this characteristic typically arises from the nature of the process required to create the assets	Alderson (1965, p. 205), Barney (1991), Dierickx and Cool (1989), Peteraf (1993)
Imperfect substitutability	It should be difficult to find replacements for the resources	Barney (1991), Dierickx and Cool (1989), Peteraf (1993)

Source: Hunt and Morgan, 1999

a. **Cost advantage**- where a firm offers its product/service at a lowered price, mainly due to lower production, procurement, distribution and allied costs

b. **Differentiation advantage**- where the customers perceives a consistent difference in important attributes between the firm's offering and those of competitors

A review of various literature shows that an exporting firm's, competitive resources and capabilities are varied and these are summarised in the **Table 3:2**.

Table 3:2 Competitive resources and capabilities for exporting

Resource	Description	Source
Physical assets	Such as the use of modern technology equipment, preferential access to valuable sources of supply, geographical proximity to the export target market, and production capacity availability	Hall (1993), Grant (1998)
Scale of operation	Reflected in such elements as annual turnover, number of full-time personnel, and percentage of employees mainly engaged in the export function	Cavusgil and Zou (1994)
Financial assets	Including the availability of funds to be devoted not only to exporting but also to specific export ventures undertaken	Cavusgil and Zou, (1994), Da Rocha and Christensen (1994)
Firm's experience in export market operations	Reflected in variables such as length of time exporting, number of ongoing export ventures, export market knowledge, and past performance in export markets	Ganitsky (1989), Julien and Ramangalahy (2003)
Capabilities	**Description**	**Source**
Informational	Acquisition of export market-related information, ability to make contacts in export markets, identification of prospective customers overseas, monitoring competitive products in export markets, and ability to capture important foreign market information	Seringhaus (1993), Varadarajan and Cunningham (1995)
Customer relationship building	Concerning the exporter's ability to understand the requirements of overseas customers and establish and maintain close export business relationships	Piercy, Katsikeas and Cravens (1996)
Product development	Pertaining to the development of new products for export markets, improvement and modification of existing products, and adoption of new methods and ideas in the production/manufacturing process	Dominguez, Rose and Sequeira (1993)
Supply chain	Including such elements as the identification of attractive sources of supply and establishment, development, and maintenance of strong supplier relationships	Katsikeas (1998)

Source: Kaleka, 2002

From the **Table 3:2**, evidently, several studies have researched sources of exporting competitiveness. However, what tends to lack in most, is a clear conceptualisation explaining why different resources and capabilities are sources of competitiveness (i.e. why they are not easily copied by opportunist players in the market is not fully explained). In this study, the focus is on the resource experiential market knowledge and the capability is; manager's skill in acquisition of business contacts and in relationship building.

The following section discusses how these two concepts could be a potential source of exporting competitiveness that could consequently explain high export performance among exporting SMEs. To start with, the meaning of 'export market knowledge' as conceptualised in this study is described.

3.5 Export market knowledge

3.5.1   Data, information and knowledge

Before explaining export market knowledge, this section will clarify the broader concepts of data, information, and knowledge.

Data refers to facts or values, often quantified, that describe what is going on within an organisation of any kind or in the external environment. Data is usually raw numbers. Data is not automatically transformed into information, only data that has been filtered, organised, and/or transformed in a manner that makes it useful and meaningful and enables people to make sense of it could be termed information (Boisot, 1998; Marchand, 1998).

Information on the other hand, refers to data that gives meaning by reducing ambiguity, equivocality, or uncertainty. The term 'knowledge' refers to more

complex products of learning such as interpretations of information, beliefs about cause and effect relationship (Huber, 1991, p. 89).

Knowledge is also defined as 'information that has value' (Elliott, 1996), or 'a clear understanding of information' (Bierly et al., 2000). Knowledge is not only sourced from useful and organised information (objective or explicit knowledge), it can also be sourced from an individual's personal experiences and thus dependent on individual's own activity (Penrose, 1959; Davenport and Prusak, 1998). Knowledge that is based on the experience of individuals is also referred to as 'tacit' knowledge (Nonaka and Takeuchi, 1995). Explicit knowledge is 'knowledge about', while tacit knowledge is 'know-how'. Tacit knowledge expresses itself in human actions in the form of evaluations, attitudes, points of views, commitments and motivations, and it is difficult most times to express tacit knowledge directly in words. The essence of tacit knowledge is in the phrase "We know more than we can tell" stated by Polanyi (1966). Examples of such knowledge could be the knowledge to ride a bicycle or swim.

Knowledge has been studied and operationalised in different ways depending on the objectives of the study. In most studies, it has been defined by using dichotomies based on knowledge's source, characteristics, use...etc. Some of these are summarised in **Table 3:3.**

Table 3:3 Dichotomies of Knowledge

Description	Study
Tacit knowledge (which is non-verbalised or even non-verbalisable, intuitive and unarticulated) Vs. Explicit knowledge (which is knowledge that is specified verbally, for example in writing, computer programs patents, drawings)	Polanyi (1962), Ambrosini and Bowman (2001)
Knowledge obtained from professional social inquiry, characterised by traditional controlled scientific investigation Vs. Ordinary or commonsense knowledge derived from the careful analysis of experience	Deshpande and Zaltman (1982)
Knowledge about core problems of discipline Vs. Knowledge relating to the tools and technology employed to examine those substantive problems	Deshpande and Zaltman(1982)
Knowledge which has a clear physical manifestation, such as a new technology being expressed as a new product or service Vs. Knowledge which is expressed as an idea or a concept	Larsen (1982

Compiled by Author

Information and knowledge are different but related concepts, in that knowledge is an output of information. Knowledge is derived from both explicit meaningful information and experiences. Foreign market knowledge as conceptualised in this study refers to export market related knowledge which an owner/manager derives from both explicit export information and experiences in the firm's export operating environment (i.e. e.g. knowledge about customers' needs, competitors, and market conditions). Export market knowledge in this sense includes both the tacit and explicit forms of knowledge used by exporting SMEs. Tacit knowledge referring to knowledge based on the experiences of individuals, thus practical know-how on how to conduct an exporting activity in a foreign market, while explicit knowledge is based on export information, which can be expressed, or specified verbally.

3.5.2   Export information

Information used in exporting activities is varied and the export information needs of SMEs differ according to their product lines, prices and market demands and more. Export information includes, information about market size, composition, competition, packaging, promotion, distribution channels, cultural characteristics, political and legal environments and more (Pointon, 1978; Darling and Postnikoff, 1985).

Leonidou and Adams-Florou (1999) provide a summary of broad categories of information required by exporters as being:

- *Macro environmental forces*: information on factors such as economic, social-cultural, political-legal, technological, demographic and the physical environment of the firm (Kotler et al., 1999).

- *Micro environmental forces*: information on forces close to the company that affect its ability to serve its foreign customers effectively and efficiently. These factors include information on customers and competition, marketing intermediaries (potential business partners), suppliers and the company's publics.

- *Market characteristics*: information on market size and growth patterns, structure, entry conditions, preferences, potential and company/position/share in overseas markets.

- *Marketing mix*: information on pricing, product characteristics, channels of distribution and logistics, and promotion.

It is known that firms do not look for all this information at once, because exporters regard some types of information as being most useful than others. The perceived usefulness of export market information has been found to depend on the

firm's stage of exporting, the industry in which the firm operates and the country of destination to which the firm sells to (Wood and Robertson, 2000). The more experienced exporters were found to be more concerned with the nature and degree of the fundamental business foundations in the markets; therefore, they perceived information on e.g. distribution and communication infrastructure as more useful than the broad economic performance indicators. In his study, Seringhaus (1984) found that new and potential exporters stated that they required information that would enable them to identify market opportunity, export preparation, financial feasibility and planning export marketing. These findings confirm that informational needs in international marketing are a function of firm's levels of internationalisation (Cavusgil, 1984). In the case of SMEs, the managers generally acquire knowledge about markets more intuitively than systematically (Cavusgil, 1984), and only information relevant to the firm's narrow market is collected (Spence and Crick, 2004).There are various sources of export information. Souchon and Diamantopoulos (1996) identify three major export information sources, namely:

1. **Export assistance**

This is secondary information available generally at little or no cost, from various private and public sources. Examples of such organisations include the Chamber of Commerce, and the Department of Trade and Industry (DTI). They provide information in form of statistics, country reports, market profiles, and market studies with a general scope. Even though considerable amount of information is made available to internationalising firms through this source, export managers awareness and use of the available sources of information especially the public ones has generally been reported to be low (Seringhaus and Rosson, 1991; Spence and

Crick, 2001). One of the reasons for this being the low quality of information provided and obsolescence (Sbrana and Tangheroni, 1991).

2. Export market research

This is a formal and systematic way of collecting specific primary information about export markets. This type of information is generally quantifiable, and customised to the needs of individual companies. Use of export market research has been linked to high export performance (Hart and Tzokas, 1999). However, market research is more commonly used by large firms than it is by small firms. Larger companies tend to conduct export marketing research because they are more likely to be able to devote resources (in terms of personnel and finance) to export information-gathering activities in comparison to smaller firms (Diamantopoulos et al., 1990; Schlegelmilch et al., 1993; Chaudhry and Crick, 1998).

3. Export market intelligence

This is a more informal gathering of market data through agents, distributors and contacts in the market or persons who have experience in the market such as commercial officers. Access to relevant market intelligence is facilitated when firms have been accepted into the appropriate networks within their industry sectors. Individual visits to the markets or participating in trade missions and trade fairs are necessary to gain access to these networks (Spence and Crick, 2001). In the case of SMEs, this is most commonly used source of information (McAuley, 1993; Bodur and Cavusgil, 1985; Leonidou and Adams-Florou, 1999). In fact, SMEs are often known to start their foreign market investigations through contacts within their social network rather than formal sources such as government organisations (Holmlund and Kock, 1998).

In addition to these sources Hamill (1997) describes ways of how the Internet is used as an export information source, namely:

- Gathering information through search engines, e.g. www.google.com, www.infoseek.com, www.altavista.com...etc.

- Accessing online newspapers and journals, country and industry reports, access to trade lists of suppliers, agents, distributors and government contacts in a large number of countries (Hamill, 1997).

- Accessing international business directories already available on the Net e.g. the www.ukinvest.gov.uk, The Dun and Bradstreet database, Applegate Directory, The Medical Devices In Scotland (MDIS) directory.

Broadly, information sources are either personal or impersonal sources. A number of studies have found that personal sources i.e. those sources where there is high chance of interaction (overseas agents, personal contacts overseas and trade fairs) between the enquirer and the provider tend to be the most popular (McAuley, 1993; Bodur and Cavusgil, 1984; Leonidou and Adams-Florou, 1999). The reason being that personal sources of information are often viewed as more trustworthy and credible in contrast to published or written information, which is seen as less accurate and likely to become obsolete (Yeoh, 1999, p. 40). Daft and Weick (1984, p. 292) also note that personal sources involve feedback, cues, and language variety necessary for dealing with an environment that is difficult to understand.

It is also evident from literature that at different stages of internationalisation, firms tend use different information sources; for example, past studies note that experienced exporters prefer to rely on sources of information overseas and over institutional sources. It is the first - time exporters who tend to use institutional sources of information (Young et al., 1989). In addition, experienced exporters use

more sources of information than new exporters (Cavusgil, 1984). However, both large exporters and small exporters tend to rely on personal sources of information (Pointon, 1978). With most researchers identifying the popularity of personal sources of information, what is evidently lacking in export information sources studies, is further empirical research into whether acquisition of knowledge through relationships has implications on performance.

3.6   Experiential knowledge

Experiential knowledge is the knowledge gained from experience of overseas market operations (Morgan et al, 2003). This type of knowledge is an important resource for successful export marketing (Albaum, Strandskov and Duerr, 1998; Erramilli, 1991). Management's international experience has been associated with a positive effect on export sales, export profits, export growth, and the composite measures of export performance (Zou and Stan, 1989). This is perhaps due to the fact that managers' international experience helps a firm to identify and leverage on the international opportunities while avoiding international threats (Zou and Stan, 1989).

In international business, experiential market knowledge has been found to be the most useful for international growth (Johanson and Vahlne, 1977). Experiential knowledge is acquired through direct exposure to foreign markets (Johanson and Vahlne, 1977), and through experiential learning as a result of accumulated experiences of specific relationships (Barkema and Vermeulen, 1998; Delios and Beamish, 1999).

Learning about foreign markets often occurs through collaboration with other firms who have this knowledge. That is, international experiences and contacts of other international organisations can be invaluable if the inexperienced firm can

learn from the lessons of others (Bornacossi, 1992). Confirming this notion Hadley and Wilson (2003) found that a firm's interaction with other internationalised firms resulted in acquisition of experiential knowledge. Lindstrand (2003) identifies specific form of experiential knowledge 'network experiential knowledge' which is defined as experiential knowledge a firm accumulates in its network of embedded business relationships. It is argued that a firm's useful knowledge is based on experience from business activities and business interaction within a network. The connected relationships make it possible for one firm to access knowledge from others. In these relationships, firms collect knowledge concerning counterparts, competitors, cooperation with other firms, product development, strategies, marketing, organising practices and international ventures (Lindstrand, 2003).

The characteristics of experiential knowledge are described more clearly by the Knowledge Based View (KBV) theory (Davenport and Prusak, 1998) where experiential knowledge is also referred to as being 'procedural' and 'know-how', or knowledge from accumulated skills. The KBV theory indicates that experiential knowledge tends to be tacit and generally difficult to codify and communicate while informational knowledge is generally explicit and easier to codify and communicate (Polanyi, 1966; Reed and DeFillippi, 1990). If experiential knowledge can be acquired through interacting with contacts that have foreign market knowledge exposure, firms who are more interactive with business contacts exposed to foreign market should have higher levels of experiential knowledge. It would also follow that if experiential knowledge has an element of being tacit (i.e. having a characteristic of being skill-based and not being explicitly identified or codified), then, apart from other factors, the difference in both export development and performance among SMEs could be explained by their difference in the levels of

experiential knowledge acquired through interaction with business contacts who possess foreign market knowledge.

3.6.1   Experiential knowledge as a source of export competence

There are a number of reasons why experiential knowledge is a possible source of competence in exporting. For example, due its nature of being specific to each country market and specific to each set of the actors involved in business experience, possession/lack of possession of this knowledge could determine which firms will be competent. Findings from past studies also support this idea, for example, in the RBV theory, tacit knowledge has been argued to take a central place in the development of sustainable competitive advantage (Ambrosini and Bowman, 2001). This is because tacit knowledge is argued to be difficult to imitate, substitute, transfer and it is rare. Other characteristics of tacit knowledge are;

- it is difficult to formalise

- it is personal, i.e. it is entirely embedded in an individual and that it seems entirely natural

- it is practical, i.e. it more of a capability rather than a resource, more a skill than a resource

- it is context specific – the knowledge is acquired on job, or in the situation

As such, foreign market experiential knowledge can be argued to be a source of a competitive advantage which could result in the provision of greater value to customers and thereby be expected to lead to superior export performance.

Another reason why experiential knowledge is a potential source of high performance is that experience can drive down cost through the introduction of economies of learning (Clark and Fujimoto, 1991). In addition, (Eriksson et al.,

1997) found that a firm's possession of experiential knowledge reduced the perceived cost of internationalisation.

Lastly, substantial experiential knowledge of foreign markets and operations may enable a firm to offer superior customer service before and after sales because it enables development of close working relationships which in turn can enhance understanding of customer requirements in those markets (Greenley, 1985). These ideas lead to the first hypothesis of this study;

> **H1**: *The more experiential the market knowledge acquired from a business relationship, the higher the export performance*

3.7 Manager knowledge acquisition

3.7.1 Prior internationalisation knowledge

In exporting studies, in general, managerial skills are one of the key determinants of export performance (Aaby and Slater, 1989; Zou and Stan, 1998). More specifically, a manager's past exporting experience has been found to have a positive effect on export sales, export profits, and export growth. This has been explained as being due to the fact that a managers' international experience helps a firm to identify and leverage on the international opportunities while avoiding international threats (Zou and Stan, 1998).

At the heart of achieving competitiveness is a firm's ability to learn from its past experiences. Learning is the ability to use its prior related knowledge and diverse background to identify the value of new information and to develop this into something creative (Cohen and Levinthal, 1990). Therefore, prior experiences are useful if a manager can use the knowledge gained from them in dealing with current and future experiences. Prior experiences are also useful in new knowledge acquisition. Learning studies have shown that prior experience enhances an

individual's absorptive capacity. Absorptive capacity is the ability of the firm/individual to recognise value of new, external information, assimilate it and apply it to commercial ends (in psychology referred to as creative capacity) (Cohen and Levinthal, 1990; Eriksson and Chetty, 2003). Research in memory studies explains that the accumulated prior knowledge increases the ability to acquire new knowledge (Bower and Hilgard, 1981, p. 424). The breadth of categories into which prior knowledge is organised, the differentiation of those categories, and the linkages across permit individuals to make sense of it and in turn, acquire new knowledge.

Learning is also at the core of the explanation of the internationalisation process, where cumulative experiences explain gradual internationalisation growth (Johanson and Vahlne, 1977). The more experienced the firm is in collaborating and acquiring information from relationships, the more capability it will have to identify the value of new information. In addition, the more experienced the firm is in collaborating and acquiring information from relationships increases its ability to identify the extent to which it lacks foreign market knowledge (Eriksson and Chetty, 2003 - paraphrased). This finding highlights the fact that prior experience in international trade has an implication on the manager's ability to identify new market knowledge and how to use it.

Prior internationalisation knowledge could also be urged to enhance absorptive capacity in international trade. Since a firm's absorptive capacity is dependent on its prior knowledge, in the case of a manager, their prior internationalisation experiences will determine their absorptive capacity. This in turn affects their ability to determine the nature of market knowledge they acquire out of contacts and how they put it to use. Internationalisation knowledge is a term that was developed by Eriksson et al., (1997) as part of their definition of 'international experiential

knowledge'. The authors developed three constructs to measure international experiential knowledge; namely foreign business knowledge, foreign institutional knowledge and internationalisation knowledge.

Foreign business knowledge as a construct seeks to capture experiential knowledge pertaining to clients, competitors and the market. Institutional knowledge is concerned with knowledge of the government, culture and institutional frameworks and norms. These two refer to market knowledge that allows a firm to become aware of opportunities and problems in the foreign country. It is said to be the 'know-why' aspect of experiential knowledge. Internationalisation knowledge on the other hand is related to the firm's requirement for experiential knowledge that will facilitate its international operations, for example, the knowledge that is required for it to adapt its resources and capabilities to the international environment. This type of knowledge refers to the know-how aspect of experiential knowledge or the procedural element of current knowledge that the manager has of the foreign market.

Referring back to themes developed by Johanson and Mattsson (1988) in the Network model (refer back to page **32**); a manager with prior internationalisation knowledge has some parallel with 'the lonely international', described in this model. Due to prior international exposure the manager has the qualifications to promote the internationalisation of not only its home production net, but it also has the quality of becoming a front runner in internationalisation. Therefore, may enjoy competitive advantage over their competitors, particularly in tightly structured networks, because they will have developed their positions in the networks earlier than their competitors. That is, the firm will have the knowledge on how the firm can use the resources available in furthering its international activity. According to Hadley and Wilson (2003), it is this prior internationalisation knowledge which permits the firm

to understand which foreign business knowledge and foreign institutional knowledge is required. Therefore, basing on the ideas from both the Learning theory, and from the Stages and Network approaches to internationalisation, it can be concluded that even prior to international trade experiences gathered through foreign business, contacts can enhance acquisition of even more foreign market knowledge, and this may well be more experiential knowledge. The knowledge acquired, in turn, has an impact on the absorptive capacity of the manager. In order for a manager to assimilate more experiential knowledge in the form of business and institutional knowledge, prior internationalisation knowledge is essential. Therefore;

> ***H1a***: *The more the prior internationalisation knowledge a manager has, the more the experiential knowledge he will be able to acquire.*

3.7.2   Networking orientation

Another key skill related to knowledge acquisition is the ability to acquire, and maintain business relationships, which is one of the skills that enhance exporting competitiveness (Piercy and Kaleka, 1998). The extent to which the firm obtains resources from the environment through alliance creation is referred to as international networking orientation in entrepreneurship studies (Granovetter, 1973; Gulati, 1998). A key determinant of export performance is the manager's attitude and perception (Zou and Stan, 1998), such that if a manager's attitude or perception is against networking, the less the ability to benefit from resources exchanged through business relationships. Since one way of acquiring experiential knowledge is through interacting with experienced business contacts, the attitude that the manager holds towards networking will have an impact on the level of experiential knowledge acquired. Therefore;

H1b: *The more networking oriented the manager is, the more the experiential knowledge a manager will be able to acquire*

3.7.3   Social capital

Social capital is the sum of resources that a firm (individual, organisation) can access or mobilize by virtue of possessing a durable network of relationships (Bordieu and Waquant, 1992). The higher the number of contacts or the dense the network to which the manager is connected to, the higher the level of social capital available to the firm.

Business contacts in foreign markets could be used to identify new opportunities, obtain business advice, assistance in foreign negotiations, and open doors in markets where the internationalising firm may have no previous presence (Oviatt and McDougal, 1997). This knowledge is likely to increase willingness of the firm to seize international growth opportunities once these present themselves (Penrose, 1959). The benefits of the business contacts can result in internationalisation experience evident in the geographical diversity of the firm (Yli-Renko et al., 2002).

One of the key findings from the preliminary in-depth interviews carried out for this study was that the business relationships which managers referred to as being most useful, were those contacts who were located in the foreign markets where the firm wanted to sell. The managers stated that these contacts were most useful because they had good knowledge of their home markets (foreign market). Therefore, the usefulness of a contact was dependent on the contact's level of foreign market exposure, which is in line with Johanson and Mattson's (1988) explanation of the firm among a network that is already internationalised (an international among international). This study therefore proposed to empirically test if;

***H1c**: The higher the foreign market knowledge the contact has, the higher the level of experiential knowledge the manager acquires.*

Manager's knowledge acquisition skills may relate to many aspects, e.g. his level experience, networking orientation, the level of knowledge in his contacts as proposed here and probably many other dimensions which this study could not explore. Since this study is exploratory, it was interesting to the researcher to assess how well these three dimensions measured the aspects dealing with the same concept (i.e. manager's knowledge acquisition). To assess this, the study further proposed that manager's knowledge acquisition was a higher order construct which constituted the dimensions; internationalisation knowledge, networking orientation and contact knowledge. Hence, the hypothesis;

***H1d**: Manager's knowledge acquisition is a multiple-faceted construct constituting of a manager's prior internationalisation knowledge, networking orientation, his contact's level of foreign market knowledge*

Further, the relationship between export knowledge and export performance has been empirically tested in the past (Toften and Olsen, 2003). However, such results have been stated to be scarce (Toften, 2005). In his study in 2005, Toften tested this relationship once again; the results yielded an insignificant relationship between export knowledge and performance. In explaining this finding he argues that a study that includes an intervening mediator or mediation variable between export knowledge and export performance could result in a significant relationship. In particular, Toften (2005) mentions incorporating a 'competitive advantage' variable proposed earlier by Baker and Sinkula (1999) and Diamantopolous and Horncastle (1997) as being a possible variable that could prove the missing link between information use and export performance.

In order to address this, this study proposes that a mediator variable which could be a missing source of competitive advantage that links export knowledge and export performance could be experiential knowledge. Therefore, this study tests the following hypothesis;

> ***H1e****. Experiential knowledge mediates the relationship between Manager's knowledge acquisition and export performance*

3.8 Business relationships

A business relationship is a terminology that is used interchangeably with terminologies like a business 'network', 'link', 'contact', inter-organisational relationship, interaction, alliances...etc. The terminology used varies depending on the research field of the study, or the context of individual studies.

Some of the prominent research fields that have covered the role of business relationships/networks in marketing are the Network approach studies (Emerson, 1981; Axelsson and Easton, 1992; Johanson and Mattsson, 1988), Industrial Marketing Purchasing Group (IMP) studies/interaction approach (Turnbull, et al., 1996), Relationship Marketing studies (Morgan and Hunt, 1999; Dyer and Singh; 1998; Styles and Ambler, 1994; 2000) , and Entrepreneurship studies (Granovetter, 1973; Curran and Blackburn, 1993; Larson and Starr, 1993; Larson, 1992). Among these research groups, the first systematic attempt to adopt the relational approach appeared in the early 1980s with the pioneering work of the IMP Group. Their study mainly focussed on exporter-importer relationships in the industrial markets of five European countries (Hakansson, 1982). Relationship marketing research is one of the fields which have taken on this concept even further. The focus of this research field has been on;

- how firms leverage individual dyadic relationships for the exchange and acquisition of both tacit and explicit knowledge and for mutual learning.

- the role of trust and commitment in relationships.

- the benefits of relationship marketing and how marketing relationships are built and maintained (Morgan and Hunt, 1999; Dyer and Singh, 1998; Styles and Ambler, 1994).

Definitions and conceptualisation of business relationships vary depending on different research fields (for some examples, see **Table 3:4**). This study uses the description from both the Network Approach (Johanson and Mattsson, 1988) and Relationship Marketing (Morgan and Hunt, 1999; Dyer and Singh; 1998) where business relationships refers to a set of actors (not organisations), whose relationship is characterised by deep information exchange, and existence of trust.

Table 3:4 Business relationships as defined and conceptualised in different research fields

Field of study	Definition of 'Networks'	Emphasis/Focus	Related Authors
Network Approach	A set of two or more connected exchange relationships in which each exchange relation is between business firms that are conceptualised as collective actors"	• Network theory depicts the market as a network, whereby a firm has relationships with customers, distributors, suppliers, competitors etc	Emerson (1981), Axelsson and Easton (1992), Johanson and Mattsson (1988)
IMP Studies/ Interaction Approach		• Focussed on supplier and buyer relationships • Propagates that business purchases should not necessarily be characterised as a process of action by the seller and reaction (or not) by the buyer, but rather business markets are perceived as arenas within which buying and selling companies interacted with each other, thus the 'interaction'	Turnbull, et al., (1996)

Entrepreneurship	A set of actors (individuals or organisations) and a set of linkages between actors A set of high trust relationships which either directly or indirectly link together everyone in a social group	• Specifically the SME sector • Focused on the social and institutional contexts into which owner-managers of small firms are embedded • The role of being embedded in a social network on entrepreneurship process	Aldrich and Zimmer (1986), Birley (1985). Granovetter (1973), Curran and Blackburn (1993), Larson and Starr (1993), Larson (1992)
Relationship Marketing	Those relationships in which deep information exchange, trust exits.	• Focused on studying how firms leverage individual dyadic relationships for the exchange and acquisition of both tacit and explicit knowledge and for mutual learning • What are the benefits of relationship marketing and how are marketing relationships built and maintained	Morgan and Hunt, (1999), Dyer and Singh (1998), Styles and Ambler (1994)
Social Capital literature		• Treats network as a source of (mostly explicit) information for the focal actor	Bordieu and Wacquant (1992), Yli-Renko et al., (2002)

Compiled by author

69

3.8.1 Conceptualisation of business relationships

In terms of conceptualising relationships, Ritter and Germunden (2003)'s review summarises these into four levels as follows;

   i.   The interaction/the episode: the basis of analysis is a single exchange, an incident, an individual interaction or episode.

  ii.   The dyad/the individual relationship: this is the aggregate of episodes between two actors. The dyad has a history which is remembered by the actors involved. The main focus is the interaction between the actors over time.

 iii.   The portfolio/similar relationships: this takes the single firm (the focal firm) as a starting point, which regards a special subset of relationships of the firm in question. This may not include all relationships a firm may have.

 iv.   The net/the relationships of an actor: this is when all relationships of the firm are the subject of the analysis.

  v.   The network/industries and markets: this is the broadest level of analysis, it analyses the whole structure of an industry or a market.

In this study, the unit of study is a dyad, even though the key informant is only one member of the relationship, the export manager. The export manager was asked to provide information about one key relationship they have with a particular business contact, (who can either be an export agent, distributor, supplier, customer, competitor, family member/personal friend), from whom they have sought and acquired knowledge which they have used to enter or operate in a particular export market/s. Therefore, the term 'network' is not used in this study as implies that there are more than two actors involved. Instead, the term 'business contact' or 'business

relationship' is used to refer to the key contact that the manager has the relationship with. This is to emphasise that the information on which the study is based is about a single contact and not more than two members of the same network.

3.9   Relationship-embeddedness of knowledge

An essential part of developing inter-organisational relationships is the exchange of products, services, money, information, know-how, and personnel (Anderson and Narus, 1984). The firm's goals for forming relationships vary from increasing sales volume or profit in a relationship, gaining access to new markets or third parties, or jointly developing innovations (Walter et al., 2001). As noted above, one of the key resources exchanged in business relationships is knowledge. Several studies have shown that a firm acquires knowledge through its network of connected relationships, such as customers, customers' customers, competitors, suppliers, supplementary suppliers, distributors…etc (Anderson, Hakansson and Johanson, 1994; Johanson and Vahlne, 1990; Johanson and Mattsson, 1988; Hakansson, 1982). Trust between partners is often cited as a critical element of network exchange that in turn enhances the quality of the resource flows, and in particular, it is the factor that affects the depth and richness of exchange relationships, particularly with respect to exchange of information (Saxenian, 1991; Larson, 1992; Lorenzoni and Lipparini, 1999; Hoang and Antoncic, 2003). However, an exchange of any resource of value is prone to opportunism by potential competitors (Coase, 1937; Williamson, 1975). Exchange of valuable market knowledge in relationships is vulnerable to similar opportunism.

Competitiveness is only achieved through resources that are not easily accessible to competitors. Therefore, for resources that are available through

business relationships to be a source of competitiveness they need to be governed in a way that they are protected from opportunism and easy public access (Morgan and Hunt, 1999). Subsequently, deriving competitiveness from resources exchanged in relationships is affected by the type of governance used in those relationships. Dyer and Singh (1998) identify two forms of relationship governance. Firstly, formal governance, where a relationship is guarded by third parties with use of e.g. written contracts, and secondly, self governance, where a relationship is guarded by self induced mechanisms, in form of trust between the partners to the relationship.

Formally governed relationships are more likely to be less effective in safe-guarding the resources being exchanged, because one cannot formally govern against all forms of opportunism. This lack of security reduces the exchange of much specialised knowledge between the partners for fear of opportunistic behaviour by the other party. In addition, forming formal governed relationship is easy and can be done very quickly; which makes such type of relationships vulnerable to being easily copied by competitors. The transactional costs of drawing and maintaining such relationships are also likely to be costly rendering resources exchanged through these forms of relationships to be a less likely source of competitive advantage.

On the other hand, relationships based on trust are built on the belief that neither party will exploit the other party's vulnerability. This kind of set up is conducive to exchange of specialised and valuable knowledge because the partners to the relationship know that the knowledge exchanged is not going to be shared with competitors, and neither party is going to become competition as this would breach trust. Relationships that are governed by trust are likely to have been built over time. The age of the relationship is said to have an impact on how specialised or tailor-made the knowledge exchange is or the specificity of knowledge. Specificity

increases as partners develop experience working together and accumulate specialised understanding of each other's needs, information, language and know-how. This allows them to communicate efficiently and effectively, reducing communication errors, thereby enhancing quality and increasing speed to market (Asanuma, 1989; Dyer, 1996). Specificity of knowledge in literature is mainly discussed in terms of technology know-how, but this study argues that long term relationships may have similar effect on market knowledge exchanged in relationships.

Apart from trust, long-term relationships are also characterised by commitment, and cooperation. Since these traits require time to build, the quality of such relationships cannot be easily replicated by competitors. In comparison to formal governance, trust governed relationships will involve less formalisation and managing costs. Therefore, the way in which relationships are governed could determine whether the value resource that is exchanged through them becomes a source of competitiveness or not.

If these assumptions hold, then the market knowledge being exchanged in such relationships is firstly, protected from opportunism by other competitors; secondly, it becomes much specialised and idiosyncratic to the firms in the relationship. Lastly, the relationship itself becomes difficult to copy. Therefore, the knowledge resource that is exchanged between the parties is contained inside the relationship and inaccessible to competitors. This is what is referred to as '*relationship-embeddedness of knowledge*' in this study.

3.9.1   Relationship-embedded knowledge as a source of export competence

The RBV pundits propagate that only a value resource that is inaccessible to competitors has a potential of providing the firm with a sustainable competitive

advantage. Relationship-embedded knowledge may be a potential source of competence because; it has the characteristics of being idiosyncratic to the parties of the relationship or to individual firms (Williamson, 1975) therefore not easily transferable. In addition, the information exchanged is not easily prone to opportunism due to the trust environment that governs such relationships. Low, (1997) also states that the development and maintenance of close relationships with important stakeholders can enable a firm to achieve cost reductions by focusing on developing products with those characteristics perceived valuable by overseas customers and be more efficient in procurement activities. This study therefore proposes that export market knowledge acquisition through business relationships is linked to export performance due to the fact the knowledge exchanged could be relationship-embedded, i.e. it may be exclusive to the parties in the relationship. This notion is in line with the recent exporting studies which incorporate the relational view to explain export performance (Leonidou and Kaleka, 1998; Styles and Ambler, 2000) and most recent studies on firm networks, whose explanation of firm competitiveness and performance has moved from focussing on the resources housed within a firm (Dyer and Singh, 1998) to include a firm's management of its relations within its network (Ritter and Gemunden, 2003) A hypothesis developed from these arguments is;

> **H2**: *The more relationship embedded the market knowledge obtained from business contact, the higher the export performance*

3.10 Relationship Quality

The climate of a relationship is very important for the exchange of critical information between the partners to a relationship. Relationship quality has been defined in different ways (see **Table 3:5**).

Table 3:5 Definitions of Relationship quality

Definition	Author
A customer's perceptions of how well the whole relationship fulfils expectations, predictions, goals and desires the customer has concerning the whole relationship	Jarvelin and Lehtinen (1996)
A bundle of intangible value which augments products or services and results in an expected interchange between buyers and seller	Levitt (1986)
The overall depth and climate of a relationship	Johnson (1999)

Compiled by author

Most of these definitions originate from Relationship Marketing studies; therefore they are mainly referring to the relationship between a seller and a customer. The definitions are still relevant in the case of this study because a relationship between e.g. manager and supplier, manager and agent...etc is still a relationship between a seller and a customer, i.e. it is a relationship of exchange as is the case in this study. Relationship quality refers to the climate of a relationship, or the extent to which the interaction between the parties is marked by the development of goodwill, trust and expectations of reciprocity (Yli-Renko et al., 2001).

An analysis of all these definitions shows that relationship quality is characterised by multiple dimensions, the popular ones being trust, interaction, and commitment between the parties to the relationship. These dimensions or antecedents have been found to be the contributors to the environment that is created in a relationship i.e. they have direct impact on what the relationship quality turns out to be (Wong and Sohal, 2002).

3.10.1 Trust

In layman's terms, trust is a general belief held by an individual that the word of another can be relied on. The important thing about trust-based relationships is the environment that they create inside the relationship. An environment of trust is said to induce the exchange of critical information between the members of the relationship, because it creates an environment where each party to the relationship prevents the other from being exposed to opportunism both inside and outside of the relationship (Dyer and Singh, 1998).

Opportunism in relationships can take place when a party to a relationship exposes critical knowledge that it acquires about the other party to members outside of the relationship, thereby allowing competitors, or itself to have an equal playing field therefore loss of a competitive advantage by the contact being exposed. This idea is evident in the definitions of trust found in literature. For example, Schurr and Ozane (1985) define trust as being the belief that a partner's word or promise is reliable and a party will fulfil his/her obligations in the relationship. This aspect also comes through in the definition of trust given by Anderson and Narus (1984), where trust is defined as being a partner's belief that the other partner will perform actions that will result in positive outcomes, as well as not take unexpected actions that would result in negative outcomes.

Emphasising this aspect of trust, Dyer and Singh (1998) further explain that relationships that are governed by trust (self governance relationships) are more likely to be effective in safe-guarding the resources being exchanged because the element of trust protects the partners from all forms of opportunism. This presence of a sense of security also increases the exchange of much specialised knowledge between the partners. Since the information being exchanged ends-up remaining

inside and being specialised towards the members of the relationship, the knowledge becomes relationship-embedded. Therefore;

> *H2a: The higher the level of trust in the contact, the higher the relationship-embeddedness of knowledge*

3.10.2 Commitment

Commitment is the belief by an exchange partner that an ongoing relationship with another is so important as to warrant maximum effort at maintaining it (Morgan and Hunt, 1994), also defined as an enduring desire to maintain a valued relationship (Moorman et al., 1992).

Commitment to the relationship by the manager, like trust and interaction has an impact on the overall environment that is created in the relationship. Commitment to a relationship is evident when parties show that the value the relationship i.e. they perceive the relationship as being important. If the relationship is being perceived as being important, the parties will be willing to incur costs or invest in a relationship for long-term benefits. For example, if a manager invests time and money in the relationship it means that they value that relationship. The effect of one party being committed to the relationship may result in a reciprocal response by the other party. If one party feels the other party perceives them as being important, they are likely to feel favourably towards that party. Just like the effect of trust, commitment to a relationship, may invoke confidence in the parties to share critical information, and avoid opportunistic behaviour towards each other. For example, one of the companies interviewed in the preliminary in-depth interviews mentioned that, from time to time, they invite their key business contact (a customer) that they have in China, to visit their company site in Scotland. After work they take the contact on a tour of Scotland. In their effort to maintaining this relationship they show that they

willingly invest in costs of having the customer travel to the UK for both business and social purposes. Having spent this much on this relationship, it is likely that the response of the Chinese business contact is also going to be favourable towards this firm. Needless to say, this contact has led them to various other customers in the Chinese market where they have been more successful than other firms in their industry.

This study therefore proposes that just at it is the case with the existence of trust in a relationship, commitment may not only induce exchange of critical information, but also create an environment in the relationship where this critical information is kept within the bounds of the two firms' relationship to their benefit only. A hypothesis developed to test these arguments is;

> **H2b**: *The higher the commitment that a manager has towards a relationship, the more the knowledge is embedded in that relationship*

3.10.3 Measuring relational variables

When measuring the relationship quality construct, seeking to delve more deeply into this construct, a number of authors have suggested various sub-divisions of this construct (Doney and Cannon, 1997; Sako, 1992), thereby generating both cognitive and behavioural types of trust, such as competence trust and credibility trust (cognitive); and goodwill trust and benevolence trust (behavioural) (Styles and Ambler, 2000). Styles and Ambler (2000) give a word of caution on this further sub-division of relational constructs. They suggest a greater focus on the relative mix of relationship dimensions. Another way of avoiding use of subdivisions of constructs is to compare how well higher-order constructs measure a phenomenon than sub-divided constructs. To assess this on relational variables, this study aimed to explore

if it is best to conceptualise relationship quality as a high-order construct with trust and commitment as its antecedents, hence;

> **H2c***: Relationship quality is multiple-faceted construct comprising of trust and commitment*

In addition, Styles and Ambler (2000) state that rather than relativity, most research has been concerned with the role or position of constructs within multi-variable models. For example, trust has been put under much scrutiny in terms of identifying its antecedents and outcomes, leading to uncertainty on whether trust follows or precedes commitment. They further argue that, in terms of performance, trust may be more of a consequence than an antecedent of business outcomes, though it is clearly both (many business relationships will not get off the ground unless there is some degree of trust).

With this context, this study endeavoured to test whether relationship quality (and its subdivisions; trust and commitment) has a direct consequence on performance or if it is possible that among other constructs, e.g. does relationship embeddedness of knowledge mediate the relationship between relationship quality and performance? This led to the development of the following hypothesis;

> **H2d***: Relationship-embedded knowledge mediates the relationship between relationship quality and export performance*

3.11 Conclusion

In conclusion, the basic conceptual model of this study proposes that relationship knowledge acquisition has an influence on export performance. The link between knowledge acquisition and export performance is not direct. Rather, relationship knowledge acquisition is linked to export performance through gaining competitiveness by acquisition of experiential knowledge, and being part of a

relationship whose knowledge exchange is guarded from opportunism (relationship-embedded knowledge). A simplified conceptual model reflecting the proposed relationships is shown in the **Figure 3.1**. A more detailed model showing the hypothesised relationships is shown in **Figure 3:2.**

Figure 3:1. A basic conceptual model
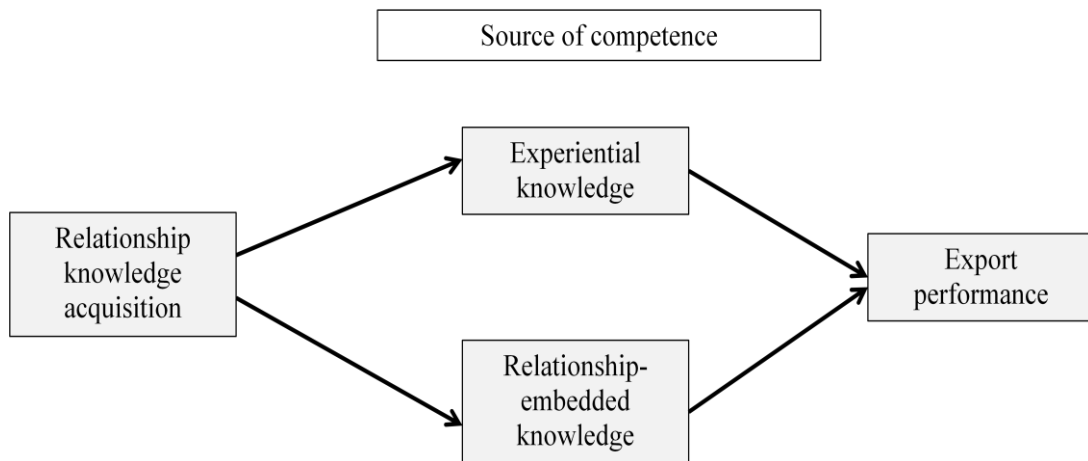
Source: Author

Figure 3:2 Conceptual model showing hypothesised relationships
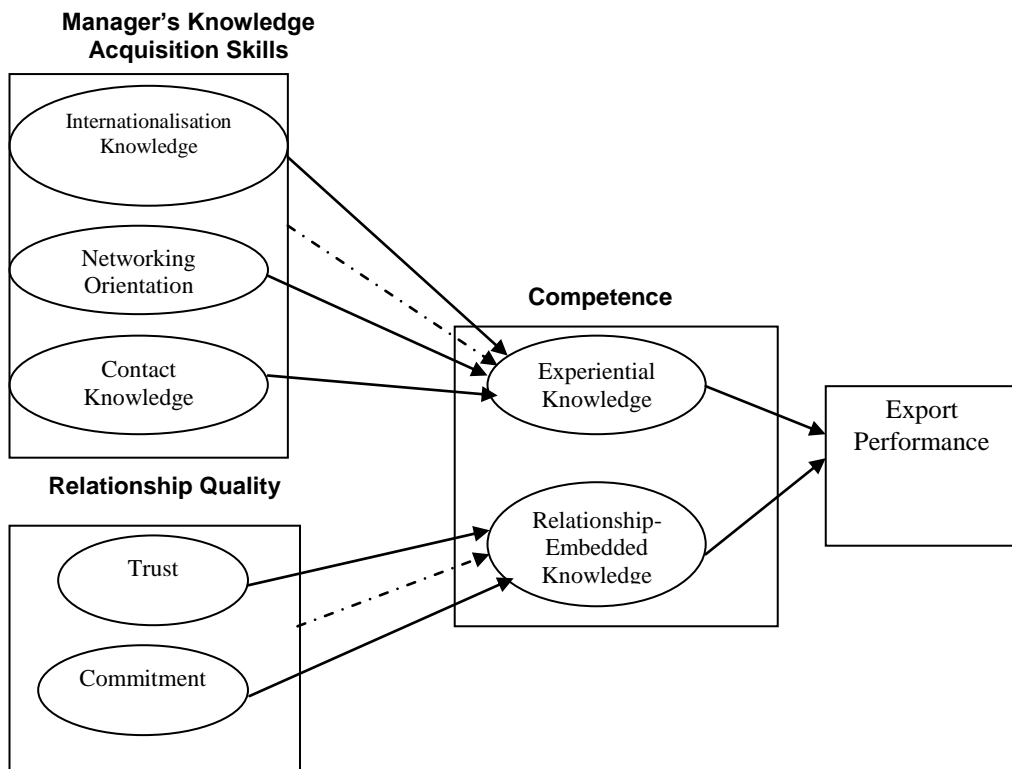
4

RESEARCH METHODOLOGY

4.1 Introduction

This chapter covers the research design that guided data collection for this study. This chapter comprises five main sections which discuss forms of research, research philosophies, research design, data collection, and the data analysis technique adopted in this study. The discussion in each of the sections provides a review of relevant literature and a justification for choice of the research form, philosophy, research design, data collection method and data analysis method adopted for this study.

4.2 Forms of research

Research is the systematic study of materials and sources in order to establish facts and reach new conclusions (Thomson, 1992). Depending on the objectives, research can be categorised into three main forms;

1. Applied research

This is research which is intended to lead to the solution of specific problems, and usually involves working with clients who identify the problem. Applied research is designed to solve practical problems of the modern world, rather than acquiring knowledge for knowledge's sake. An example of applied research could be market research which is aimed at finding ways to improve the business performance of a particular company. In this case, a researcher may investigate the benefits which customers seek from using a particular service. This information can later on be used by the company on how to improve that particular service.

2. Action research

Action research or 'practitioner research' is a systematic form of inquiry that is collective, collaborative, self-reflective, or critical which is undertaken by the participants of the inquiry (McCutcheon and Jung, 1990). It is a type of insider investigation by practitioners in their own area as a focus for their study. The process of action research is reflective, deliberate, and systematic. Action research is directed toward an action or cycle of actions that a practitioner wants to take to address a situation. This is why the term 'action' is used for this method of research. Action research is different from traditional forms of research because it uses insider or local knowledge about a setting to define and address a problem (Anderson, Herr, and Nihlen, 1994). This type of research comes from the view that research should lead to change, and therefore that change should be incorporated into the research process itself (Holmen, 1979). Collaboration between the researcher and the researched is encouraged as this leads to the development of shared understanding (Reason and Rowan, 1981). Due to the collaboration, the participants of the research, i.e. the researcher and the researched, are likely to learn a lot from the process itself. Their interest is mainly in what happens next, rather than the formal account of the research findings (Easterby- Smith et al., 1999).

3. Pure research

This is research intended to lead to a theoretical development, but there may or may not be any practical implications. The theoretical developments can take three forms;

- Discovery: where a totally new idea or explanation emerges.
- Invention: where a new technique to deal with a particular kind of problem is developed.

- Reflection: where existing, theory, technique or group of ideas is re-examined.

Reflection type of pure research is commonly applied in academic studies and the results may mainly be targeted at an academic audience and the results may be disseminated through books, articles and conference papers (Easterby-Smith et al., 1999). This study falls in the category of reflective pure research. The study re-examines ideas from the theories of internationalisation, exporting, RBV, KBV and Relational Marketing. The aim of this review is to establish if merging ideas from these varying literature fields improves the existing export performance theories by assessing if relational factors and knowledge are crucial in explaining exporting performance of SMEs in the UK.

Prior to creating a plan on how the data for the study ought to be collected and analysed (research design) it is important to consider the underlying research philosophy underpinning a study. The next section discusses the philosophy adopted for this study and its justification.

4.3 Research Philosophy

A research philosophy or paradigm provides a conceptual framework for seeing and making sense of the social world (William, 1998). To quote Burrell and Morgan (1979, p. 24);

"To be located in a particular paradigm is to view the world in a particular way"

Paradigms explain the basic beliefs about the world we live in. They also dictate the guidelines as to how a researcher should conduct their endeavours, therefore dictating the techniques to be adopted when conducting research. A

number of research paradigms have been developed and have evolved overtime. Easterby-Smith et al., (2001) state that among philosophers of science and social science, there are two traditional contrasting views of how social science research should be conducted, these are the *positivism* and *social constructionist* (also known as the *interpretative*) paradigms.

The key idea behind the positivism paradigm is that the social world exists externally; therefore its properties should be measured through objective methods (Easterby-Smith et al., 1999, p. 22). The assumptions underlying this paradigm are that; reality is external and objective, and that knowledge is only significant if it is based on observations of this external reality. On the other hand the interpretative paradigm, also known as *constructivist*, *naturalistic* (Lincoln and Guba, 1985) or *qualitative* paradigm arose later than the positivist approach. It was developed largely in reaction to positivism application to social sciences. It stems from the view that the world and reality are not objective and exterior, but rather socially constructed and given meaning by people (Husserl, 1946). Proponents of this view argue that the task of the researcher (a social scientist) should not be to gather facts and measure how often certain patterns occur, but to appreciate the different constructions and meanings that people place upon their experience. **Table 4:1** shows the assumptions underlying the paradigms.

Table 4:1 Assumptions behind the positivist and interpretative paradigms

	Question asked	Positivist paradigm	Interpretative paradigm
Ontological assumption	What is the nature of reality	The world is external and objective	The world is socially constructed and subjective
Epistemological assumption	What is the relationship of the researcher to the researched?	Researcher is independent from that being researched	Researcher interacts with that being researched
Axiological assumption	What is the role of values	Science value-free/unbiased	Value laden and biased
Rhetorical assumption	What is the language of the research?	Formal, based on set definitions, impersonal voice	Informal, evolving decisions, personal voice
Methodological assumption	What is the process of the research?	Deductive process, cause and effect, static design, context free, generalisations leading to prediction explanation and understanding, accurate and reliable through validity and reliability	Inductive process, mutual simultaneous shaping of factors, emerging design, context-bound patterns, theories developed for understanding, accurate and reliable through verification
Researcher should:		Focus on facts, look for causality and fundamental laws, reduce phenomena to simplest elements, formulate a hypotheses and test them	Focus on meanings, try to understand what is happening , look at the totality of each situation, develop ideas through induction from data

Preferred methods include:		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 overtime
Data collection methods:		Experiments and surveys	Ethnography prolonged observation), Grounded theory, Case studies Phenomenological studies (e.g. in-depth interviews)

Compiled from; Firestone (1987); McCracken (1988); Easterby-Smith et al., (1999); Creswell, (1994)

4.3.1   Choice of research paradigm

A popular debate topic among scholars and doctoral students tends to be about which of the two paradigms is superior. Judging from the assumptions stated in the table above, to argue that one paradigm is superior over the other cannot be right. Rather, this study is of the view that one paradigm may be better at addressing a particular research objective than the other. For example, in the case where one's research objective is to gain an understanding of behavioural issues, thinking patterns, and emotions, then the interpretative paradigm becomes more useful than the positivist paradigm. While in the case where one's objective is to establish a relationship between two observable variables e.g. income levels and spending power, then the positivist paradigm becomes more appropriate.

A review of studies on small firms from the entrepreneurship literature shows that scholars in this field are generally of the view that small firms ought to be studied using the interpretative paradigm. One of the arguments given for opting for this paradigm is that at the time of their study small firm research was at too young a stage in its development to benefit from a positivist research approach (Aldrich, 1992, cited in Shaw, 1999). However, considering that a decade has passed and substantial research has been conducted since the publication of these authors' work, this argument does not hold strongly. Significant amount of research has been done on small firms not only in the entrepreneurship field, but also in the exporting field of study, such that some of the notions and ideas generated from the numerous qualitative studies on small firms can now be tested quantitatively.

Another argument given for adopting the interpretative paradigm is that small firm study essentially involves the study of human action and behaviour. Meaning that such studies are concerned with the nature of reality of the social world making

it necessary for researchers in this area to adopt an approach that allows them to 'get close' to participants, penetrate their internal logic and interpret their subjective understanding of reality (Shaw, 1999, p. 60).

Another aspect of the social phenomena argument is to do with 'networks' (relationships). Shaw (1999) alludes to the fact that networks are a social phenomenon therefore they are best studied using a qualitative approach. In addition, Aldrich et al., (1989) cited in Shaw (1999) states that if understanding of the processes and dynamics involved in small firm networks is to be generated, a research approach which guides the use of qualitative methods of data collection and analysis must be adopted. In reference to previous studies that had been over reliant on quantitative research approaches, Curran et al., (1993) argue that much theorising and research using the notions of 'network' and 'networking' are conceptually and methodologically poor. They rather argue that 'networks' are best seen as primarily cultural phenomena, that is, as sets of meanings, norms and expectations usually linked with behavioural correlates of various kinds. Therefore, a more qualitative approach ought to be adopted when studying them.

While these arguments are valid, this study is of the view that if a research topic concerns a social aspect, application of interpretative paradigm should not necessarily be a blanket rule. Rather, paradigm choice should also be driven by the aspects of the social phenomena that are being studied. That is, if a researcher's aim of research is to understand behaviour in relationships, then the interpretative paradigm is appropriate. However, where one seeks to establish the existence of relationship between characteristics of behaviour and a particular outcome e.g. business performance, then use of either paradigm could be appropriate depending on what is of paramount importance to the researcher. If generalisability of findings

is important, then a positivist approach is appropriate, and if obtaining rich in-depth information and development of theory is important then an interpretivist approach is appropriate.

In the case of this study, the positivist paradigm is the main guide of the research design adopted, even though preliminary in-depth interviews (typically belonging to the interpretative approach) were also used. Even though a researcher's acceptance of one paradigm over the other is supposed to mean that the researcher ought to adopt methods that are characteristic of that research paradigm, the reality is that researchers sometimes use methods that originate from different paradigms (Easterby-Smith et al., 2001). This conduct was considered to be appropriate for this study because at the beginning of the study, it was felt to be risky to launch into a survey on networks on an assumption of the existence of networking and its importance among UK firms. Therefore, preliminary in-depth interviews were carried out first to ascertain the existence and importance of business relationships among exporters. The reasons for choosing a research design leaning more towards the positivist approach were;

1. The nature of the research problem and objectives

The focus of the study was to confirm relationships between two broad constructs, relationship knowledge acquisition and export performance. The hypotheses regarding these relationships were developed from a review of past literature. To conform to theory from past research it was appropriate to use a paradigm which allowed quantitative, 'researcher independent' way of proving the relationships in the constructs which rendered the positivist approach more appropriate.

2. A need for generalisable findings on 'networks' studies among small firms

Relationships are mostly studied using the qualitative approach. This has meant that most studies which focus on the nature of relationships in networks studies have been based on the interpretative paradigm. As a result, the most commonly used data collection technique in such studies is in-depth interviews with a few case studies (typically less than 5 companies among marketing studies). This means that findings from such studies may not be generalisable to wide contexts. In order to get round this limitation, this study takes aspects of findings from 'networks' studies and tests them on a bigger population (142 small firms) using probability statistics to achieve findings that are more generalisable to a population of UK SMEs.

The way in which the behavioural aspects have been measured in this study has been to focus on measuring the outcome of that behaviour and not the behaviour itself. For example, in order to measure 'trust' (an aspect of relationship quality) the study does not directly measure 'trust' say on a scale of 1 to 10. Rather, the study has adopted techniques from past studies, where authors have developed scales which test the degree of the presence of outcomes of trust, from which one can then deduce the level of trust. For example, if there is trust between a manager and a key contact, one of the outcomes of this behaviour is a willingness to exchange critical information between the two parties. While trust is a feeling inside an individual, therefore difficult to measure, the exchange of information between the two parties is an observable phenomenon, therefore measurable, rendering the positivist paradigm an appropriate paradigm to use for this particular study.

3. Researcher's past training and time constraints

The researcher has had some basic training in statistics, such that carrying out a survey and analysing the data quantitatively is more preferred than using qualitative methodologies. However, this issue was the least contributing factor to the choice of this approach because the author took heed of Kim's (2003) warning that

> "…in the case of organisational studies, being biased towards e.g. towards a Positivist mentality would result in influential contextual factors in organisations to be ignored by methods aiming to draw causal inferences through examining only phenomena that are readily observable. Therefore, in order to come up with accurate and sensible results, it is important to carefully consider the main issues the research is exploring, despite ones training background"

It should be noted though that even in the case where the paradigms are most applicable; there are still weaknesses of using either paradigm which a researcher needs to be aware of. These are shown in **Table 4:2.**

Table 4:2 Strengths and weaknesses of the positivist and interpretative paradigms

	Strengths	**Weaknesses**
Positivist Paradigm	• They provide a wide coverage of situations • They can be fast and economical • The provide considerable relevance to policy decisions	• The methods are rather inflexible and artificial • Not very helpful in generating theories
Interpretative Paradigm	• Their ability to look at change processes over time • Their ability to understand peoples meanings • Their ability to adjust to new issues and ideas as they emerge • They contribute to the evolution of new theories	• Data collection can take great deal of time and resources • Analysis and interpretation of data may be difficult • The study is untidy as it hard to control the pace, progress and end-points • Policy makers do not give credibility to studies based on phenomenological approaches

Source: Easterby-Smith et al., (1999)

Having decided on the guiding research paradigm, the next section discusses the research design.

4.4 Research Design

Research design is about organising research activity, including the collection of data, in ways that are most likely to achieve the research aims (Easterby-Smith et al., 2001). It is a plan for a study, used as a guide to collect and analyse data (Churchill and Iacobucci, 2005). While each piece of research is unique, the typical sequence of steps of a research process according to Churchill and Iacobucci, (2005) are shown in **Figure 4:1**;

Figure 4:1 Research design
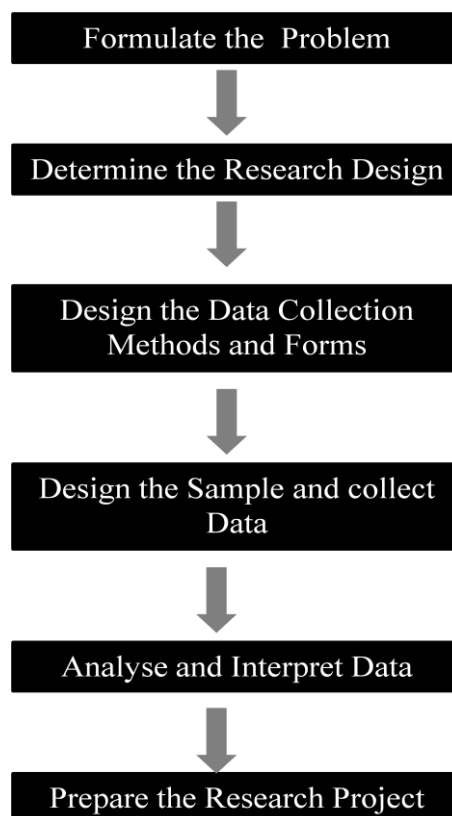
Source: Churchill and Iacobucci (2005) p. 40

In this study, the researcher followed the steps shown in Churchill and Iacobucci's model, but the steps did not happen in a straight forward and a sequential manner as suggested their model above. In most cases, it was necessary to go back and forth during the stages. For example, at the last stage (Preparing the Research Project), where the main task was to write-up the research project, there were times when the results were being re-run for verification reasons. On most stages, the author was carrying the relevant task simultaneously with literature review. Therefore, while in essence all the stages above were followed, the sequence was adapted to this study's needs.

4.4.1   Identifying the research problem

The research problem and objectives for this study were developed through literature review and informal interviews in the UK. Literature review was mainly focused on internationalisation theories, (Stages Approach, Network theory and IMP studies) Entrepreneurship literature, export information needs of exporters, exporting activities of small firms, the RBV, KBV and the Relational Marketing literature. The main journals used included mainly those from, marketing, international business management, international marketing, market research, small business and international entrepreneurship academic areas. In addition government publications on international trade and SME activities in the UK were used.

4.4.2   Informal in-depth interviews in Scotland

Informal in-depth interviews were conducted with five small high-tech firms based in Scotland in November 2002. The objectives of this task were;

i.   To determine if acquisition of knowledge through business relationships was prevalent enough to warrant this study.

ii. To ascertain if information needed to achieve the research objectives was available and could be obtained from a sample of small high technology exporters.

iii. To find out the industry's own language when referring to 'networking'. This knowledge was to be necessary in formulating questions for the survey and provide insight for the interpretation of results at a later stage.

iv. To have a general exposure to the real issues and experiences of exporting SMEs in the UK.

v.   To define the characteristics of the final target sample for the study.

Each interview took between 20 minutes to an hour. The questions asked were semi-structured. The interviews were recorded and were later transcribed. The findings from these interviews are summarised into **Table 4:3**. For detailed transcripts of the interviews see **Appendix 1**

Table 4:3 Summary of preliminary interview findings

Company	A	B	C	D	E
Formation	1989	1990	1986	1994	1983
Industry	Oil Drilling	Oil Drilling	Bio-tech	Opto-electronics	Ultrasound equipment
Employees	60	22	60	<10	25
Means of meeting contacts	• trade fairs • trade missions	• trade exhibitions • company website	• industry conferences • trade fairs	• company website • industry colleagues • academic colleagues • industry conference exhibitions • international trade exhibitions • search engines • direct mailing • email marketing	• trade fairs • search engines
Contacts currently in use	• agents • customers	• agents • distributors	• agents	• suppliers • companies in similar business	• distributors • dealers (agents)
Type of information collected	• potential markets • links to potential customers	• potential customers • potential distributors	• potential distributors • potential subcontractors	• potential distributors • potential partners for joint ventures	• potential customers • potential distributors

Perceived usefulness of contact	*Useful*: Agents and previous customers most useful because they operate on the ground (in the market) *Not useful:* Trade fairs because they provide general information	*No opinion* Acquires information from potential distributors willing carry their product only	*No opinion* Customer information acquired through industry magazine, then later followed up by agents	*Useful:* Contacts in the same industry Usefulness dependent on company's objectives	*Useful:* Contacts who sell most products as they sell to most people Contacts operating in their specific field most useful
Company's networking orientation	Proactive	Reactive	Reactive	Proactive	Reactive

From these results there were some key issues which emerged helped shape the research objectives and the wording of the questionnaire used in a survey at a later stage. **Table 4:4** shows the key issues that emerged and their respective implications on problem definition of this study.

Table 4:4 Key issues and implications of the preliminary interview findings

Key finding	Implication for the study
• Networking for market knowledge was not an activity that all managers purposefully got involved in. Some managers were more reactive, depending on agents to identify markets for them, while others invested in international visits to have direct interaction with their potential customers	• Further literature review on networking orientation • Development of research objective 2(ii)
• The terms 'agent', 'dealer', 'contact' and 'distributor' were used synonymously in the industry	• Gave a clear definition of the term 'contact' in the questionnaire
• There were clear categories of useful and not useful relationships with contacts	• Led to a research question; *Is the usefulness of a relationship for knowledge acquisition influenced by the characteristics of the manager, the relationship quality or the characteristics of the contact?* • Led to further literature review on the role of relationship quality • Led to development of objective 2

Compiled by author

From the literature review and interviews, the overall research problem in this study was identified and stated as shown in **Figure 4:2**

Figure 4:2 Research Problem

Classical models in exporting highlight internal factors (Aaby and Slater, 1989) external factors (Zou and Stan, 1998), as determinant factors of exporting performance. Various academics in the internationalisation literature have highlighted the importance of foreign market knowledge in achieving international development. Entrepreneurship and small firm exporting literature highlights small firms' dependence on business relationships to acquire most of the resources they need for business success. Among the known factors explaining export performance, could acquisition of foreign market knowledge through use of business relationships be another feasible explanation of export performance among small exporting firms?

4.5 Research Objectives

The first objective (see **Figure 4.3**) is concerned with determining the perceived usefulness of business relationships as a knowledge source in comparison to other market knowledge sources.

The second objective is intended to determine if the nature of knowledge (i.e. whether it experiential or not) and amount of knowledge acquired using business relationships is influenced by the skills and efforts of the manager. The data analysis therefore aims to confirm if there is a positive relationship between each of the three sub-divisions of managerial knowledge acquisition characteristics (i.e. internationalisation knowledge, networking orientation and contacts' level of foreign market knowledge) and experiential knowledge.

The third objective is intended to determine whether there is a relationship between the relationship quality (between the manager and the contact) and the extent to which the knowledge acquired becomes customised and exclusive to their relationship.

The fourth objective aims to confirm whether possession of experiential knowledge (tacit knowledge) and exclusive knowledge (relationship embedded

knowledge) are indeed a source of competence over other players in the industry evidenced by high levels of export performance.

Lastly, the fifth objective has two parts; the first part intends to assess if a manager's knowledge acquisition through business relations has positive and direct influence on export performance. If not, does acquisition of experiential knowledge mediate the relationship between knowledge acquisition and performance? The second part is aimed at assessing if the qualities of the relationship between the manager and a contact have a direct positive influence on export performance. If not, is this influence mediated by relationship-embeddedness of knowledge? All five research objectives are listed in **Figure 4:3**.

Figure 4:3 Research objectives

1. In comparison to other sources of foreign market knowledge, how useful are business relationships as sources of foreign market knowledge?

2. To determine whether (i) a manager's prior internationalisation knowledge, (ii) his networking orientation and (iii) his contacts' foreign market knowledge have an impact on the level of experiential knowledge acquired through business relationships

3. To determine whether the relationship quality between the manager and his business relationship affects the extent to which the knowledge shared between them is kept locked inside their relationship (relationship-embeddedness of knowledge)

4. To determine whether experiential knowledge and relationship-embedded knowledge have an impact on export performance

5. To determine if (i) experiential knowledge mediates the relationship between acquisition of market knowledge from business relationships and export performance (ii) relationship-embeddedness of knowledge mediates the relationship between relationship quality and export performance

4.5.1   Data collection techniques

There are several data collection options that could be used in a research project. The main data collection methods include personal interviews, questionnaires, observation and experiment. Choice of a data collection technique in this study was guided by the research paradigm on which the research is based. If a study is following a qualitative approach, the data collection techniques that are typically utilised include personal in-depth interviews, observation and focus groups interviews. These techniques allow the researcher to probe and appreciate the different constructions and meanings that people place upon their experience.

This study followed a quantitative approach, where the data collection method typically used is surveys/ questionnaires sent out to large samples. Questionnaires can be administered through mail, telephone and the internet. Each of these three options offered different benefits and possess different limitations. However, all of them suffer from producing poor response rates. The choice of a data collection technique in this study was about taking advantage of benefits sought and where possible getting round the limitations. The main data collection method chosen was mailed questionnaires. In hindsight, sending questionnaires using both the internet (i.e. use of a webpage or sending questionnaires through email) and the post could have enhanced the response rate for the survey.

Administering the questionnaire through the phone was not a feasible option because it was time consuming, and most firms were not receptive to it, probably due to being bombarded by different tele-surveys from other research bodies. The main data collection method used was the mail questionnaire; however as a part of problem definition, informal in-depth interviews were conducted prior to administering the mail questionnaire. The in-depth interviews were mainly for fact-

finding purposes, therefore not the main part of the data collection process. The use of multiple data collection techniques even though representing different paradigms has been defended by Creswell (1994) stating that it could be used e.g. for triangulation reasons, or as a means of testing the reliability of other data collection techniques e.g. findings from in-depth interviews could be cross-checked with observation. In this study, use of in-depth interviews prior to the questionnaire was to assist in questionnaire development, and to provide good understanding of the subject area.

4.5.2   Development of the research instrument

In development of a measurement instrument, the first step is to determine clearly what it is one wants to measure (DeVellis, 1991). It is necessary to state clearly what the variables being measured in this study mean. Following on from the conceptual framework developed after literature review, this study had 8 main constructs which fell under four main categories; Manager's Knowledge Acquisition (MK), Relationship Quality (RQ), Knowledge Competence and Export Performance (EP). Definitions of all constructs used are presented in **Table 4:5**.

Manager's knowledge acquisition is a broad term (high order construct) which comprises of the constructs Internationalisation knowledge (IK), Networking orientation (ON) and Contact knowledge (CK). This term refers to a manager's inherent skills, experiences and resources which enrich the level of his foreign market knowledge.

Relationship quality refers to the existence of a good climate in the relationship. This is also another high-order construct, which is represented by two sub-constructs, namely; Trust (T) and Commitment (COM).

Table 4:5 Definitions of all constructs

	Conceptual Definitions
Manager's knowledge acquisition (MK)	Refers to the manager's inherent skills, effort, experiences, resources which enrich his level of foreign market knowledge.
Internationalisation Knowledge (IK)	Refers to the manager's level of accumulated internationalisation knowledge. It is the knowledge required for the firm to adapt its resources and capabilities to the international environment (Eriksson et al., 1997).
Networking Orientation (ON)	Refers to the export manager's inclination and effort to acquire resources from business relationships. Adapted from Dimitratos and Plakoyiannaki (2003).
Contact Market Knowledge (CK)	Refers to the degree to which the contact (the partner in the business relationship) possesses knowledge of the foreign market.
Relationship Quality	Refers to the degree to which the climate of the relationship between the manager and the contact is conducive to exchange of critical knowledge.
Trust (T)	The manager's confidence in the contact's reliability and integrity (adopted from Morgan and Hunt, 1994).
Commitment (COM)	An enduring desire to maintain a valued relationship (Morgan and Hunt, 1994).
Knowledge Competence	Refers to either experiential, or relationship embedded knowledge accumulated by a firm which may result in being a source of an enduring competitive advantage. The concept was developed from notions from Relationship Marketing and RBV literature.
Experiential knowledge (EK)	Experiential knowledge is the knowledge gained from experience of overseas market operations (Eriksson et al., 1997).
Relationship-embedded knowledge (RE)	The extent to which the market knowledge exchanged between the manager and their contact is only accessible to the parties to the relationship (developed by author).
Export Performance	Refers to how well the export venture in which a business relationship was used performed as perceived by the manager, also in terms of a manager's perception of performance in comparison to competitors, export sales and export profits of the venture (Zou and Stan, 1998; Aaby and Slater, 1989).

Compiled by author

Knowledge competence refers to knowledge accumulated by a firm which has

a potential of being a source of a competitive advantage. The study proposed two

forms of knowledge, namely; Experiential knowledge (EK) and Relationship-embedded knowledge (RE) as forms of knowledge that have potential of being sources of export competence.

Lastly, export performance refers to how well the export venture in which a business relationship was used performed. Export performance (EP) is measured in using financial (EPf) and non-financial (EPnf) measures of export performance.

4.5.3   Generation of scale items

The general rule in generating items is to generate a large pool of items that are candidates for eventual inclusion in the scale (DeVellis, 1991). In this study, four constructs; Networking orientation (ON), Contact knowledge (CK) and Relationship-embedded knowledge (RE) were developed from scratch by the author. The items included in the scales of each construct were developed from ideas from literature and from the findings of the preliminary in-depth interviews. The items were then screened for clarity and content (face) validity through a pilot survey to 14 UK SMEs, and 4 marketing academics.

The scales for Internationalisation knowledge (IK) and Experiential knowledge (EK) were borrowed from studies by Eriksson et al., (1997) and Hadley and Wilson (2003).   The non-financial scales for export performance were adopted from previously validated scales, from a study by Styles and Ambler, (2003) and Piercy et al., (1998).

A key factor which also guided the number of items for measuring scales was a requirement of the SEM data analysis technique used in the study. A requirement for this technique is that in order to reach a feasible solution when estimating the proposed model, the preferred minimum number of indicators (items) used per construct should be three (Hair et al., 1998, pp. 598). For this reason, in the case

where scales used in previous studies had less than three items, more items were developed and added to the scales by the author or from other studies. This was a reasonable approach because DeVellis (1991) advises that;

> "…although items should not venture beyond the bounds of the defining construct, they should exhaust the possibilities for types of items within those bounds…" p. 55.

Scales developed this way were those for trust and commitment. The items for measuring trust were compiled from a review of scales on trust used in two studies Anderson and Narus, (1984) and Styles and Ambler (2003). The items in the scale for commitment (COM) were generated from both the author and a study by Styles and Ambler (2003).

Export performance (EP) is commonly measured using three broad approaches, financial, non-financial and composite measures. Financial measures include absolute volume of export sales, export profit, or growth measure i.e. changes in export sales or profit over time…etc. Non-financial measures of export performance are subjective measures. They include manager's perception of success (e.g. manager's overall belief that export contributes to a firm's overall profitability and reputation), manager's perception of the firm's performance in comparison to competitors, manager's satisfaction with the overall satisfaction with the firm's export performance. Composite scales refer to measures that are based on overall scores of a variety of performances (Matthyssens and Pauwels, 1996).

In this study, two forms of measure were used. For financial measures, export sales, and export profit from the venture were used. This was appropriate because it allows comparing and contrasting findings from different studies, thereby enabling advancement of literature in this field. Non-financial measures included manager's perception of how successful the venture was (Styles and Ambler, 2003) and a

manager's perception of how well the venture performed in comparison to competitors in similar businesses were the used (Piercy et al., 1998). For a summary of all the constructs, their scales and their sources see **Appendix 2**.

4.5.4   Questionnaire design

Webb (2000) states that the initial considerations to be borne in mind when starting out to design a questionnaire are:

i.   the type(s) of information that is/are required

ii.   the type/nature of the respondents who are to be surveyed,

iii.   the type(s) of method by which the survey is to be administered, i.e. type of interview methods which are to be employed

Apart from these, a key consideration in questionnaire design is ensuring that the questionnaire must fully answer all the data requirements that have been stipulated in the research objectives.

To address all the research objectives of this study, the questionnaire was split into five main sections. For the questionnaire designed for this study see **Appendix 3.** The first section named 'Your Business' covering questions 1-8, was soliciting information about the firm, e.g. year of company formation, number of employees, number of years involved in exporting...etc. The second section named 'Export Information' covering questions 9-12 was designed to solicit information about the export information sources which the company used and preferred. The third section named 'The Respondent', covering questions 13-17, solicited information about the respondent's (owner/manager's) experience in exporting, and their general perceptions on acquisition of export knowledge using business relationships. The fourth section named 'The Contact' (questions 18 to 34) was the longest section. The information solicited from this section was regarding the characteristics of the one

key business relationship that the firm had used in a recent export venture. Other questions included here solicited information on the nature of the relationship that the manager had with the key contact, and other questions covered information on the nature of the knowledge they acquired from the relationship. The last section named 'Export Performance' (questions 35 to 40) solicited information on the manager's assessment of how well the business relationship helped the firm in terms of export sales on the venture and information on the firm's overall export performance.

4.5.5   Unit of analysis

In exporting literature, Cavusgil and Zou (1994) and Cavusgil and Kirpalani (1993) advocated that the unit of analysis in export performance research ought to be an export venture, rather than the whole firm. An export venture refers to a product and market combination (Zou and Stan, 1998 p. 341). An advantage of studying an export venture is that analysing a single product or product line exported to a single foreign market makes it possible to associate past performance more precisely with its outcomes (Lages and Montgomery, 2004). In addition, an export venture as a unit of analysis is more appropriate when comparing performance of firms that are of different sizes. In this study, even though the sample is composed of SMEs (firms with less than 250 employees), the age of the firms in the sample ranged from 2 years to 146 years, the number of employees in the sample ranged from 1 employee to 220 employees and the firm level turnover ranged from those generating less than £100,000 to those generating up to £40 million (40% earned less than £1m, 40% earned between £1m to £5m, and 20% earned between £5m to £40m). Therefore, judging from the level of firm turnover the size of firms is varied. The gap on turnover size could have an influence of firm performance if performance was

studied at firm level. Therefore, export venture performance was the most appropriate unit of analysis that could best nullify the effect of size differences. As a result, the respondents were asked to provide information on performance of an export venture market that they had been involved in.

In terms of the business relationship, the unit of study is a dyad, even though the key informant is only one member of the relationship, the export manager. The export manager was asked to provide information about one key relationship they had had with a particular business contact, (who could either be an export agent, distributor, supplier, customer, competitor, family member/personal friend). The contact had to be someone from whom they had sought knowledge which they have used to help them with entering or operating in a particular export market/s.

Styles and Ambler (2000) have argued against the approach of studying just one party stating that dyadic studies (where both actors are interviewed) should become the rule rather than the exception in relational research. In this study, this shortfall is noted, but due to the fact that the business contacts were in some cases located outside the UK, it was not practical to study them as well, especially in a quantitative type of study. However, it is of interest to the researcher in a later study to collect data from both parties to dyadic relationships, and to determine their views on e.g. relationship quality.

4.6   Data collection

4.6.1   Sampling

The sample used in this study is a purposive or judgement sample. This is where the sample elements are selected because it is believed that these elements make the sample 'representative' of the population of interest (Churchill and

Iacobucci, 2005). The firms included in this sample had to meet the following criteria;

1. they had to be UK based SMEs (firms with less than 250 employees)

2. the firms had to be exporters

3. the firms had to be manufacturers of the products they were exporting

4. they had to be independent firms, i.e. not subsidiaries of other firms

The researcher was mainly interested in small high technology based firms because SMEs in this area have been identified as being likely to use networks to enter foreign markets (Coviello and Munro, 1995). Zaltman (1986) also stated that high technology firms are pro-innovation therefore they have the proclivity to be involved in extensive networking to acquire both marketing and production related information. The majority of the high-technology based SMEs included in the sample were medical device manufacturers. They were selected because the researcher had had some interaction with this industry in Scotland and had developed some relationships with a few of the business owners in this industry during a previous research project (MSc dissertation, 2000). Other high technology manufacturers included were from rubber and plastics, and, electrical and machinery industries. Since the number of firms generated from the high-technology sector was not enough for a quantitative study, low technology based SMEs in the textile manufacturing were also screened and included in the target sample. For a breakdown of number of firms from each industry see

Table 5:2 on page **124**.

4.6.2   Sample size determination

For most multivariate techniques, important issues to be borne in mind when determining the sample size are *statistical significance* and *statistical power*.

Statistical significance is a mathematical tool used to determine whether the outcome of an experiment is the result of a relationship between specific factors or due to chance (http://www2.chass.ncsu.edu/garson/pa765/structur.htm). When a researcher specifies an alpha (α) level (or **Type I error)** they set an allowable limit for error by specifying the probability of concluding that significance exists when it really does not (Hair et al., 1998).

Statistical power is the probability of correctly rejecting the null hypothesis when it should be rejected (Hair et al., 1998). If the statistical power of a study is low, the study results will be questionable, e.g. the study might have been too small to detect any differences. Cohen (1977) cited in Hair et al., (1998, p. 12) provides guidelines for acceptable levels of power, suggesting that studies should be designed to achieve alpha levels of at least .05 with power of 80 percent. Statistical power is a function of:

i.   Effect size: a larger effect is more likely to be found than a smaller effect; therefore effect has an impact on the power of the statistical test.

ii.   Alpha (α): reducing Type I errors reduces power of the statistical test

iii. Sample size: increased sample sizes always produce greater power of the statistic test.

This suggests that if anticipating the effects to be small, a researcher must design a study with a large sample size and have a less restrictive alpha (α). Hair et al., (1998) illustrates the relationship between sample size, alpha and statistical power in **Figure 4:4**. From **Figure 4:4**, with a relaxed alpha of .05, to achieve a desired power of .80, the sample size needs to be around 130. Therefore, for this study a reasonable sample range needed to be from 130 cases and more. Since the average top management

Figure 4:4 Impact of Sample size on Power for various alpha levels (.01, .05, .10)
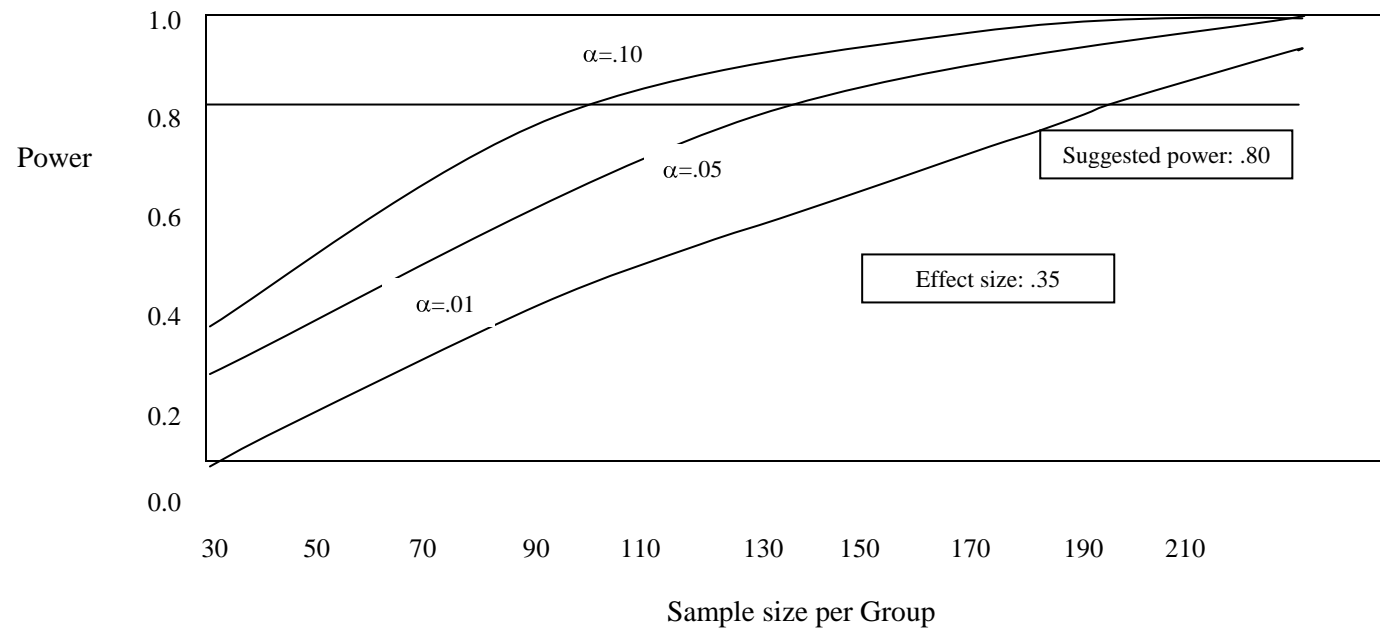
Source: Hair et al., (1998, pp. 13)

response rates are in the range of 15% to 20% (Menon, Bharadwaj, Adi-dam, and Edison, 1999, cited in Sousa, 2004) the researcher aimed to acquire at least 1000 firms from the target population. These companies were collected from:

1. The FAME database accessible through the University of Strathclyde library website at (http://fame.bvdep.com). The database contained details of at least 2.8 million companies in the UK and the Republic of Ireland. The information included company accounts, ratios, activities, ownership and management for the largest 1.9 million UK and Irish companies, summary information for a further 900,000 smaller businesses.

2. The UK Trade & Investment organisation database accessed through the site www.uktradeinvest.gov.uk. This organisation was previously known as Trade Partners UK and Invest UK. The organisation supports both companies in the UK trading internationally and overseas enterprises seeking to locate in the UK.

3. The Dun and Bradstreet database accessed through their websites http://dbuk.dnb.com/english/default.htm and www.askalix.co.uk, currently known as www.scoot.co.uk. This is mainly a company credit rating website.

4. Applegate Directory at www.applegate.co.uk which is an online directory for industry, manufacturing and technology in the UK and Ireland.

5. The Medical Devices In Scotland (MDIS) at www.mdis.org which is an online resource supporting the medical devices community in Scotland.

6. Companies found through contacts developed during a previous study (MSc dissertation, 2000).

All the websites were accessed in the years 2003 and 2004. Multiple databases had to be used because each one of them was not adequate to produce the required sample size. Since these databases and online directories had been built for various purposes i.e. e.g. credit rating, industry portals...etc, the firms obtained from these databases had to be screened according to the required sample criteria because;

- The entries in them included company sizes ranging from very large to very small companies i.e. 2 employees to more than 1000 employees.

- Some of the database especially the FAME database had numerous incorrect addresses, perhaps because the database was not being updated regularly.

- Some databases included multiple entries, i.e. the companies listed included both the mother companies and the subsidiaries of those companies.

- Not all the sites provided the name and title of the owner/manager, which made it difficult to identify the appropriate addressee.

- With some sites it was difficult to identify whether the company exported or used other forms of foreign market entry e.g. joint ventures or had an established subsidiary abroad.

- Most sites did not provide information on whether the companies manufactured the products they sold or they simply purchased and sold finished products from other manufacturers.

In order to assess if a firm fitted the sample criteria, the companies which did not have enough information describing them had to be further cross checked with their entry in another database which gave a bit more information, or looking up further

114

details from their own websites, or using internet search engines, or where possible, by phoning the companies directly. In the end, a total of 808 addresses of SMEs were obtained.

4.6.3 Pilot study

In order to improve the clarity of the questionnaire, the questionnaire underwent two rounds of pre-testing. During the first round the questionnaire was sent to a panel of 4 academics in the field of international marketing, and another academic whose area of expertise is research methods. The academics were asked to assess (i) the clarity of the questions and instructions given (ii) the face validity of items used in the scales for the constructs and (iii) the general design of the questionnaire with respect to layout and sequence of questions. The feedback from the academics was collated and necessary amendments were made to the questionnaire. Their feedback resulted in changes in terms of improving clarity, sequence, length, number of items...etc in the questions. After developing an amended draft, a second pre-test was carried out. The questionnaire was sent to 14 SMEs in the high technology industry in the UK. The responses from the firms showed areas where the questionnaire was weak in terms of clarity and in terms of the sequencing of the questions. The test also showed that most respondents did not like to answer questions that required them to remember a figure, e.g. the value (in pounds) of their export sales. Therefore, it was decided that such questions be put into levels of export sales (a range format), where all that the respondent was required to do was to tick the correct range. In addition, it was decided to put questions which respondents might have felt as being 'off-putting' at the end of the questionnaire. For example, question 39 asking them to indicate the level of their

firm's turnover was moved to the last page, from the first page. The final version of the questionnaire was developed into a 12-page, **A6** sized booklet.

4.6.4   Questionnaire administration

The main survey mail out was conducted between August and November in 2004**.** Prior to sending the questionnaires, telephone calls were made in advance to the firms in the sample companies. These calls were done made:

i.   To confirm existence and assess if the firm met the criteria of the firm to be included in the sample.

ii.   Request permission for the questionnaire to be sent to the company.

iii.   To identify the key informant who was either the owner, managing director, the sales or marketing manager, or someone responsible for acquiring export markets in the company to whom the questionnaire needed to be addressed.

iv.   To create awareness of the research to them.

Frey and Oishi (1995) advise that a crucial component of a telephone interview is an introductory statement designed to introduce the researcher and present information regarding the survey in a short statement. Such a statement was developed for the telephone calls; see a copy in **Appendix 4.** The advance telephone calls helped the researcher to introduce herself and create some rapport. In addition the calls seemed to quicken the responses and made it easier for the researcher to call again and remind them to fill in the questionnaire if they had not already done so. However, this task proved to be time consuming and costly. Furthermore, in most cases, it was the company secretaries who answered the calls, and most of them refused outright to have the questionnaire sent to any manager in the company, stating that the managers were either very busy or away on business trips. As a

result, after calling 66 firms in the sample, these calls were abandoned and it was decided that for the remaining companies in the sample the questionnaire was to be sent directly to the manager involved in order to bypass the firm secretaries. The information solicited and communicated during the telephone calls was modified and converted into a single-page document known as 'General Questionnaire Guidelines' (**Appendix 5)** to be mailed together with the questionnaire.

The whole mail packet consisted of a cover letter **(Appendix 6)** the questionnaire, the questionnaire guideline document and a self addressed freepost return envelope. The questionnaire was printed double-sided on an A6 sized booklet, which had 12 pages in total. The front cover of the booklet had the University logo to enhance the credibility of the research thereby boost the response rate. For those firms where the name of the owner/manager was unknown to the researcher, the questionnaires were addressed to the 'The Managing Director', while the rest of the questionnaires were addressed to the owner/ managers' personal names in attempt to boost response rate.

The mailings were done in two main waves. During the first wave, a questionnaire was mailed together with a cover letter to the 808 SMEs. In the cover letter, apart from explaining the purpose of the survey, the respondents were asked to return the questionnaire even when they were not able to complete it. This was to ensure that the blank questionnaires could be reused in the second mailing, and also to account for those firms that had refused to address the questionnaire for whatever reason. After a period of 3 weeks, a second wave mailing to 607 firms who had not returned their questionnaire was carried out. These questionnaires went sent together with a reminder letter (see **Appendix 7)**.

4.7   Choice of the data analysis technique

The main objective of data analysis in this study is to confirm the hypothesised relationships proposed in the conceptual model in Chapter 3, see **FIGURE 3:2** on page **81**). Since the analysis required in this study involves examining the relationships between more than two variables, the data analysis technique to be adopted had to be one that allowed multivariate data analysis. The techniques considered as being appropriate for this study were Multiple Regression (MR) or Structural Equation Modeling (SEM).

Regression analyses are a set of statistical techniques that allow one to assess the relationship between one dependent variable (DV) and several independent variables (IVs). Multiple regression is an extension of bivariate regression in which several IVs instead of just one are combined to predict a value on a DV from several continuous (or dichotomous) IVs (Tabachnick and Fidell, 2001). The basic regression equation being:

$$y = a + b_1x_1 + b_2x_2 + b_3x_3 + \dots + b_nx_n$$

Where *y* is the predicted value on the DV, *a* is the Y intercept (the value of *y* when all the *x* values are zero), the *x*s represent the IVs, and the *b*s are the coefficients assigned to each of the IVs during regression. On the other hand, SEM is a general statistical methodology that subsumes and extends correlation, regression, factor analysis and path analysis (Schumacker and Lomax, 1996). SEM is used to test whether theoretical hypothesis about causal relationships fit to empirical data. The basic formulation for SEM in equation form is:

$$y_1 = x_{11} + x_{12} + x_{13} + \dots + x_{1n}$$

$$y_2 = x_{21} + x_{22} + x_{23} + \dots + x_{2n}$$

$$y_m = x_{m1} + x_{m2} + x_{m3} + \dots + x_{mn}$$

While regression analysis allows estimation of a single relationship at a time SEM allows simultaneous estimation of several interrelated dependent relationships at a time. SEM is particularly useful when one dependent variable becomes an independent variable in subsequent dependence relationships (Hair et al., 1998). Since the conceptual model for this study constitutes independent constructs (IK, ON, CK, T, COM) which impact the dependent constructs (EK and RE) which then become independent constructs, impacting the dependent constructs (EP) this model could best be analysed using SEM.

In terms of exporting studies, Zou and Stan (1998) argue that one of the weaknesses in the past studies conducted on export performance is that in past studies there was very little distinction between direct and indirect effects of export performance. This resulted in having to include all independent variables into statistical methods like regression analysis. Zou and Stan (1998) therefore argued for inclusion of mediating variables as purported by the export performance frameworks advanced by Aaby and Slater (1989) and Cavusgil and Zou (1994). They further argue that in order to develop better theory in export performance research, researchers need to combine regression analysis with more sophisticated approaches such as path analysis and SEM, so that both direct and indirect effects can be investigated (Zou and Stan, 1998, p. 341).

Even though at the time of this study SEM was a technique renown to have not fully taken to wide use due to the tremendous learning curve perceived necessary for its potential users, structural equation models were becoming increasingly popular in a growing number of areas of scientific inquiry, including marketing (Baumgartner and Homburg, 1996 cited in McQuitty, 2004). This trend further inspired the author to adopt and learn the technique.

119

4.8   Conclusion

The chapter illustrated the methodological issues concerning research design, data collection and data analysis techniques. The study employed preliminary in-depth interviews and a mailed questionnaire. The following chapter will present results on response-rate, sample profile, information sources used by the sample, reliability and validity test results.

5

RESULTS (PART 1): SAMPLE PROFILE

5.1 Introduction

The purpose of this chapter is to report results on preliminary descriptive statistics. The chapter starts with a description of the response rate from the survey. This is followed by results on the sample's profile. Results on purification of the scales used to measure the constructs in the study are then presented. Lastly, in preparation for analysis of hypothesised results in the Chapter 6, results on exploratory factor analysis (EFA) used to assess validity of the scales are presented.

5.2 Response rate

In total, a sample of 808 firms was identified. Two mailings of questionnaires were sent to the sample. From the two mailings, questionnaires sent to a total of 74 firms were returned blank and rendered not useful because they had either

- been sent to a wrong address

- the company had ceased trading

- the addressee had left the company

- the firm did not fit the sample criteria in that it was either too large in terms of number of employees

- they did not export

The most common among these reasons being 'wrong address'. This means that the databases and directories used were not being regularly updated by their owner used. An addition of 50 firms refused to fill in the questionnaire. Some did this by returning the blank questionnaire as we had requested in the cover letter, while others returned a blank questionnaire and stated reasons like; responding to any survey was against company policy, the respondent being too busy or abroad and

some felt their company was too small to be involved in this kind of survey. A total

of 96 useful questionnaires were returned from the first mailing, and a total of 46

Table 5:1 Mail survey response

	1st Mailing	2nd Mailing	Total
Questionnaires sent	808	671	
Questionnaires received (not useful):			
▪ Addressee moved jobs/retired	11	6	
▪ Large firm	1	0	
▪ Addressee death	1	0	
▪ Company ceased trading	5	3	
▪ Company does not export	32	15	
Total non-useful	50	24	
			74
Useful sent			**734**
Questionnaires received (refused):			
▪ Sent back blank	31	11	
▪ Addressee too busy/abroad	3	1	
▪ Company policy against survey	3	0	
▪ Company too small	0	1	
Total refusals	37	13	50
Total Questionnaires received completed	102	53	155
• Questionnaires with missing values	6	2	
• Duplicates (responded twice)	0	5	
Total not usable	6	7	13
Total Usable	96	46	**142**
Total not returned			**542**
Response rate			**19.3%**

Formulas:
- **Useful sent** = Total 1st Mailing – Total non-useful
- **Total Usable** = Total returned complete – Total not usable
- **Total not returned** = Useful sent – (Total refusals + Total Usable)
- **Response rate** = Total usable/Useful sent $*100$

useful questionnaires were returned from the second mailing, yielding a total of 142

usable questionnaires. This meant the survey yielded a 19% response rate as shown

in **Table 5:1.** Even though the response rate is low, the number of cases was within

the safe range of the number of cases required in a multivariate data analysis method to be used in this study (see discussion on sample size determination in **Section 4.6.2**, on page **110**).

5.3 Sample Profile

5.3.1 Location and industry

The majority of the firms in the sample were based in England (79%), with 14% from Scotland, 6% from Wales and only 2 firms, i.e. 1% being based in N. Ireland (see

Table 5:2).

Table 5:2 Region and Industry Cross Tabulation

	Industry						
Region	Medical-Equip (hi-tech)	Other (hi-tech)	Electric. & Machine	Rubber & Plastics	Textile	Region Total count	Region %
England	52	27	14	10	9	112	79
Scotland	16	4	0	0	0	20	14
Wales	2	5	1	0	0	8	6
N. Ireland	1	0	1	0	0	2	1
Total count	71	36	16	10	9	142	
Industry %	50	25	11	7	6		100%

To some extent this distribution reflects the population distribution of SMEs (especially high technology based firms) in the United Kingdom. While this was not a random sample, this population distribution could be due to the large number of high technology firms being clustered mainly in the Cambridge and Oxford areas of England. SME clusters in England have been in existence over a longer period of time, therefore have grown into bigger sites in terms of area coverage, and overtime

they have developed good records and directories where they can be easily found by potential trading partners or support agencies. On the other hand in Scotland, N. Ireland and Wales most companies are relatively young and small. Good online directories and databases were under development, or are yet to be developed.

The sample was composed of small high technology product manufacturers (75%) and small firm manufacturers of electrical and machinery products (11%), rubber and plastic products (7%) and textile products (6%). Two thirds of high-tech firms were medical devices manufacturers, (these included manufacturers of laser technology equipment, surgical instrument, x-ray equipment, optical equipment, prosthetic heart valves, blood processing equipment and imaging equipment). The remaining one third, were also high technology based firms, but these were developers of electrical and machinery equipment and various software products.

5.3.2   Firm age

There was no cut off point set for the age of the firm to be included in the sample. The average age of the firms in the sample was 27 years old. The oldest firm was 146 years old while the youngest firm was 2 years old.

Table 5:3 Firm Age

Age in years	Frequency	Percentage
< or = 5	13	9.2
6 to10	22	15.5
11 to 25	61	43
26 to 50	25	17.6
= or > 51	19	13.4
Total	140	98.6
Missing	2	1.2
Total	142	100

As shown in **Table 5:3** only 25% of the firms in the sample were of the age of less than 10, therefore most firms can be regarded as not being that young. The

reason why there was more firms accumulated at the older age end of the distribution could be due to the databases used to collect the sample. Most online databases with which these firms were registered with were either credit rating websites (e.g. the Dun & Bradstreet database) or market portals (e.g. www.applegate.co.uk). It is most likely that older firms would have knowledge of these sites and have been at the level of performance that is acceptable by these websites.

5.3.3 Firm size

Firm size in the study was measured by the number of employees and the level of turnover in the year 2003. In order to adhere to the definition of an SME as described in this study, firms with more than 250 employees were excluded from the sample. As shown in the **Table 5:4**, almost 30% of the samples were firms with less than 10 employees. 47% of the sample was firms with between 11 and 50 employees, the remaining third were those over 51 employees. The smallest firm had one employee, while the largest firm in the sample had 220 employees.

Table 5:4 Firm Size (number of employees and amount of turnover)

No of Employees	Frequency	Percentage	Turnover 2003 £	Frequency	Percentage
< or = 10	42	29.6	< 100000	7	4.9
11 to 20	24	16.9	100000 to 500000	20	14.1
21 to 50	44	31	500001 to 1m	27	19
51 to 100	20	14.1	>1m to 5m	55	38.7
= or > 101	12	8.5	> 5m to 10m	17	12
Total	142	100	>10m to 40m	11	7.7
Missing	0	0	Missing	5	3.5
Total	142	100	Total	142	100

In terms of employee numbers, the firms can be regarded as small, but judging the firm's size using turnover indicates that the sample features relatively large

earners. More than 50% of the firms were earning between a £1m and £10m in sales revenue. 8% earned between more than £10m to £40m and the remaining 39% earned less than £1m in revenues.

5.3.4   Level of exporting activity

It was of interest to the researcher to assess the level of exporting, or the degree of internationalisation the firms being studied had achieved.

Table 5:5 Level of Exporting Activity (Export sales, years and number of markets)

Level of export sales		
Export sales %	Frequency	Percentage
< or = 5	10	7
6 to 20	35	24.6
21 to 50	41	28.9
51 to 75	24	16.9
76 to 95	19	13.4
= >96	13	9.2
Total	142	100
Number of Exporting Years		
No of years	Frequency	Percentage
< or = 5	22	15.5
6 to 10	39	27.5
11 to 25	59	41.5
26 to 50	17	12
= of > 51	5	3.5
Total	142	100
Number of Export Markets		
No of Markets	Frequency	Percentage
< or = 5	29	20.4
6 to 10	38	26.8
11 to 20	40	28.2
21 to 50	28	19.7
= or > 51	7	4.9
Total	142	100

Therefore, information on the percentage of sales from exporting, the number of years the firm had been involved in exporting and the number of export markets to

which the firm was selling to was also gathered. This information is presented in **Table 5:5**.

In terms of export sales, 7% of the firms had 5% or less of their turnover from exporting. Over 50% of the sample earned over 20% of their turnover from exporting. Even though the sample was selected to include 'small' exporting firms, it is evident that most firms had their sales mainly targeted at export markets with 5 of the firms in the sample selling all their products to export markets. Apart from percentage of export sales, degree of internationalisation was also measured by a firm's number of exporting years. As shown in **Table 5:5**, only 16% of the firms have exporting experience of less than 5years, while over 50% of the firms had exporting experience of over 11 years. The maximum number of years a firm has been exporting in the sample is 142 years.

The number of country markets to which a company has been exporting also determines the degree of internationalisation. In terms of the number of country markets the firms export to, 20% of the sample exported to less than 5 countries, however, most (75%) of the sample exported to at least 10 to 50 countries. The highest number of country markets sold to by a firm was 140 markets. Again, most firms can be said to be reasonably experienced exporters.

5.3.5 Respondent's characteristics

The respondents used in the survey were purposely chosen based on their position in the firm. The Managing Directors (or the owner of the business) or an employee directly involved with export sales and marketing was the preferred choice of respondent. These were chosen because they were likely to have had interaction with a chosen key contact that the business would have used for exporting. It was therefore expected that the information they provided would be more accurate than if

any other employee in the company was chosen as a respondent. Half of the respondents were Managing Directors (see **Table 5:6**).

Table 5:6 Respondent's Position

Respondent's Position	Frequency	Percentage
Managing Director	77	54.2
Sales Director	40	28.2
Marketing Director	13	9.2
Production Manager	4	2.8
Other	6	4.2
Missing	2	1.4
Total	142	100

Almost all were managers of some sort, meaning these were firm members who had good knowledge of the export experiences they were providing information about. What was of interest was the level of exporting experience the respondents had had (see **Table 5:7**).

Table 5:7 Respondents' Exporting Experience

No of exporting years	Frequency	%	No of exporting countries	Frequency	%
< or = 5	21	14.8	< or = 5	17	12
6 to 10	34	23.9	6 to 10	34	23.9
11 to 25	71	50	11 to 20	50	35.2
26 to 50	1 6	11.3	21 to 50	37	26.1
			= or > 51	4	2.8
Total	142	100	Total	142	100

More than half of the respondents had more than 10 years of exporting experience; only 15% of the sample had less than 5 yrs of exporting experience. In terms of

number of export markets they have been involved in selling to, more than half the respondents had the experience of exporting to more than 10 country markets. Only 12 % had sold to less than 5 country markets. The respondents were again reasonably experienced exporters.

5.3.6   Key contact's characteristics

The respondents were asked to choose a key contact whom they had used to acquire export market knowledge used in a recent export venture. They were supposed to indicate whether this contact was a customer, supplier, distributor, agent, business colleagues...etc. From the results it emerged that the most used key contact was export agents (a terminology they used interchangeably with distributors) mentioned by 57% of the respondents in the sample (see **Table 5:8**).

Table 5:8: Key Contact

Key Contact	Frequency	Percentage
Customer	36	25.5
Supplier	5	3.5
Distributor/agent	81	57.4
Business colleague/associate	16	11.3
Other	2	1.4
Missing	2	1.4
Total	142	100

For most, this key contact was based in the UK, meaning most firms acquired export market knowledge from their local exporting agents. 45% of the respondent stated that they had first met their key contact through a business meeting or through a sales visit to a foreign market. However, over a quarter of the sample stated they had started a relationship with the contact after the contact had got in touch with them to

make an enquiry. This implies that a significant number of firms do not proactively pursue contacts for foreign market knowledge. On the other hand, it is the contacts who get in touch with them probably after having been referred or having known the company through other means.

The country markets which were entered most using the knowledge obtained from the key contact were the USA, followed by West European countries (the most popular being Germany, France, Italy, Spain and Belgium), followed by Asian countries (the most popular being China, Japan, India and Malaysia).

The overall average length of time in which the respondents stated to have been in a relationship with their stated key contact was 6 years. However, among the younger firms, the average number of years was 3 years. The longest number of years a firm had been in a relation with a contact was 44 years. This showed that these were not ad hoc relationships. They would have been relationships that had been built over a period of years, and they would have been interacting with the contact over some time.

5.4   Reliability of Scales used

In order to assess the reliability of the scales used in the study, reliability test was carried out using Cronbach's Alphas. The results from the reliability analysis are shown in **Table 5:9**. The requirement for this reliability test is that the co-efficient alpha should be at.7 or above for a scale to be deemed as being reliable (Pallant, 2007). All scales except RE and T yielded co-efficient alphas of above .7. The scale for the construct relationship-embedded knowledge (RE) yielded a low reliability of .592; however the results showed that the alpha could have been improved to .660 if item RE3 was deleted. As a result item RE3 was dropped from

the scale. The scale for the construct trust (T) yielded an alpha co-efficient of .694, since this is very close to .7; the scale was regarded as still being acceptable.

Table 5:9 Reliability Analysis: Co-efficient Alphas

Construct	No. of Items	Co-efficient Alpha
Internationalisation Knowledge (IK)	4	.829
Contact Knowledge (CK)	6	.750
Networking Orientation (ON)	3	.754
Trust (T)	4	.698
Commitment(CM)	2	.761
Experiential Knowledge (EK)	12	.906
Relationship-Embedded Knowledge (RE)	4	.660
Export Performance (EP)	4	.802

After assessing reliability, the next step was to further purify the scales by assessing their validity. The scales for IK and EK were already proven to be reliable and valid in Eriksson et al., (1997)'s study. However, scales for the constructs ON, CK and RE were created from literature for the purposes of this study by the author, and items for scales T, CM, RE and EP had been compiled from scales from different studies. Therefore, at this stage, it was unclear if items in all the new scales were valid. In order assess convergent and discriminant validity Exploratory Factor Analysis (EFA) was carried out.

5.5   Exploratory Factor Analysis Results

The analysis was done using Principal Components and Varimax rotation. If the items in a scale were converging (i.e. measuring the same underlying factor/construct) all the items in that scale were expected to load highly on a single factor.   Hair et al., (2006 p. 128)'s guidance for identifying significant factor

loadings based on sample size is that for a sample size of 120, loadings of .5 are significant, and for a sample size of 150, loadings of .45 are significant. This study has a sample size of 142, meaning loadings of .5 can be deemed significant. Items which had loadings less than .5 were removed from the scale. In addition, items which cross loaded (i.e. loading highly on multiple factors) were also removed. The following sections discuss and show EFA results for scales under the dimensions; Manager knowledge acquisition, Relationship quality, Knowledge competence and Export performance.

5.5.1   EFA results: Manager Knowledge Acquisition

The EFA results for the sub-constructs represented in the Manager knowledge acquisition construct are shown in **Table 5:10**. The analysis yielded three factors whose eigenvalues were above 1. The three factors accounted for 60.24% of the variance.

Table 5:10 Validation: EFA Results on Manager's Knowledge Scales

Item	Contact Knowledge Factor 1	Internationalisation Knowledge Factor 2	Networking Orientation Factor 3
IK1		.819	
IK2		.884	
IK3		.653	
IK4		.819	
ON4			.851
ON5			.800
ON6			.741
CK1	.839		
CK2	.734		
CK3	.711		
CK4	.823		
CK5			
CK6			

As indicated in **Table 5:10**, scales for IK and ON indicate both convergent and

discriminant validity as they had their respective set of items loading heavily on the separate factors (i.e. all IK items loaded on factor 2, and all ON items loaded on factor 3). However, the scale for CK, item CK1 to CK4 loaded highly on factor 1, but items CK5 and CK6 had insignificant loadings. Therefore CK5 and CK6 were dropped from the scale.

5.5.2 EFA results for Relationship quality

EFA results for sub-constructs under Relationship quality are shown in **Table 5:11**. The analysis yielded two factors whose Eigen values were both above 1, and these factors explained 66.78% of the variance.

Table 5:11 Validation: EFA Results on Relationship Quality Scales

Item	Commitment Factor 1	Trust Factor 2
T1		.784
T2	.738	
T3		.919
T4	.688	
CM1	.807	
CM2	.607	

Items in the scale for T were split, T1 and T3 loaded correctly on a single factor, (Factor 2), while T2 and T4 loaded highly on Factor 1 (Commitment). Basing on literature from which the items for scales for Trust and Commitment had been borrowed from, it was not justifiable to transfer items T2 and T4 from the Trust scale to Commitment scale as suggested by the results; therefore these two offending items were removed from the Trust scale. On the other hand the two items for the Commitment scale loaded highly in a single factor (Factor 1), showing convergent and discriminant validity.

5.5.3   EFA results for all the dependent constructs (EK, RE and EP)

EFA results for scales of the dependent constructs (EK, RE and EP) are shown in **Table 5:12**. The analysis yielded three factors, whose Eigen values were above 1. Together, the three factors explained 57% of the variance.

Table 5:12 Validation: EFA results on dependent constructs

	Experiential Knowledge	Export Performance	Relationship-embedded knowledge
Item	Factor 1	Factor 2	Factor 3
EK1	.539		.506
EK2	.640		
EK3	.653		
EK4	.753		
EK5	.791		
EK6	.864		
EK7	.832		
EK8	.697		
EK9	.762		
EK10	.737		
EK11	.680		
EK12	.600		
RE1			.528
RE2			.793
RE4			.585
RE5		.577	
EP2		.658	
EP1		.606	
EP3		.837	
EP4		.868	

The three items (RE1, RE2, RE4) on the scale for RE loaded highly on a single factor (Factor 3), but RE5 loaded on factor 2, showing that RE5 was an offending item. The scale for EK had all but one item loading on a single factor 1. It was item

135

EK1 which cross loaded on factor 1 and factor 3. This showed that the items RE5 and EK1 lacked convergence with the rest of the items in their respective scales. Therefore, RE5 and EK1 were subsequently removed from their respective scales. On the other hand, all items for Export performance (EP) loaded highly on a single factor, factor 2, showing convergent and discriminant validity of the EP construct.

After assessing the validity of the scales using EFA (purification) following (**Table 5:13**) are the set of scales that were to be used in later stages of data analysis.

Table 5:13 Purified scales

Construct	No. of Items	Item identity
Manager knowledge acquisition		
Internationalisation Knowledge (IK)	4	IK1 to IK4
Contact Knowledge (CK)	4	CK1 to CK4
Networking Orientation (ON)	3	ON4 to ON6
Relationship Quality		
Trust (T)	2	T1 and T3
Commitment(CM)	2	CM1 and CM2
Knowledge Competence		
Experiential Knowledge (EK)	10	EK2 to EK12
Relationship-Embedded Knowledge (RE)	3	RE1, RE2,RE4
Export Performance		
Export Performance (EP)	4	EP1 to EP4

5.6 Conclusion

This chapter has covered results on response rate, characteristics of the sample, reliability and validity tests on the scales used to measure the constructs in the sample. In a nutshell, the key respondents were mostly the owners or managers of

the SMEs. Results have also shown that the firms studied were not new exporters, because most had more than 2 years exporting experience. The results also show that exporting agents were the most used key contact, who they had started interacting with after meeting each other through trade missions/visits.

All constructs were screened for reliability using Cronbachs Alphas. While most scales were reliable, relationship-embedded knowledge (RE) had a weak reliability score even after removing the item RE3. Constructs discriminant and convergent validity were assessed using exploratory factor analysis. All scales performed well, except for Trust, whose item T3 had to be dropped because it cross loaded on the factor for Commitment showing that this item lacked convergence and discriminant validity.

6

RESULTS (PART 2): MEASUREMENT AND STRUCTURAL MODEL RESULTS

6.1 Introduction

This chapter will provide results on the tests conducted on the measurement and the structural model. The measurement theory specifies how measured variables logically and systematically represent constructs involved in a theoretical model. In other words, measurement theory specifies a series of relationships that suggest how measured variables represent a latent construct that is not measured directly. The analysis was conducted using Confirmatory Factor Analysis (CFA) method. In general, the results from CFA analysis show how well the specification of the factors in the model match reality (the actual data).

The second part of the analysis tests the validity of the relationships between the constructs (the hypotheses). This is also referred to as testing the structural model. The analysis was conducted using Structural Equation Modeling method in AMOS v.16 software. There are a number of programs that can be used for SEM, for example, LISREL the first program to be produced in 1980s, EQS, PRELIS...etc. AMOS program was chosen because of its ease of use graphics interface, its capabilities in assessing both the measurement of variables and the structural relationship between variables, and the fact that it is currently popular among researchers, thereby making results from different studies easily comparable. For a summary of all the hypotheses being tested see the **Table 6:1**.

Table 6:1 Hypotheses

Number	Hypothesis
H1	The more experiential the market knowledge acquired from a business relationship the higher the export performance
H1a	The more the prior internationalisation knowledge a manager has, the more the experiential knowledge he is able to acquire
H1b	The more networking oriented the manager is, the more the experiential knowledge a manager is able to acquire
H1c	The higher the foreign market knowledge the contact has, the higher the level of experiential knowledge the manager acquires.
H1d	Manager knowledge acquisition is multiple-faceted construct constituting of internationalisation knowledge, networking orientation and contact knowledge
H1e	Experiential knowledge mediates the relationship between managers knowledge acquisition and export performance
H2	The more relationship embedded the market knowledge obtained from business contact, the higher the export performance
H2a	The higher the level of trust in the contact, the higher the relationship-embeddedness of knowledge
H2b	The higher the commitment that a manager has towards a relationship, the higher the relationship-embeddedness of knowledge
H2c	Relationship quality is multiple-faceted construct constituting of Trust and Commitment
H2d	Relationship-embedded knowledge mediates the relationship between relationship quality and export performance

6.2 Preparation of Data for Confirmatory factor analysis

6.2.1 Non-normality of data

Multivariate data analysis requires normality of data in order to ensure accuracy of results. Like most statistical packages, Maximum Likelihood analysis used in CFA and SEM in AMOS assumes normal distribution of scores in the data. Normality in sample data can be assessed by measuring the degree of skewness and

kurtosis of the scores. Normal distributions produce a skewness statistic of 0. As the skewness statistic departs further from zero, a positive value indicates the possibility of a positively skewed distribution. On the other hand kurtosis characterises the relative peakedness or flatness of a distribution compared to the normal distribution. Normal distributions produce a kurtosis statistic of 0. As the kurtosis statistic departs further from zero, a positive value indicates the possibility of a leptokurtic distribution or a negative value indicates the possibility of a platykurtic distribution (Brown, 2007).

A method commonly used in social sciences to assess normality is the Kolgomov-Smirnov statistic (Pallant, 2007). With this statistic, a non-significant result ($>.05$) on each construct/scale/variable indicates normality. The results of this test on all the constructs in the model are shown in **Table 6:2.** They show that only the scores for the Export Performance (EP) were normally distributed, while the rest of the constructs had significance levels of $< .05$, suggesting the violation of the assumption of normality.

Table 6:2 Results for tests for Kolgomov-Smirnov statistic

Construct	Kolgomov-Smirnov		Shapiro-Wilk	
	Statistic	Sig.	Statistic	Sig.
IK	.081	.034	.969	.004
CK	.144	.000	.917	.000
ON	.173	.000	.834	.000
T	.192	.000	.831	.000
CM	.172	.000	.903	.000
EK	.105	.001	.963	.001
RE	.124	.000	.967	.003
EP	.098	.027	.983	.260

Pallant (2007, p. 62) states that non-normality of data is common in social science studies where many scales and measures have scores whose tests are skewed either positively or negatively. This finding does not necessarily indicate a problem with the scale, but rather reflects the underlying nature of the construct being measured. As a general rule some researchers state that an acceptable magnitude of the skewness or kurtosis statistic should be less than the value of 2 standard errors of the statistic (Brown, 1997). A recommendation in studies involving CFA and SEM (Byrne, 1998; Soehadi, 2001) indicate that kurtosis and skewness statistic values of less than 2.0 are acceptable. Basing on these recommendations, the kurtosis and skewness of the constructs was assessed. The results shown in **Table 6:3** indicate that the magnitude of skewness and kurtosis for all constructs (except for ON and T) were within the acceptable range.

Table 6:3 Results for tests for skewness and kurtosis of the scales

Construct	Mean	Standard Deviation	Skewness	Std Error	Kurtosis	Standard error
IK	4.604	1.402	-.325	.211	-.460	.419
ON	5.697	1.228	-1.746	.211	3.754	.419
CK	5.386	1.180	-1.025	.211	.871	.419
T	5.928	1.149	-1.544	.211	2.907	.419
CM	5.318	1.461	-.931	.211	.420	.419
EK	4.339	1.196	-.631	.211	.058	.419
RE	4.556	1.131	-.541	.211	1.103	.419
EP	4.151	1.101	-.752	.250	.473	.495

A remedy for highly skewed distribution is to conduct transformations on the variables which are non-normal (Tabacknik and Fidell, 2001). Therefore, transformations were conducted on the constructs T and ON, yielding improved skewed and kurtosis statistics shown in **Table 6:4**. However, a comparison of

Table 6:4 Transformation results for T and ON Kurtosis and Skewness statistics:

Construct	Mean	Standard Deviation	Skewness	Kurtosis
Networking Orientation (ON)	.3119	.20453	.387	-.180
Trust (T)	.6160	.27836	.261	-1.311

results in further analysis stages, did not show a significant difference in the results where normalised T and ON constructs, and a non-normalised T and ON constructs were used. This showed that the non-normal variables did not have a strong effect on the results in the later stages of data analysis.

6.2.2 Missing values

Missing values cause problems with most data analysis packages. With AMOS, while one can generate results despite having missing values, some of the indices for testing the goodness of fit of the model (e.g. AGFI, GFI…etc) and modification indices are not produced. In this study, the variables EP1 and EP2 measuring Export performance financial scale (EPf) had missing data on almost half of the sample's cases. Hair et al., (2006) recommends deleting the cases, or pair-wise deleting of cases with missing data before conducting multivariate data analysis. These options were both too radical for this study because the sample size was already small (142). Since the missing data mostly affected the two variables, (EP1 and EP2), the best option was to exclude these variables from the analysis rather than

deleting all the cases with missing data. Three cases were deleted from the sample because they had missing values on most constructs, which reduced the sample to 139 cases. The data was now ready for CFA data analysis.

6.3 Results for tests of the measurement model (CFA)

The results of the exploratory factor analysis in the previous chapter produced 9 factors, representing 31 items. In order to validate these factors CFA was conducted on all the constructs.

6.3.1 CFA results on Manager Knowledge Acquisition construct

The EFA results showed that manager knowledge acquisition had 11 items, represented by three factors IK, CK, and ON. CFA is now used to validate these constructs. Results from the default model (**Figure 6:1**) show that the factor loadings for all the items were within the acceptable range i.e. > .5). However, an assessment of the goodness of fit indices ($N = 139$, $\chi^2 = 101.3$, CFI =.905, GFI = .889, RMSEA = .103) did not perform well. Given this inadequacy in goodness of fit, the next step was to identify the source of misfit. An assessment of the output from the Modification Indices (MIs) related to the covariances among the residuals showed that if the analysis was repeated while treating the covariance between e7 and e8 as a free parameter, then the discrepancy will fall by at least 24.142 (i.e. the $\chi 2$ value would be improved by 24.142). Joreskog (1993, p. 297) and Byrne (2001, p. 134) warn against freeing paths in a model this way stating that every correlation between error terms must be justified and substantive. Byrne (2001) further explains that error correlations between item pairs are often an indication of perceived redundancy in item content. Considering that e7 and e8 are error terms for items CK3, (which

was a the variable "*Knowledge we acquired through this contact has made us more efficient in our exporting activities*") and CK4 (which was the variable (scale item) "*Our relation with this contact gave us a feel for how to conduct business in this market*") measuring the construct CK, from their wording and therefore meaning, they appear to be eliciting the same type of responses because to some extent they share the same meaning.

Figure 6:1 Manager's Knowledge CFA results (default model)
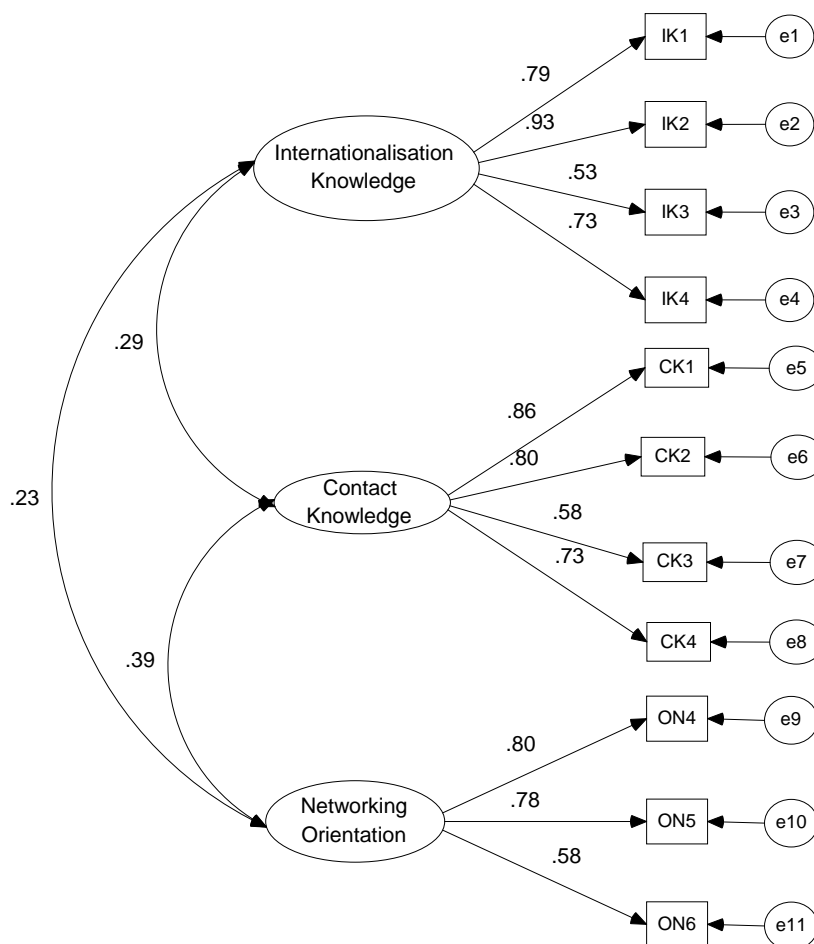
N = **139, χ2 = 101.3, CFI =.905, GFI = .889, RMSEA = .103**

Here there was therefore a choice of either to re-estimate the model with the error covariance between item CK3 and CK4 specified as a free parameter, or deleting one of the items, because to some degree they were both measuring the same thing. CK3 was subsequently deleted. After re-specification the model's fit improved to χ^2 = 63.7, CFI =.943, GFI = .921, RMSEA = .085, with all items in model having high significant loadings **(Figure 6:2).** For a sample size of 139 and 11 observed variables, this demonstrates a good fit (Hair et al., 2006, p753). These findings validate that MK is composed of three factors IK, ON and CK.

Figure 6:2 Manager's Knowledge CFA results (respecified model)
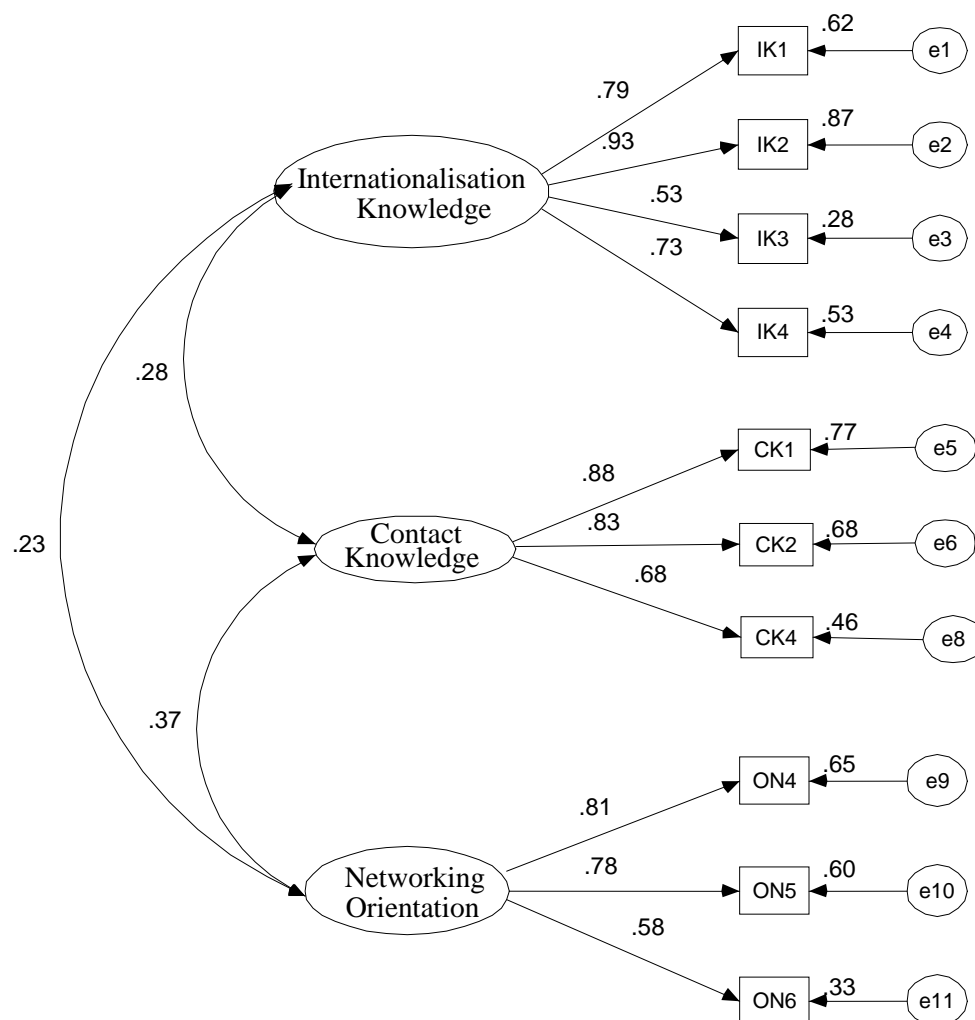
N= 139, χ2 = 63.7, CFI =.943, GFI = .921, RMSEA = .085

As expressed earlier, (see **Section 3.7**) this study also aimed to explore if MK was in fact a higher-order construct, measuring three first-order factors IK, ON and CK. After tests, the model where MK is composed of three first-order factors IK, ON and CK, and one second-order factor MK demonstrates a better fit, (see results in **FIGURE 6:3**). This result also shows that Hypotheses **1d** (*Manager knowledge acquisition is multiple-faceted construct constituting of internationalisation knowledge, networking orientation and contact knowledge*) has been confirmed.

Figure 6:3 Manager knowledge acquisition (second-order CFA model)
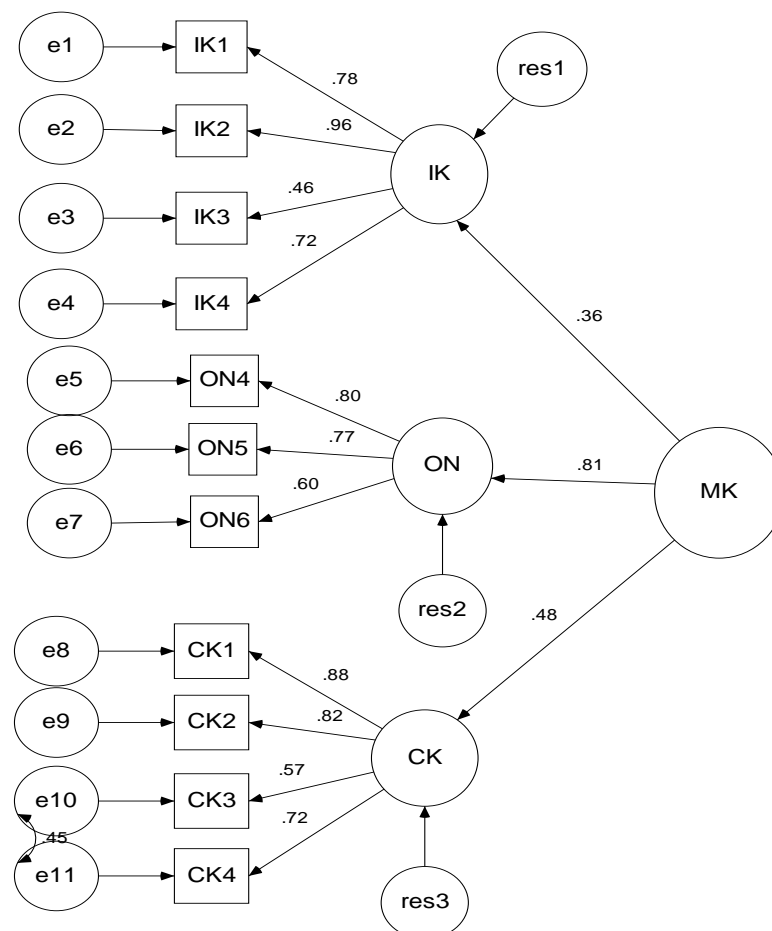
N= 139, χ2 = 74.2, CFI =.948, GFI = .913, RMSEA = .076

6.3.2   CFA results on Relationship quality

EFA results showed that Relationship quality (RQ) has two dimensions

the factor, Trust (T) and the factor, Commitment (COM). CFA was used to validate

if RQ is made up of two factors Trust and Commitment. Results show (see

Figure 6:4) that all the loadings are falling within the acceptable limit (= or > .5),

and they were all significant. The test indices for the CFI index (.98) and the GFI

index (.98)

Figure 6:4 Relationship quality CFA results
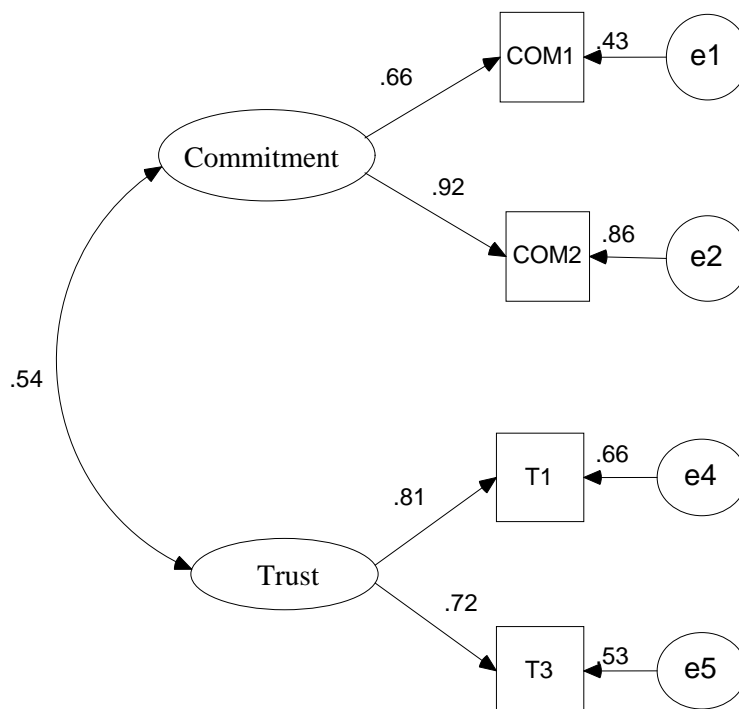
N= 139, χ2 = 3.8, CFI =.981, GFI = .987, RMSEA = .143

show a good fit, apart from the RMSEA (.143) which is above the recommended

value of <.08 for such a sample size (Hair et al., 2006). After this first analysis, the

study also explored the possibility of relationship quality being a higher-order

construct (see **Section 3.8**) and the results for this second model are shown in **Figure 6:5.**

Figure 6:5 Model 2: Relationship Quality (Second-order CFA Model)
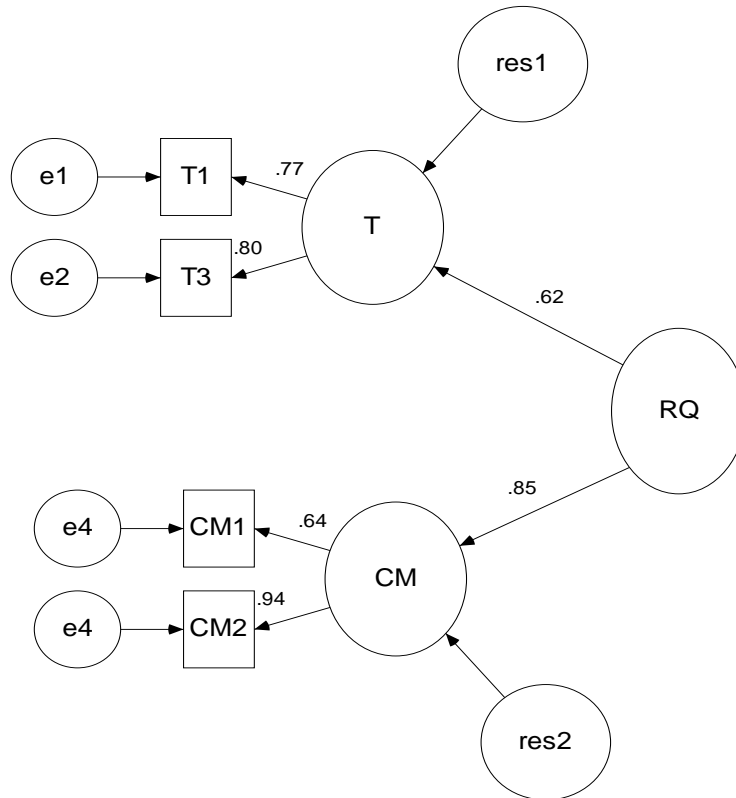
N= 139, χ2 = 2.81, CFI =.987, GFI = .989, RMSEA = .118

The second model where RQ is measured as a higher-order construct shows a slight improvement on the first model where Trust and Commitment are separate constructs. This is a slight improvement, but results are confirming **H2c**, where it was proposed that relationship quality is a multifaceted construct, comprising the dimension of trust and commitment.

6.3.3   CFA results for dependent constructs (EK, RE and EP)

EFA results in the previous chapter showed that the dependent construct, EK was a factor with 9 items, (EK4 through to EK 12) and RE (4 items). Export performance on the other hand showed that it was a construct with two factor solution representing export performance non-financial scale (EPnf) and exporting performance financial scale (EPf). CFA was conducted to validate these three constructs. After CFA, (see **Figure 6:6**) all items had significant loadings but the model had a poor fit (N= 139, χ^2 = 258.2, CFI =.802, GFI = .787, RMSEA = .119). An assessment of the modification indices showed that for there was multiple occurrences of within-construct error covariance in construct EK, namely:

- The error terms for EK11 and EK12 (i.e. e8 and e9) had a modification index of 23.209; this resulted in deletion of EK12.

- The error terms for EK9 and EK10 (i.e. e6 and e7) with a MI of 16.588 which resulted in the deletion of EK10.

- The error terms for EK8 and EK9 (i.e. e5 and e6) with an MI index of 14.04 which resulted in the deletion of EK8.

- The error term for EK11, i.e. e8 covaried with other remaining errors, in one case having an MI of 11.235 with e11 (RE2). This was a between-construct error covariance, providing evidence for cross-loading. This meant that this item was measuring the same content as the other items; therefore, it was decided to have the item EK 11 deleted from the model.

Figure 6:6 Dependent constructs (EK, RE and EP) CFA results-default model
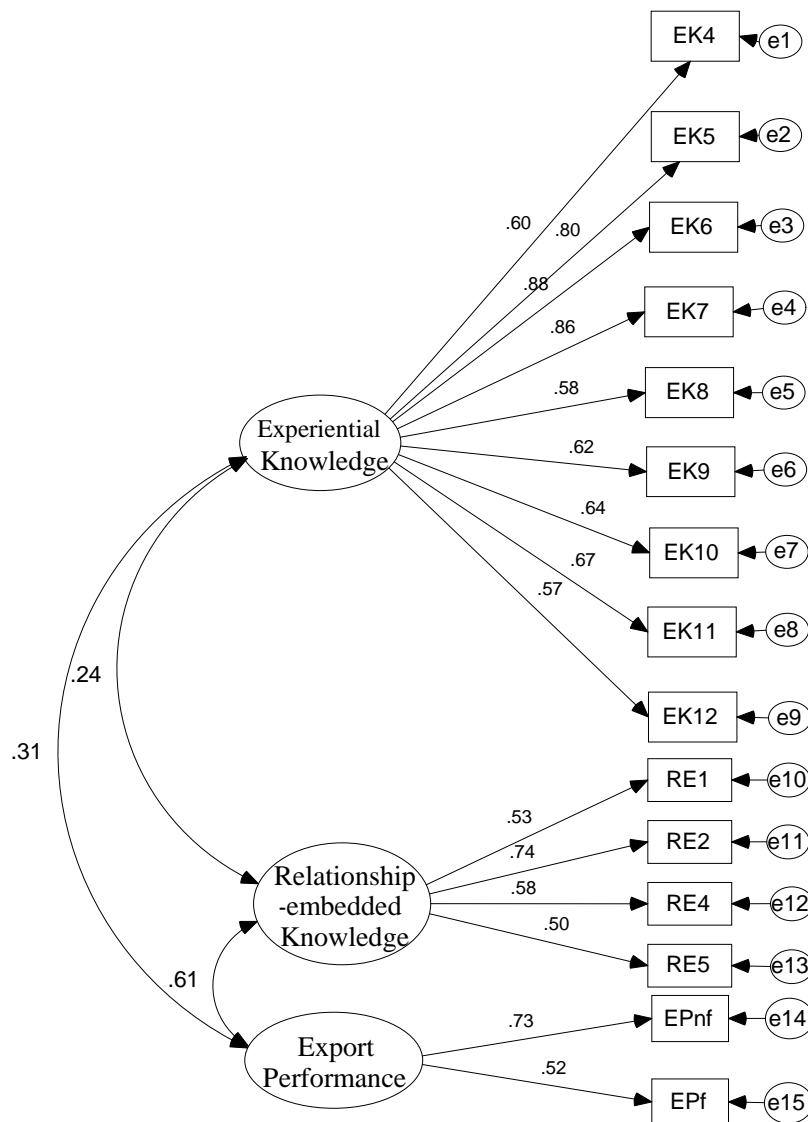
N= 139, χ2 = 258.2, CFI =.802, GFI = .787, RMSEA = .119

While the rest of the constructs generally performed well, one item (RE5) on the Relation-embedded knowledge construct had a borderline loading of .502, it was decided to delete this item from the scale in order to improve the overall fit of the model. After re-specifying, the model without EK8, EK10, EK11, EK 12 and RE5

151

the model's fit improved to (N= 139, $\chi 2$ = 47.15, CFI =.969, GFI = .934, RMSEA =
.059) with all the item loadings being within the acceptable range and significant
(see **Figure 6:7).**

Figure 6:7 CFA results for the dependent constructs (EK, RE and EP) re-specified
model
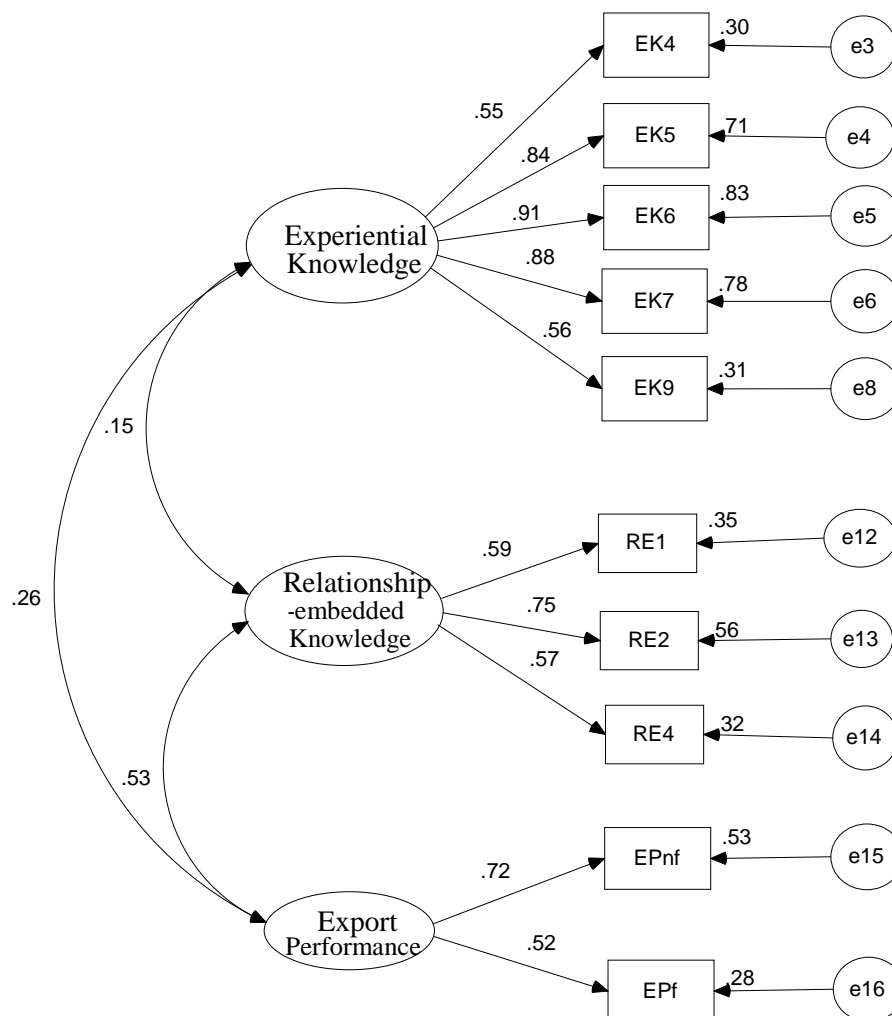
N= 139, χ^2 = 47.15, CFI =.969, GFI = .934, RMSEA = .059

The final fit indices for the re-specified models (Manager knowledge
acquisition, Relationship quality, and the model for dependent constructs), were

overall good. However, before proceeding to test the structural model, Hair et al., (2006) advises that it is essential that the measurement model is tested for validity and reliability. The results for the validity and reliability tests are presented in the next section.

6.4 Assessment of Validity

Validity is the extent to which the indicators 'accurately' measure what they are supposed to measure, or the extent to which a measure or set of measures correctly represents the concept of study (Hair et al., 1998 p. 3). There are different types of validity, in this study three different types of validity were measured, namely (i) face validity (ii) convergent validity and (iii) discriminant validity.

(i) Face validity

Face validity is also known as content validity. This is the assessment of the correspodence of the variables to be included in the scales. This was carried out prior to testing the measurement model, and it involved asking experts to assess how well they felt the items were measuring the constructs. As previously discussed (in the Methodology chapter, (see **Section 4.5.3**) the constructs were proven to have face validity.

(ii) Convergent validity

Convergent validity assesses the degree to which measures of the same concept are correlated. That is items/indicators of the same construct should converge or share a high proportion of variance in common, known as convergent validity (Hair et al., 2006). Convergent validity is proven by having high and statistically significant factor loadings. According to Hair et al., (2006, pp. 777). Standardised loadings should be .5 or higher, ideally .7 or higher. From the CFA

results, all the item loadings were significant and above .5, proving convergent validity for all the constructs.

Other recommended tests of assessing convergent validity are calculation of Variance Extracted (VE) , and Construct Reliability (CR). VE is a total of all squared standardised factor loadings (a squared standard loading shows the extent of variation in an item that is explained by the latent factor) divided by the number of items. A VE of .5 or above is required to prove adequate convergence. In terms of CR, a reliability estimate of .7 or higher suggests adequate convergence. A CR of between .6 and .7 may be accetable provided other indicators of a model's construct validity are good (Hair et al, 2006, p. 777- 778). **Table 6:5** shows the results of both these tests on the measurement model. As shown, all constructs, except, Relationships-embedded knowledge (VE = .41 or 41%) and Export performance (VE = .39 or 39%) have a VE within the acceptable range (i.e > .5). In terms of CR, all constructs, except Export performance (CR= .56), have adequated reliability (i.e above .6). These results therefore show that RE and EP have weak convergent validity. For formulas used to calculate VE and CR, see **Appendix 9**.

(iii)   Discriminant validity

Discriminant validity is the extent to which a construct is truly distinct from other constructs (Hair et al., 2006, p. 778). Discriminant validity is achieved if the VE for each pair of constructs is greater than their respective squared-correlations (Fornell and Larker, 1981). For example, constructs A and B (whose correlation is denoted φAB), construct A is regarded as having discriminant validity if the VE for construct A is $> (\varphi AB)^2$. Construct B is regarded as having discriminant validity if the VE of construct B $> (\varphi AB)^2$. **Table 6:6** shows the correlations and the squared

Table 6:5: Results of the measurement model

	Construct	Items	Standard error	Standardised factor loading	Critical ratio	P	Construct reliability	Variance Extracted
Manager Knowledge Acquisition	Internationalisation Knowledge	IK1	.76	.79	10.965	***	**0.84**	**58%**
		IK2	.110	.93	10.965	***		
		IK3	.106	.53	6.225	***		
		IK4	.097	.73	8.944	***		
	Contact Knowledge	CK1	.149	.88	8.395	***	**0.85**	**64%**
		CK2	.101	.83	9.408	***		
		CK4	.095	.68	8.395	***		
	Networking Orientation	ON4	.204	.81	6.018	***	**.77**	**53%**
		ON5	.163	.78	6.891	***		
		ON6	.135	.58	6.018	***		
Relationship Quality	Trust	T1	.251	.81	4.622	***	**.74**	**64%**
		T3	.186	.72	4.622	***		
	Commitment	COM1	.170	.66	4.213	***	**.78**	**64%**
		COM2	.332	.92	4.213	***		
Knowledge Competence	Experiential Knowledge	EK4	.093	.55	6.948	***	**.87**	**58%**

		EK5	.221	.84	6.808	***		
		EK6	.229	.91	6.928	***		
		EK7	.223	.88	6.948	***		
		EK9	.192	.56	5.305	***		
	Relationship-Embedded knowledge	RE1	.238	.59	4.376	***	**.67**	**41%**
		RE2	.233	.75	4.886	***		
		RE4	.220	.57	4.376	***		
Export Performance	Venture Performance	EPnf	.489	.72	2.975	.003	**.56**	**39%**
		EPf	.231	.52	2.975	***		

Table 6:6 Inter-construct correlations and squared correlations of summated scores

Constructs	IK	CK	ON	T	COM	EK	RE	EP
IK	1.000	**.073**	**.044**	**.055**	**.016**	**.001**	**.000**	**.067**
CK	.271**	1.000	**.108**	**.178**	**.186**	**.270**	**.081**	**.138**
ON	.210*	.329**	1.000	**.054**	**.047**	**.077**	**.001**	**.113**
T	.235**	.422**	.232**	1.000	**.162**	**.067**	**.041**	**.106**
COM	.126	.431**	.216*	.403**	1.000	**.032**	**.068**	**.070**
EK	.080	.520**	.277**	.258**	.180*	1.000	**.000**	**.032**
RE	.052	.284**	.088	.203*	.261**	.059	1.000	**.114**
EP	.258**	.371**	.336**	.325**	.266**	.179*	.338**	1.000

**. Correlation is significant at the 0.01 level (2-tailed). *. Correlation is significant at the 0.05 level (2-tailed). N=139. Entries above the diagonal, (in bold) are squared correlations

correlations between the constructs. All VE estimates shown in **Table 6:5** are greater than corresponding squared correlation estimates in **Table 6:6** (shown above the diagonal), suggesting that all constructs have adequate discriminant validity. Even though the constructs RE and EP did not fair well on convergent validity, it was decided to keep them in the analysis because they faired well on all other validity tests. On the other hand even though CK performed well on discriminant validity, in the correlation results (**Table 6:6)** it is evident that CK and EK, were highly correlated (.520) their correlation being significant at the 0.01 level (2-tailed). This is evidence that these constructs were probably measuring a common underlying phenomenon or they shared some variation. Had both constructs been endogenous or both exogenous, they could be allowed to covary in the structural model in the next step of analysis (if this relationship was supported by underlying theory), however, in this case CK is an exogenous (independent) construct, and EK is an endogenous (dependent) construct, allowing them to covary was going to be contrary to the underlying theoretical meaning of the model. Therefore, it was decided to exclude CK from the model, because not only did it correlate strongly with EK, but also with COM.

Finally, the reliability of the purified items was re-assessed using Cronbachs' alphas, and all were above .6. as shown in **Table 6:7**.

Table 6:7 Co-efficient alphas of purified scales after CFA results

Construct	No. of Items	Co-efficient Alpha
Internationalisation Knowledge (IK)	4	.831
Networking Orientation (ON)	3	.752
Trust (T)	2	.740
Commitment(CM)	2	.756
Experiential Knowledge (EK)	5	.864
Relationship-Embedded Knowledge (RE)	3	.659
Export Performance (EPf)	2	.895

6.5   Results on the structural model (SEM)

The primary interest in structural equation modelling is assessing the extent to which a hypothesised model 'fits' or, how it adequately describes the sample data. In order to determine the best fitting model, the operational model was compared to a competing model. The best model was determined according to evaluation of the goodness of fit statistics between the two models. The models were;

Model 1: The operational model as illustrated in **Figure 6:8** hypothesises that the exogenous construct Manager knowledge acquisition has three dimensions, the observed constructs IK, CK and ON. The latent exogenous construct Relationship quality has two dimensions, constructs Trust and Commitment i.e. as proven in EFA results. According to this model, it is the higher order constructs MK and RQ which have a direct impact on EK and RE respectively, and in turn, EK and RE have an effect on Export performance (i.e. EK and RE mediate the relationship between exogenous constructs MK and RQ and endogenous construct EP).

Figure 6:8 Model 1: Operational model
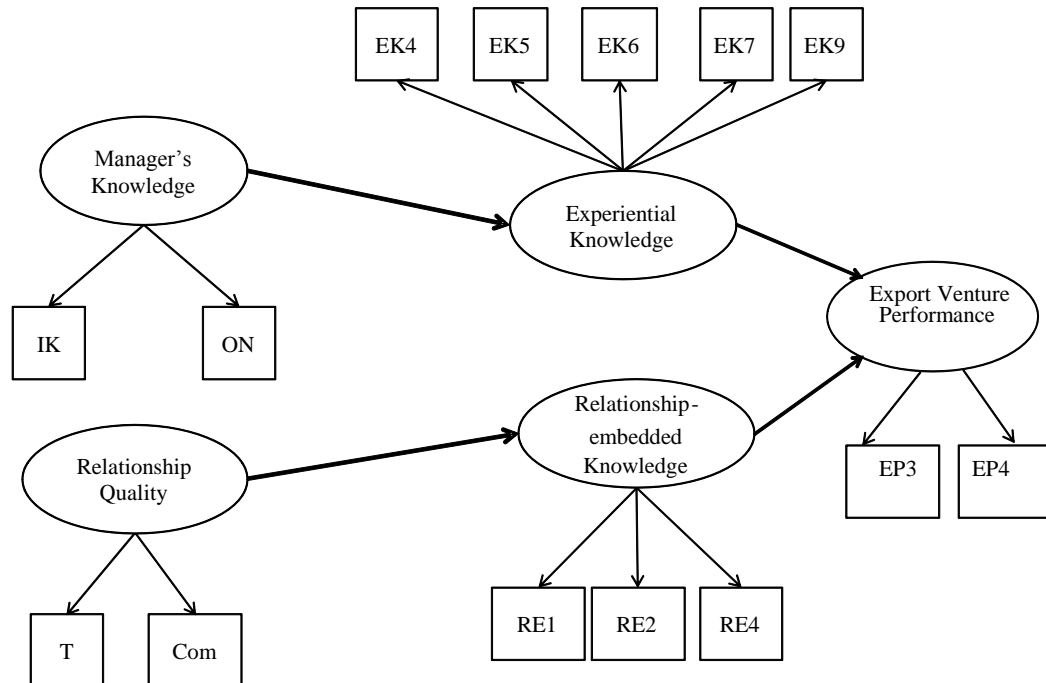
Model 2: The competing model illustrated in **Figure 6:9** hypothesises that the exogenous constructs IK, ON have a direct impact on Experiential knowledge (EK), and the exogenous constructs T and COM have a direct impact on Relationship embedded knowledge (RE). It also hypothesises that RE and EK have a direct effect (or mediation effect) on Export performance.

Figure 6:9 Model 2: Competing model
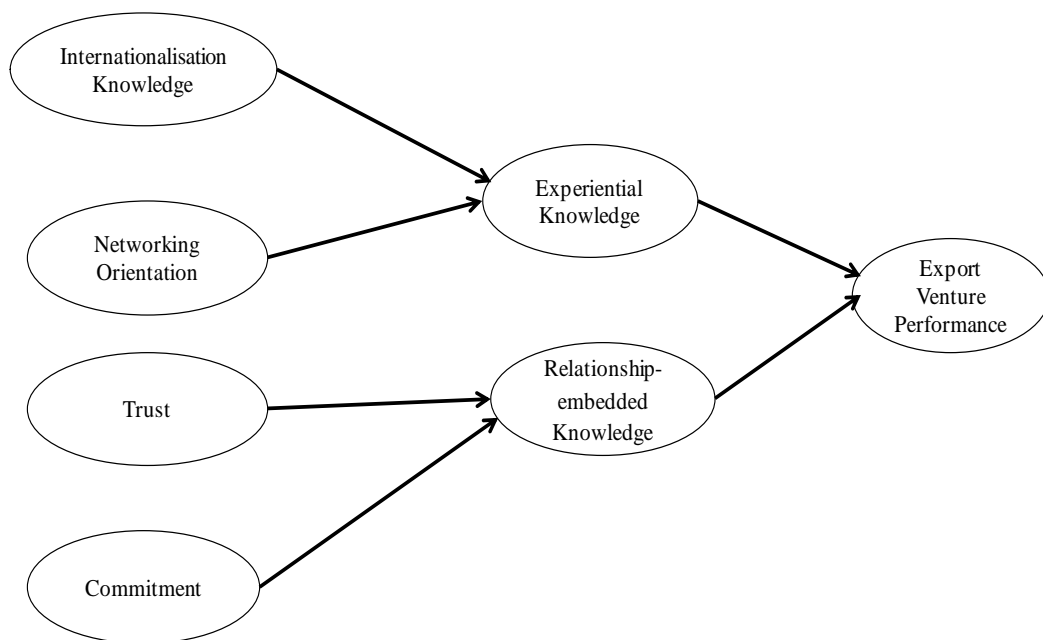
SEM was conducted using maximum likelihood estimation method in AMOS **16.0**. The results on the goodness of fit indices after testing the operational and competing structural models are shown in **Table 6.8**.

Table 6:8 Goodness of fit results for the operational and competing models

Model	$\chi2$	df	$\Delta\chi2$	Δdf	p	GFI	IFI	CFI	RMSEA
Operational Model 1	91.161	73			.074	.911	.975	.974	.042
Competing Model 2	272.26	182	181.099	109	.000	.843	.926	.924	.059

For Amos graphical results of the competing model (Model 2), see **Appendix 10**. Graphical results for the operating model (Model 1) see **Appendix 11**.

Both models fit the sample, but, the results in terms of the goodness of fit indices show that the operational model (Model 1) has a better fit than the competing model (Model 2). Further model comparison using the chi-square difference

between the two models could have been evaluated only if the two models were nested models. Since they were not, this test was not carried out. Therefore, in this scenario a comparison of the goodness of fit of the two models was deemed enough to suggest that the operational model is superior to the competing model.

6.6 Hypotheses results

In order to accept a hypothesis as being supported, its respective parameter estimate should have statistical significance. The test statistic used in SEM is the critical ratio (c.r.). The critical ratio in this case works like the z statistic in testing that the parameter estimate is statistically different from zero. Based on a level of p = .05, the critical ratio representing the parameter estimate of interest needs to be > + or − 1.96 before the hypothesis that the estimate equals 0.0 can be rejected. The results for all the hypothesised relationships are summarised in **Table 6:9**.

Table 6:9 Hypotheses Results

Parameter	Sign	Standard loading	Estimate	S.E	C.R.	P	
MK and EK	+	.492	.885	.369	2.402	.016	S
RQ and RE	+	.480	.452	.139	3.248	.001	S
RE and EP	+	.280	.323	.122	2.636	.008	S
EK and EP	+	.176	.203	.104	1.957	.050	S
MK and ON	+	-.582	-.417	.147	-2.830	.005	NS
MK and IK	+	.362	-2.396	.846	-2.830	.005	NS
RQ and COM	+	.706	4.841	1.048	4.618	***	S
RQ and T	+	.714	.207	.045	4.618	***	S

In the last column of **Table 6:9** 'S' means a hypothesis has been supported, while 'NS' means it has not.

Hypothesis **1** posits a positive relationship between Experiential knowledge and Export performance. The results revealed that Experiential knowledge has a significant positive effect on Export performance (βEK$\rightarrow$EP = .176, p = 05).

Hypothesis **2** posits a positive relationship between Relationship-embedded knowledge and Export performance. The results confirm that there is a positive significant relationship between these constructs (βRE$\rightarrow$EP = .280, p < .01).

Hypotheses **1d** posits that Manager knowledge acquisition is multiple-faceted construct comprised of the sub-constructs; Networking orientation, Internationalisation knowledge and Contact knowledge. This hypothesis was confirmed through CFA results (see **Section 6.3.1**).

Hypotheses **1a** (the manager's prior internationalisation knowledge is positively related to experiential knowledge), **1b** (networking orientation is positively related to the level of experiential knowledge) and **1c** (a contact's foreign market knowledge is positively related to experiential knowledge) were assessed in the competing model. All three relationships were not supported as the model did not fit the data. However, in the operational model (where internationalisation knowledge and networking orientation are conceptualised as sub-constructs measured by a higher order construct Manager knowledge acquisition), the results show that Manager's knowledge acquisition has a significant positive effect on Experiential knowledge (βMK$\rightarrow$EK = .492, p < .05). This means that while the sub-constructs of Manager knowledge acquisition in themselves do not have a direct influence on acquisition of Experiential knowledge, rather, Experiential knowledge acquisition is influenced by the broader construct Manager knowledge acquisition.

163

Hypothesis **2c** proposed that Relationship quality is multiple-faceted construct composed of sub-constructs; Trust and Commitment. This is supported from the CFA results. Relationship quality had significant positive loadings on both Trust and Commitment (See **Section 6.3.2**).

Hypothesis **2a** (Trust is positively related to Relationship-embedded knowledge) and **2b** (Commitment is positively related to Relationship-embedded knowledge) were assessed using the competing model. Both these relationships were not supported as the model did not fit the data. However in the operating model (when T and CM are conceptualised as sub-constructs measured by a higher-order construct Relationship quality), then the results confirm that Relationship quality does have a significant positive effect on Relationship- embedded knowledge. (βRQ$\rightarrow$RE = .480, p < .01).

6.7 Mediation relationships

A mediation effect is created when a third variable/construct intervenes between two other related constructs (Hair et al., 2006, p. 866). In this study the conceptual model proposes that the relationship between Manager knowledge acquisition and Export performance is not direct, it is rather mediated by Experiential knowledge. The model also proposes that the quality of a relationship (i.e. the degree to which a relationship is characterised by the existence of trust and commitment between the parties) has an influence on Export performance, however, this influence is not a direct influence, it is rather mediated by Relationship-embeddedness of knowledge (see **Figure 3:2** for a visual representation).

The hypothesised mediation relationships are covered in hypotheses **1e** and **2d** where hypothesis **1e** posits that Experiential knowledge mediates the relationship

between Manager knowledge acquisition and Export performance, and hypothesis **2d** posits that Relationship-embedded knowledge mediates the relationship between Relationship quality and Export performance.

In order to generate results for these two hypotheses, the operational model was re-run to assess if:

i. EK had a mediating effect between, MK and EP

ii. RE knowledge had a mediating effect between RQ and EP

A prerequisite before assessing mediation is the existence of significant correlation relationships between (i) MK and EP (ii) MK and EK and (iii) EK and EP before testing hypothesis **1e**. Likewise, in order to test mediation as stipulated by hypothesis **2d**, there should be significant correlation relationships between (i) RQ and EP (ii) RQ and RE and (iii) RE and EP. Correlations were tested using t-values at both $p < 0.05$ and $p < 0.01$. All correlations were found to be significant at both $p < .05$ and $p < .01$ except for the correlation between MK and EP which was only significant at $p < .05$. See correlation results in **Table 6:10**.

Table 6:10 Correlation results

X and Y	Correlation Co-efficient	Critical r value $p < 05$, df = 137	Critical r value $p < 01$, df = 137
MK and EP	.185*	0.16384	0.2188
MK and EK	.492**	0.16384	0.2188
EK and EP	.224**	0.16384	0.2188
RQ and EP	.198**	0.16384	0.2188
RQ and RE	.480**	0.16384	0.2188
RE and EP	.312**	0.16384	0.2188

6.7.1   Results on mediation test (a) MK→EK→EP

The goodness of fit of the operational model was assessed (i.e. with EK mediating MK and EK). Afterwards, a direct path from MK to EP was added to the model, and then the goodness of fit indices was re-assessed. A comparison of the goodness of fit indices of the two models is shown in **Table 6:11**.

Table 6:11 Mediation results for **MK→EK→EP**

Model	χ2	p	GFI	CFI	RMSEA
Operational Model (with MK→EK→EP)	91.161	.074	.911	.974	.042
Model 2 (with path MK→EP added)	88.5	.091	.914	.976	.041

As shown, the goodness of fit slightly improved when the direct path was added. However, the added path βMK→EP had a loading of .25, and a critical ratio of 1.490 which is not significant at p = < .05. Since the direct path was not significant, the mediation path (MK→EK→EP) is supported. This suggests that a manager's foreign market knowledge acquisition positively influences export performance, however, this influence is affected by a manager's acquisition of experiential market knowledge. However, these results warrant further analysis, probably a test on another sample, because even though the model produces good fit indices, a comparison of the strength of the direct effect of βMK on EP (.25), and the indirect effect of MK-EK-EP (.029) shows that the indirect effect has a small effect on EP in comparison to the direct effect.

6.7.2 Results on mediation test (b) RQ→RE→EP

The goodness of fit of the operational model (the model with RE as a mediating variable between RQ and EP) was assessed first, then the path between RQ and EP was added to the model, and the goodness of fit indices for the modified model was re-assessed. The results showing the comparison of goodness of fit indices for the two models are shown in **Table 6:12**.

Addition of the direct path improved the fit very slightly, because the fit indices are almost the same for both models. This finding provides support for the mediation effect (Hair et al., 2006). In addition, even though the direct path between RQ and EP has the strongest affect (.18) than the indirect path of RQ→RE→EP (.087), the direct path is not significant at p < 0.05 (c.r. of 1.331). This gives further support for mediation in this model.

This finding suggests that having a relationship with a key contact which is characterised by trust and commitment, does have a positive influence on export performance. However, this influence is not direct, it is rather dependent (or influenced) on whether the knowledge being exchanged is exclusive to the two parties to the relationship (relationship-embedded knowledge), and as a consequence higher export performance in comparison to the performance of competitors in the industry is achieved.

Table 6:12 Mediation results for **RQ→RE→EP**

Model	$\chi 2$	p	GFI	CFI	RMSEA
Operational Model (with RQ→RE→EP)	91.161	.074	.911	.974	.042
Model 2 (with path RQ→EP added)	89.3	.081	.913	.975	.043

These results show that both hypotheses **1e** and **2d** have been supported, the mediation effect of EK and RE between MK and EP and RQ and EP is present, but further analysis on a larger sample would give more conclusive results.

6.8   Conclusion

The chapter has provided a description of the data analysis steps carried out to validate the measurement model through CFA, and the structural model through SEM. This analysis provided the findings for the hypotheses set out at the beginning of the study. There were 11 hypotheses that were tested in this study; a summary of findings on hypotheses testing are shown **Table 6:13**.

The direct relationships between a Manager's internationalisation knowledge, Networking orientation and Contact's knowledge on to Experiential knowledge were not confirmed. It is only when these three dimensions are measured by Manager's knowledge (a higher order construct) that there is a positive relationship between a Manager knowledge acquisition and Experiential knowledge.

Relationship quality as a higher order construct constituting two dimensions; Trust and Commitment showed a positive effect on Relationship embedded knowledge. While relationship knowledge embeddedness had a confirmed positive relationship with export performance, experiential knowledge had a weak even though significant relationship with export performance.

Table 6:13 Summary of Hypotheses Testing

	sign	Hypothesis	Conclusion
H1	+	The more experiential the market knowledge acquired from a business relationship the higher the export performance	Supported
H1a	+	The more the prior internationalisation knowledge a manager has, the more the experiential knowledge he is able to acquire	Not supported
H1b	+	The more networking oriented the manager is, the more the experiential knowledge a manager is able to acquire	Not supported
H1c	+	The higher the foreign market knowledge the contact has, the higher the level of experiential knowledge the manager acquires.	Not supported
H1d	+	Manager's knowledge is multiple-faceted construct constituting of internationalisation knowledge, networking orientation and contact knowledge	Supported
H1e	+	Experiential knowledge mediates the relationship between manager's knowledge and export performance	Supported
H2	+	The more relationship embedded the market knowledge obtained from business contact the higher the export performance	Supported
H2a	+	The higher the level of trust in the contact, the higher the relationship-embeddedness of knowledge	Not supported
H2b	+	The higher the commitment that a manager has towards a relationship, the more the knowledge embedded in that relationship	Not supported
H2c	+	Relationship quality is multiple-faceted construct constituting of Trust and Commitment	Supported
H2d	+	Relationship-embedded knowledge mediates the relationship between relationship quality and export performance	Supported

Lastly, the results showed that experiential knowledge mediates the relationship between a manager's knowledge acquisition and export performance. Relationship-embeddedness of knowledge was also shown to be the link between relationship quality and export performance. While, both mediation relationships

were shown to be existent, it is worth re-testing them on a different sample in future studies.

7

DISCUSSION

7.1 Introduction

Exporting scholars have examined how a firm's possession of different resources and skills impacts export performance (Aaby and Slater, 1989; Zou and Stan, 1998; Leonidou et al., 2000). However, the focus of these studies has mostly been on resources which the firm can access from inside the firm. The role of resources acquired through relationships outside the firm has attracted the interest of few exporting researchers. SMEs are especially known to depend on relationships to access key resources needed for the running of their business activities (Floyd and Wooldridge, 1999; Alvarez and Barney, 2001; Steensma et al., 2000; Peng, 2001). This study has attempted to fill this gap by focusing on the relationship between SME exporters' acquisition of export market knowledge through business relationships and its effect on export performance.

This chapter explains the rationale underlying both the confirmed and unconfirmed relationships presented in the previous chapter. The first section compares the usefulness of business relationships as a source of foreign market knowledge to other sources of foreign market knowledge used by UK SME exporters. The second section discusses the relationship between a manager's current foreign market knowledge (as measured by his prior internationalisation knowledge, and his networking orientation) and his acquisition of new experiential market knowledge. The third section discusses the relationship between the quality of the relationship (between the manager and his key contact) and relationship-embeddedness of knowledge exchanged within that relationship. The fourth section discusses relationship between the level of experiential knowledge and export performance, and the relationship between relationship-embeddedness and export performance.

7.2   Sources of export market knowledge

The results showed that in comparison to other sources of export market knowledge (i.e. export support organisations, non-export support organisations, personal contacts and business colleagues) the most preferred and most used source of export market knowledge by UK SME exporters is industry contacts; the most used being, exporting agents. This finding is consistent with the findings of numerous exporting studies which have found that personal informational sources are the most popular source of information for exporters (McAuley, 1993; Bodur and Cavusgil, 1984; Leonidou and Adams-Florou, 1999).

In addition, this study found that public organisations e.g. libraries, banks and government sources were the least used by most firms. This finding is also consistent with past literature, especially the findings in Seringhaus and Rosson (1991), Spence and Crick (2001), Spence and Crick (2004) studies. Explanations for this finding from past studies are that firstly, the information provided by public organisations is perceived as being of low quality because most times the information provided is obsolete (Sbrana and Tangheroni, 1991). The information is also perceived to be objective i.e., it is information catering for broad information needs; therefore, it is not necessarily tailor-made to firms export information needs. Commenting further on this same issue Spence and Crick (2004) state that multitude of export information including that from government sources is often confusing and its relevance to the needs of manager is sometimes questioned. These findings have implications for export support organisations.

Delving further into the use of industry contacts/personal sources of information, this study showed that the most preferred mode of interaction with the contacts is through meetings locally or through the respondents (managers)

personally visiting the contacts in foreign markets. The most preferred form of interaction was through overseas trade missions. This was most preferred over use of telephone conversation or use of email or company websites. Explaining why this is the case, one respondent's comment in a letter he attached to his filled-in questionnaire stated that;

> "This 'in your face' approach works. Others means [of interacting with contacts] are "useful" but track record confirms that to get the order one must be at the meeting"

As such, it seems a key benefit of using meetings and foreign visits as a mode of acquiring and interacting with contacts is that these meetings allow real time or direct conversation with the contact, thereby, even enabling immediate closure of a potential deal. This finding is also in line with Seringhaus (1989) who highlights trade missions in particular as being a learning experience for marketers. In comparison to other sources of export information, sources of information that allow personal interaction e.g. trade missions are attractive because they provide the exporter with hands on experience (Spence and Crick, 2004), hence a source of not only objective information, but experiential knowledge.

In terms of the use of the internet as a source of foreign market knowledge, this study has shown that proactive use of the internet for export knowledge acquisition among UK exporting SMEs at the time of data collection of this study was not common practice. Rather, the internet seemed to be mainly used as a means of promoting the business and a firm's products. This suggests that there is still need for export support organisations to invest into efforts that encourage SMEs' adoption and proactive use of the internet as a tool for marketing, acquisition of export market knowledge and acquisition of business contacts. While past research on the internet and its role in international marketing (Hamill, 1997; Hamill and Stevenson, 2002),

highlighted that a majority of UK firms have made significant progress in using internet technology to support their international marketing activities, from the findings of this study, it seems there may still be much to be done to encourage proactive use of technology among SMEs. Commenting on internet adoption and usage among small firms, Hamill and Stevenson (2002) commented that;

> "...while progress has been made, the majority of SME websites are badly designed, with weak content, poor functionality and interactivity, and provide no real value to new or potential customers, as most companies adopt a 'build-it-and they-will come approach' (Hamill and Stevenson, 2002, p. 324).

7.3 Manager's market knowledge and experiential knowledge acquisition

The study did not confirm a direct relationship between a manager's prior internationalisation knowledge and acquisition of more experiential knowledge. This finding is contrary to research findings in learning literature where it has been shown that prior knowledge (experience) enhances an individual's absorptive capacity (Cohen and Levinthal, 1990). That is, one's prior knowledge increases one's ability to acquire new knowledge. Studies confirming the same notion but with a focus on internationalisation knowledge are Hadley and Wilson (2003) and Eriksson et al., (1997). They affirm that prior internationalisation knowledge permits the firm to understand which foreign business knowledge (i.e. experiential knowledge pertaining to clients, competitors and the market) and foreign institutional knowledge (i.e. knowledge of government, culture and institutional frameworks and norms) it requires.

The results did not confirm a relationship between a manager's orientation towards networking and experiential knowledge acquisition. Again this finding is contrary to both entrepreneurship and internationalisation literature.

175

Entrepreneurship studies highlight that networking is one of the major strategies pursued by entrepreneurial firms in order to gain access to resources and cope with environmental uncertainty and impediments in their operations (Floyd and Wooldridge, 1999; Alvarez and Barney, 2001; Steensma et al., 2000; Peng, 2001). In addition the network approach to internationalisation (Johanson and Mattsson, 1988) highlights that it is through relationships in the international network that a firm acquires international experience, leading to increase resource commitment in foreign markets (Johanson and Vahlne, 1977; Eriksson et al., 1997). These propositions from entrepreneurship and the network approach literature suggest an association between international networking orientation and experiential knowledge acquisition, i.e. the more networking oriented the manager is, the more they are likely to gain access to experiential knowledge through business relationships. A possible explanation for the contrast in findings of this study with past studies on the relationship between both internationalisation knowledge and networking orientation with experiential knowledge is the difference in the characteristics of the sample used in this study and the study where the scales for experiential knowledge were originally borrowed, i.e. Eriksson et al., (1997), and Hadley and Wilson (2003). In the Eriksson et al., (1997) study, the sample used was service firms and in their sample they did not discriminate firm size as it was the case in this study. In Eriksson's study, the sample included small and large firms. In this study, the sample was limited to SMEs only. The level of prior knowledge in the larger firms is likely to be higher than in small firms, because large firms are likely to have been involved in international operations longer than smaller firms. It has to be noted here though that when it comes to the relationship between firm size and export performance, some studies on exporting performance have found that firm size does not have a

176

discernible role in export performance. If anything, very small firms exhibit better export performance than their larger counterparts or the effects of firm size on export performance at times inconclusive (Zou and Stan, 1998). Therefore, this hypothesis requires re-testing before conclusive results can be drawn.

In addition, experiential knowledge in Eriksson et al., (1997) study was conceptualised at firm and market level, while in this study, experiential knowledge has been conceptualised at an individual manager's level. The difference in sample profile and conceptualisation could be the explanation for the difference in the results from this study and previous studies.

Lack of relationship between a manager's contacts level of foreign market knowledge and experiential knowledge acquisition is also contrary to past studies' findings, especially, with social capital literature and the network approach to internationalisation. Contributors to social capital literature (Yli-Renko et al., 2001) maintain that the more the social ties the manager is connected to, the more the resources (e.g. knowledge) they are likely to acquire. Qualifying this view with a specific focus on foreign market knowledge resource is the network approach (Johanson and Mattson, 1988), where in their model they provide the notion that the more the international relationships to which a manager is exposed to, the more the international knowledge the firm acquires. According to Johansson and Mattsson (1988)'s model, if the firm falls in the category of an 'international player among internationals' (i.e. connected to an internationalised network), the higher the level of international market experiential knowledge the firm acquires.

However, when the constructs internationalisation knowledge and networking orientation were conceptualised as sub-divisions of a higher-order construct, manager knowledge acquisition (MK) in the operational model, the results

confirmed that there is a positive relationship between a manager knowledge acquisition and his success in acquiring more experiential knowledge. This finding show that managerial effort and characteristics/traits play an important role on knowledge acquisition.

7.4 Relationship quality and relationship embeddedness of knowledge

Relationship quality was conceptualised as a construct with two dimensions trust (T) and commitment (Com). A direct positive influence of trust on relationship-embeddedness of knowledge, and a direct positive influence of commitment on relationship-embeddedness of knowledge was not supported. However, the results confirmed that there is a positive relationship between the quality of the relationship and relationship-embeddedness of knowledge exchanged in the relationship. This finding supports notions from the Relational Marketing's View literature i.e. the work of Dyer and Singh (1998) and Morgan and Hunt (1994). Even though their focus is on buyer and seller relationships, their views on relationships explain this study's finding, in that they reason that the climate of a relationship is very important in facilitating the exchange of critical information between the partners to a relationship. They present the notion that trust-based relationships induce the exchange of critical resources because such relationship create an environment where parties are prevented from exposing each other to opportunism from themselves and other players in their industry (paraphrased - Dyer and Singh, 1998).

The lack of relationship between both trust and commitment on relationship-embeddedness of knowledge could possibly be to do with the fact that in this study it is known that the most used contact by export managers in the sample are exporting

agents/distributors. Their relationship with the export manager may mostly be a contractual relationship, and not a relational one. Agents can serve exporting needs of several exporters at the same time; therefore the foreign market knowledge which they may pass on to their customers (export managers) is probably standard. Even though this is speculative, it is possible that even if the relationship between a manager and an agent may be characterised by trust and commitment, these dimensions separately, may not necessarily lead to the knowledge exchanged being exclusive to an individual relationship.

7.5   The relationship between experiential knowledge and export performance

The results showed that there is a relationship between experiential knowledge and export performance, even though this relationship was weak. The link between experiential knowledge and export performance is in line with classical literature on the internationalisation process where experiential knowledge is highlighted as a key resource for firms to achieve international growth (Johanson and Vahlne, 1977). In addition, according to the RBV (Barney, 1991; Daft, 1983; Wernefelt, 1984) and the Knowledge Based View (KBV) (Conner and Prahalad, 1996; Gupta and Govindarajan, 2000) theories, experiential knowledge can be viewed as a key resource or capability which impacts on a firm's competitiveness due to its characteristic of being tacit (Polanyi, 1976). Further, in their study Morgan et al., (2003), they found that an export venture's organisational level of experiential knowledge and individual level experiential knowledge relevant to the market environment is positively related to architectural market capabilities, which in turn are associated to the adaptive performance of export ventures.

There are two possible reasons for the weakness in the relationship between these constructs. Firstly, the difference in the unit of analysis at which experiential knowledge is measured in this study and other past studies. Experiential knowledge in this study has been measured at an individual level i.e. a manager's experiential knowledge, such that attributing one employee's level of experience to an export venture's success may be simplistic. In hindsight, researching on the relationship between experiential knowledge and export performance could have been more conclusive if experiential knowledge was considered at other levels as well e.g. experiential knowledge at venture level or experiential knowledge at an organisational level. Supporting this explanation are findings in Morgan, et al, (2003)'s study. They found that managers viewed both the experience of the individuals in the venture and the experience of the venture itself as being key knowledge resources in enabling the venture to develop and utilise its marketing capabilities that drive an export's venture performance.

Secondly, considering that export performance is dependent on several factors, e.g., firm characteristics, strategy, external environment (Aaby and Slater, 1989; Zou and Stan; 1998), what would have been ideal is to control for the effect of the other variables. Or, even to assess the link between experiential knowledge and another measure of export performance which is more directly influenced by knowledge use, e.g., new product development.

7.6 Relationship-embeddedness of knowledge and export performance

A firm's possession of; or access to critical knowledge embedded in its relationships can be a source of competitive advantage and result in high export

performance. This is because according to the RBV (Barney, 1991; Rumelt, 1984; Wernerfelt, 1984), exclusive knowledge has a potential of being a competence as it is specialised to information needs of the parties and cannot be easily copied by competitors. Testing if there is a relationship between relationship-embedded knowledge and export performance, the results confirmed that there is a relationship between the two constructs. Commenting on relationships in general, Dyer and Singh (1998) assert that resources critical to a firm can be created through inter-firm linkages such as strategic alliances, joint ventures, and trust-based relationships. Since firms may exist as parts of larger networks of relationships with buyers, suppliers, and competitors, competitive advantages can be obtained either through an exchange relationship that cannot be generated by a firm in isolation or through the joint contributions of the specific partners (Dyer and Singh, 1998). In the case of this study, the focus has been on the foreign market knowledge resource exchanged and embedded in relationships. Explaining the link between exclusive knowledge resource and firm performance, Bartlett and Ghoshal (2002) state that scarce knowledge and expertise drive new-product development, and it is personal relationships (with for example, key customers) that drive flexible marketing responsiveness. Among other factors, new-product development and flexible market responsiveness are determinants of export performance (Kaleka, 2002), thus explaining the link between knowledge embeddedness and export performance. This finding is a key contribution to export performance literature which has tended to neglect the role of relationships, specifically in SME export performance. This finding adds to the prominence of the current literature that is focusing on the influence of relational aspects on export performance.

7.7 Mediation relationships

The results have shown that experiential knowledge is the link between the influence of an export manager's knowledge acquisition efforts and export performance. This is another key finding of this study. Empirical studies that have conclusively linked market knowledge to performance in the past and recently are few. The early work of Hart and Tzokas, (1999), highlighted the impact of formalised international market research tended to relate to better financial performance. Souchon and Diamantopoulos (1996) highlight the link between information use to export performance. However it is the work of authors like Toften et al., (2003) and Toften (2005) that bring out the role of organisational knowledge, a concept from learning theory (Argyris and Schon, 1978) and knowledge management (Gupta et al., 2000; Nonaka and Takeuchi, 1995). This concept which is interpreted as being a result of output of information-based knowledge and experience based knowledge (Toften et al., 2003). In a later study Toften (2005) tests the link between export market knowledge and export performance. Their findings yielded inconclusive results leading the author to call for studies which include a mediator or moderator variable. In particular they state that incorporating a 'competitive advantage' variable would provide more conclusive results. Kaleka (2002) also called for more studies focusing on competitive advantages in exporting literature. Hence, this study's inclusion of 'experiential knowledge' as a mediating variable between knowledge acquisition and performance contributes to filling in this conceptual gap.

Lastly, the results have also confirmed that relationship-embedded knowledge links the positive influence of relationship quality to export performance. In addition

the results also show that the construct relationship quality is best operationalised as a high-order construct constituting the dimensions, trust and commitment.

7.8   Conclusion

From the discussion of the results of this study, this chapter has shown that this study's findings confirms past exporting literature (McAuley, 1993; Bodur and Cavusgil, 1984; Leonidou and Adams-Florou, 1999) in showing that the most preferred source of foreign market knowledge among small exporting firms is industry contacts (also known as 'personal relationships' in other studies). Findings further show the reason for this being that, personal sources of information tend to have more up-to-date knowledge and most importantly, the one-to-one interaction with the business contact allows the manager to close a deal (or a sale) right there and then.

The study's findings also confirmed the role of the quality of relationships in creating an environment where knowledge is not exposed to opportunism has been highlighted the Relational view studies (Dyer and Singh, 1998). Trust and commitment as independent constructs did not influence knowledge embeddedness (i.e. foreign market knowledge exchanged to be locked-up in relationships). It was noted that the nature of the relationships prevalent in the study (between agents and manager's) are such that the agent is likely to trade and share standard knowledge with probably all of its contacts therefore rendering the knowledge shared 'non-exclusive'.

Lastly, in terms of export performance, in line with literature, experiential knowledge was found to influence export performance. This means that a notion derived from the RBV and KBV literature that experiential knowledge (tacit

knowledge) is a resource that could result in firm competitiveness as it cannot be easily copied is confirmed. The degree to which foreign-market knowledge is locked up in relationships (relationship-embeddedness of knowledge) was found to have an impact export performance confirming the RBV literature's notion of access to scarce resource being a source of firm competitiveness.

The finding of a mediating role of relationship-embedded knowledge between relationship quality and export performance points to the two contributions to academic knowledge achieved by this study. These are firstly; the study has highlighted that conceptualisation of models explaining export performance of especially in SMEs needs to focus not only on a firm's internal resources, but also on the role of acquisition of relationship-based resources and the skills in the management of these relationships.

The mediating role of experiential knowledge between manager's knowledge acquisition and export performance enhances current knowledge on export performance literature by integrating insights from the Knowledge Based View, the Resource Based View, into exporting performance literature.

As far as conceptualisation of construct is concerned, the results also show that the construct 'relationship quality' can be measured as a higher-order construct, constituting sub-constructs like trust and commitment, which would be in line with Styles and Ambler (2000)'s advice of avoiding splitting up relational constructs too much. On the other hand a manager's knowledge is best conceptualised as higher-order construct, constituting dimensions like a manager's prior internationalisation knowledge and networking orientation. More dimensions need to be added in order to make this construct robust.

In terms of methodological approaches for studying relationships, it is mostly the norm that relationships are studied using qualitative approaches. However, the weakness with this approach is that knowledge gathered through these studies is contextualised. This study is an addition to the studies in especially in exporting literature that which have are exploring relationships with quantitative approaches (Style and Ambler, 2003) by creating empirical scales to measure relationship aspects such as 'trust' and commitment.

Basing on this discussion in the next chapter implications of this research for theory and practice are discussed. Future research directions will also be suggested.

8

CONCLUSION

8.1 Introduction

This chapter will start with a summary of the key findings. The second section will present theoretical and managerial implications of the study. These will be followed by a discussion on the limitations of this research. Then, directions for future research are suggested.

Due to significant developments in literature on small business internationalisation, the last sections of this chapter will present a brief literature update on the field of International Entrepreneurship. This will be followed by a brief description of developments in internet technology (Web 2.0) with a focus on the technology relevant for enhancing business relationships. The chapter finishes with recommendations on how small businesses in both developed and developing countries could harness opportunities presented by Web 2.0 in developing their business relationships.

8.2   Summary of key findings

The study's findings confirmed that the most used source of foreign market knowledge among UK SME exporters are business relationships with industry contacts i.e. suppliers, customers and distributors, the most popular of these being export agents. Building relationships with these contacts was perceived to be the most useful source of export market knowledge when compared to other export information sources like the UK Trade and Investment, Scottish Enterprise, the Chambers of Commerce and libraries. This shows that the indifferent perception towards government export support institutions among UK exporters is still prevalent (Crick, 1995; Wheeler et al., 2008). Direct interaction with the contacts was stated to be crucial to exporters businesses because not only did the interaction

enable the exporters to acquire experiential (hands-on) export knowledge, it also enabled them to close exporting deals quickly. The study has also showed that owner/manager's level of current foreign market knowledge and networking orientation (jointly) resulted in ability to acquire more export market experiential knowledge. Meaning, prior foreign market exposure provides exporters with skills and knowledge on how, which, where to gain more export market knowledge. This finding explains why non-exporters' lack of foreign market knowledge is a significant (psychological) exporting barrier. Their lack of foreign market exposure renders them ill-equipped in terms of identifying what are their export market knowledge needs and how to acquire such knowledge.

There is hope for new and aspiring SME exporters, in that their lack of export market exposure due to lack of exporting experience could be compensated by building relationships with contacts who are already internationalised, i.e. e.g. exporting agents, potential foreign market customers and foreign suppliers.

The study has also shown that foreign market knowledge obtained from the exporters' business contacts can be exclusive and a source of exporting competitiveness if the quality of the relationship between exporter and the contact is characterised by the exporter's commitment and trust in the relationship. In-depth interviews findings provided an example of an Aberdeen based small exporting firm which had a relationship with a foreign customer in China. The Aberdeen based firm stated to have invested into social and training visits to Scotland for their Chinese customer in order to strengthen their relationship. The commitment paid off as the customer soon linked the UK firm with another customer in China.

The strong link between relationship-embeddedness of knowledge and export performance is crucial, as it directly contributes to the work of studies which have

highlighted the role of network related advantages (Johansson and Mattson, 1988), relational advantages (Morgan and Hunt, 1999; Dyer and Singh, 1998) on their impact on export performance (Styles and Ambler, 1994).

8.3 Theoretical Implications

Coviello and McAuley (1999) pointed out that internationalisation process of SMEs needs to have a different theoretical conceptualisation from that of larger firms in order to take into account the unique characteristics that small firms have. This study also shows that conceptual models explaining export development of SMEs need to accommodate the significant role that network relationships have on the export development of small exporters. Past studies explaining exporting performance (Aaby and Slater, 1988; Zou and Stan, 1998; Wheeler et al., 2008) have included networks in their models; but this aspect is mostly mentioned in passing without much depth. Business relationships are not only a source of knowledge; skills in management of relationships have an impact on export performance of especially SMEs. Relationships ought to form a prominent part of models explaining SME export performance. There is need for further research on how best to leverage skills in managing and acquiring knowledge resource from relationships in order to increase a firm's export performance.

This study provides an additional point of view in explaining export performance, by joining ideas from the Relational Marketing (Morgan and Hunt, 1999; Dyer and Singh, 1998), the Network approach (Johansson and Mattson, 1988), the Knowledge-based view and export performance (Aaby and Slater, 1988; Zou and Stan, 1998; Wheeler et al., 2008).

Lastly, in terms of methodology, traditionally, relationships tend to be studied using qualitative methodology. This study has covered aspects of relationships using a quantitative methodology. In addition, by using a quantitative methodology, this study has answered the calls to use multivariate data analysis techniques in export behaviour research (Zou and Stan, 1998; Wheeler et al., 2008).

8.4   Managerial Implications

It is already known that an exporter's lack of prior experience in international business is a barrier that can be circumvented by developing and investing in relationships with contacts that have foreign market exposure. What this study highlights is that in order to derive exporting success from such relationships, there is need for an export manager's commitment to such relationships. As the study has shown, exporters who were committed to their relationships with contacts, (by e.g. investment of more of their time and financial resources into their relationships) were the ones who benefitted more in terms of levels of sales, being connected to more potential customers by their contacts and gathering of experiential knowledge. Therefore, exporters should aim to invest in their relationships. The quality of relationship with customers can be improved. Maintaining good quality relationships is not only important in cultures where relationships are central to running of business activities e.g. in China, but it is also important for businesses in the UK.

Even though exporting agents were the most popular key contact used by exporters as a source of foreign market knowledge, small exporters should not undermine the role of previous customers as potential bridgeheads to other potential customers in other foreign markets.

In exporting literature, management-related attributes that have been identified as having an impact on export performance, include management export commitment, international orientation, entrepreneurial orientation (Wheeler et al, 2008). In addition to these, basing on findings of this study, UK exporting SMEs, aiming to achieve improved export performance could benefit from recruiting and equipping staff with skills in acquiring and managing business relationships with customers, distributors, suppliers...etc.

Also evident from the findings is that not all contacts that an exporter may have are useful towards exporting; rather, only those contacts that have significant foreign market exposure were sources of foreign market experiential knowledge. While finding key and useful contacts can at times be an impromptu activity (some managers in the preliminary interviews stated meeting their most useful contacts over a drink in a pub) it is essential that networking should not be left to be a passive activity in the firm. Rather it should be a deliberate and planned activity, where not so useful contacts can be dropped and useful contacts can properly invested in and be clearly budgeted for, i.e. developing relationships should be a strategically planned activity.

Building on the frameworks from the Resource Based View, building relationships with contacts is a skill that could be a means of creating a sustainable competitive advantage in exporting. This study confirms notions from the Relational based view that the necessary condition to turn relationships into sources of competitive advantage is a good relationship quality between the exporter and the contact. Obviously relationships that have been in existence over a long time are likely to have a better relationship quality. However, new export managers have some control over creating such environment. They could improve the quality of

their relationships through creating an environment of trust and commitment to the relationship. Commitment involves investment in time in interacting with the contact and investment of finance in improving the after sale service quality to the contact.

8.5   Limitations of Current Research

One of the limits has to do with the use of a single key informant. The focus of the study on the nature of a dyadic relationship between a manager and their contact requires the perspectives of both parties to ensure validity of statements provided on e.g. the level of trust and commitment in the relationship. However due to challenges to do with feasibility of collecting data from foreign contacts, this study presented data on the perspective of the export manager only. In future studies, analysing data on the perspectives of both the export manager and his contacts should enhance the findings of a similar study.

The second issue is on the use of scales for the constructs; orientation to network (ON), contact knowledge (CK), and relationship-embeddedness (RE) which were built from scratch by the author. Despite improving them basing on the feedback received from the pilot survey of the questionnaires, in terms of reliability, these scales did not fare as well as the scales the author borrowed from previous studies i.e. internationalisation knowledge (IK), Experiential Knowledge (EK), Trust (T), Commitment (CM) and export performance (EP). This was due to the fact that the scales developed in this study have not undergone the rigorous test and polishing up as the borrowed scales have.

During reliability tests and factor analysis, a number of items in the new scales had to be dropped. This had a negative effect on two fronts;

(i)   After dropping some items, the new scales ended up with low reliabilities and needing more items to be added to them, but this could not be done as the data had already been collected at this point.

(ii)   After dropping some items scales, RE remained with two items only, this made the analysis difficult because the requirements for the Structural Equation modeling method of data analysis according to Hair et al., (2006) is that the minimum number of items in a scale used in SEM method should be 3 items.

(iii)   In the study, the respondents were requested to give information about a key contact that they had recently used to enter an export market. The key contact which respondents had used obviously varied in the sample. For some their key contact was a previous customer, while for some it was a supplier, a business colleague, or export agents etc. These relationships may not be easily comparable because they are different in terms of the nature of business that they are conducting with the manager. Some relationships may be contractual, while some may be more relational. It is possible that the nature of the business relationship may affect the quality of relationship. In order be certain of the clarity results, it is advisable that future studies should compare similar types of business relationships, e.g. a study of the relationship between managers and export agents only.

(iv)   On methodology; a qualitative – quantitative – qualitative approach to this study should have been an ideal way of further confirming and clarify the findings of this study. That is, further in-depth interviews with say, 4 to 6 of the companies in the sample would have been

carried out on use of business relationships, the role of experiential knowledge, and the role of technology in the building relationships. However, follow-on interviews are a task that the researcher intends to follow on after the completion of this study.

8.6   Directions for future research

Behavioural aspects of relationships like trust and commitment tend to develop and grow over time. Therefore, a longitudinal study could enhance the findings in a replication of this study. Future studies could map out relationships that an exporter has and follow them through a period of time to determine how export knowledge and export performance is improving overtime in relation to development in the behavioural aspects of relationships.

It would also be a significant addition to exporting literature if this study was replicated in a developing country context. Developing countries do not have access to efficient export support organisations like the Chambers of Commerce and other formal sources of foreign market knowledge found in developed economies. This should make informal sources of knowledge critically important to exporters in less developed economies. It would be worthwhile to determine how small exporting businesses in the less developed economies develop and manage these relationships (in the absence of Chambers of Commerce organised trade visits, and no access to the internet...etc.). The questions to be addressed in such a study could be e.g. 'Is the link between use of relationships and export performance stronger among developing economy small exporting businesses than those in developed economies where there are other sources of foreign market knowledge which small exporters can fall back on?

8.7 International Entrepreneurship: a literature up-date

Since the commencement of this study literature in international business has moved on. In the years between 1994 to date, most of the studies on the internationalisation activities of small firms fall in the literature domain of International Entrepreneurship (IE). IE is literature regarded to be at the intersection of international business (IB) and entrepreneurship theory. As a research filed, it is identified to have started out with the work of Oviatt and McDougall article published in the Journal of International Business Studies (JIBS) in 1994 (Keupp and Gassmann, 2009, p. 601; Autio, 2005). IE is defined as a combination of innovative, proactive, and risk-seeking behaviour that crosses national borders and is intended to create value in organisations (McDougall and Oviatt, 2000, p. 903). The characteristics and behaviour of the firms studied in this thesis have typical characteristics of INVs, especially in their entrepreneurial behaviour of seeking opportunities and use of the defensive role of network formation (Oviatt and McDougall, 1994). Use of networks is in line with importance of use of alternative governance structures for new ventures as highlighted in Oviatt and McDougall's definition of INVs. Due to this the following section will briefly bring up-to date some of the key IE literature developments that have occurred during the course of this study.

Oviatt and McDougall (1994)'s study was as a result of their noting the prevalence of international new ventures (INVs). They defined an INV as a business organisation that from inception seeks to derive significant competitive advantage from the use of resources from and the sale of outputs to multiple countries (p. 49). In their study they aimed at defining and describing the phenomenon of INVs.

Hence, they developed a framework explaining how international new ventures fitted within the theory of the multinational enterprise (MNE). In essence, they integrated the traditional MNE concepts of internalisation and location advantage with entrepreneurship research on alternative governance structures and with developments in strategic management on the requirements of sustainable competitive advantage. In their paper they described distinct types of international new ventures as shown in **Table 8:1**.

Table 8:1 International New Ventures

INV type	Description
New International Market Makers (NIMM)	• Their important value chain activities therefore most likely to be internalised are systems and knowledge of inbound and outbound logistics • They can either be Export/Import Start-ups or Multinational Trades • The Export/Import start-ups focus on serving a few nations with which the entrepreneur is familiar. • Multinational trades serve an array of countries and are constantly scanning for trading opportunities where their networks are established or where they can quickly be set up
Geographically Focused Start-ups	• They derive advantages by serving well the specialised needs of a particular region of the world through use of foreign resources • Competitive advantage found in the coordination of multiple value chain activities e.g. technological development, human resources and production
Global Start-ups	• The most radical form of INVs • derive significant competitive advantage from extensive coordination among multiple organisational activities, • their locations are geographically unlimited

Compiled from Oviatt and McDougall (1994)

Since Oviatt and McDougall's (1994) publication there has been several studies done in this field. However, the development of the field has faced many

documented challenges namely; the challenge of a concise definition of IE. From the original definition in 1994, Oviatt and McDougall have revised the definition to denote its IE's independence of firm size (McDougall and Oviatt, 1997), having stronger focus on opportunity recognition (Oviatt and McDougall, 2005), the role of organisational culture (Dimitratos and Plakoyainaki, 2003) as a dynamic process that evolves over time (Mathews and Zander (2007). Some authors have also argued that IE is not limited by age i.e. there is need to recognise corporate entrepreneurship because at the moment a typical IE study tends to still have a research question that focuses on studying small firms that venture abroad or small firms that start exporting (Keupp and Gassman, 2009, p. 602). **Table 8:2** presents a summary of some of the issues covered in this field.

Table 8:2 Some of the key papers in IE

Author and year	Contribution
Autio, Sapienza, and Almeida (2000)	Showed that the age at which a firm internationalised had an effect on entrepreneurial firm growth.
Dimitratos and Plakoyiannaki (2003)	Redefined international entrepreneurship as an organisation-wide process which is embedded in the organisational culture of the firm and which seeks through the exploitation of opportunities in the international marketplace to generate value (p. 189)
Zahra (2005)	Highlighted on how academics in this field have paid little focus to (i) the four INVs identified in the Oviatt and McDougall's original paper, (ii) the role of culture, geography, institutional environmental on INVs and (iii) INVs learning
Mudambi and Zahra (2007)	Showed that INVs have similar odds of survival as other modes of foreign entry, adding that INVs are especially useful in riskier industries, underscoring the importance of understanding a form's resources and industry characteristics and how they influence INVs' survival (pp. 348)

| Keupp and Gassmann (2009) | Their review shows that most studies in this field have a framework where the antecedents have included personal level, firm level, and industry and country level elements. These have been studied as having an impact on firm strategy, entrepreneurial orientation ... etc. These in turn have been shown to have had an impact on pattern and propensity for internationalisation pattern, degrees and export performance...etc |

Compiled by author

Theoretical and practical development is further hindered by the fact that most studies tend to be based on frameworks from IB theory, with few studies being based on entrepreneurship theory. Almost no study seeks to integrate thinking from both incorporated IB and entrepreneurship theory (Keupp and Gassmann, 2009, p. 603). Therefore, the future direction of this field is studies that incorporate both international business and entrepreneurship, studies on corporate entrepreneurship, studies explaining factors that determine INVs survival or failure (Mudambi and Zahra, 2007).

8.8   Studies whose research focus is similar to this study

Since commencement of the study, there have also been some key studies whose general focus has been similar to the focus of this study. Their key finding and key difference with this study are summarised in **Table 8:3**.

Table 8:3 Studies with a similar focus as this thesis

Author and year	Key contribution	Key difference
Ling-yee and Ogunmokun (2001)	Found that relational factors make additional contribution to both the competitive advantages of the firm and export performance	Confirm that export competeness is derived from relational factors, while in this study competitiveness is derived from both business relations (Morgan and Hunt, 1994) and tacitness of experiential knowledge (Johanson and Vahlne, 1977)
Lages et al., (2005)	Developed a new measurement scale for the construct relationship quality (the RELQUAL scale).	Their explanation of the link between relationship quality and export performance does not take into account the role of embedded or tacit knowledge obtained through relationships
Styles and Ambler (2000)	Confirm the impact of relational variables on export performance and the role of experiential data collection	Their model does not acknowledge the role of the entrepreneur in networking and acquisition of experiential knowledge This study found relational factors impact on export performance through the mediating effects of experiential and relationship embedded knowledge.

Compiled by author

8.9 Export knowledge acquisition through business relationships: the role of the internet

During the period between the year 2000 and 2009, there have been significant developments in information and communication technology (ICT), especially in internet related technology. However, in exporting literature, among exporting practitioners and export support organisations there is no evidence of appreciation of

these ICT developments, especially their role on the development of business relationships, and therefore export performance.

The general advantages of the internet for exporting have been recognised in past studies. For example, the use of the internet by businesses in reducing market entry costs (for example, by reducing search costs), easier communication with foreign buyers, by improving access and information on markets, e.g. consumers and standards in developed countries, linking the enterprise directly to consumers in developed countries, allowing enterprises to bid for contracts over the internet or to participate in a business-to-business exchanges (Clarke, 2008). However, while the general importance of the internet is acknowledged in most studies there is no mention of how specifically the internet is being used by businesses. For example, which tools of the internet do businesses use for which marketing purposes? In his study (Hamill, 1997) did highlight the role of the internet in supporting communication with different actors in the firm's international network. However, this direction of research has not been pursued much. Current developments in internet technology have brought more tools that can enable proactive search, development and maintenance of business relationships. Internet-based tools for networking referred to as Web 2.0 are discussed in the following section.

8.10   Web 2.0

Web 2.0 refers to the second generation of web development and web design that facilitates information sharing, interoperability, user-centered design and collaboration on the World Wide Web (www.wikipedia.org). The advent of Web 2.0 led to the development and evolution of web-based communities, hosted services,

and web applications. Examples include social-networking sites, video-sharing sites, wikis, blogs, mashups and folksonomies (www.wikipedia.org). Web 2.0 can be thought of as a set of applications and technologies that allow individuals to interact in online communities, directly exchange information with one another, and create their own online content (http://web2cpd.ning.com/profiles/blogs/topic-1-web-20-overview). According to Tapscott and Williams (2006)'s description;

> " ..today the Net is evolving from a network of websites …the internet is becoming a giant computer that everyone can program, providing a global infrastructure for creativity, participation, sharing and self organisation" (p. 37)

This development in the internet is referred to as 'groundswell' by Li and Bernoff (2008). They define 'groundswell' as a social trend in which people use technologies to get the things they need from each other, rather than from traditional institutions like corporations (Li and Bernoff, 2008, p. 9). Groundswell trend includes social networks, like MySpace, Facebook, and user-generated content sites like YouTube, and the online encyclopaedia Wikipedia... etc.

Social networking websites like MySpace or Facebook, and LinkedIn which targets working professionals have the technology which makes their sole existence facilitation of relationships. There are other industry websites which achieve a similar purpose, i.e. facilitating networking among businesses in those industries. Tapscott et al., (2000) explain the existence of 'business webs' (b-webs), which they describe as;

> ".. inter-networked, fluid—sometimes highly structured, sometimes amorphous— sets of contributors who come together to create value for customers and wealth for their shareholders. The contributors typically include suppliers, distributors, commerce services providers, infrastructure providers, and customers—and in the most elegant of b-webs, each participant focuses on a limited set of core competencies, the things that it does best.."

(In an interview with Harvard Business School on their book Digital Capital, Harvard Business School Press, in the year 2000)

In addition, there are developments in websites used to enhance international business relationships. For example, a website called GlobalScot (www.globalscot.com) belonging to a Scottish support organisation (Scottish Enterprise). This site is an initiative by the Scottish Enterprise working in partnership with the Scottish Government and Scottish Development International. GlobalScot develops a network of individuals who are outstanding in their field, i.e. talented leading Scots and people with an affinity for Scotland. It then invites Scottish businesses to become members of the site for free, and encourages them to network with the influential individuals who have already found great success in their chosen field. Through relationships with these contacts Scottish business access the practical advice they may need to break into overseas markets, access information on these individuals contacts, local knowledge and general business experience.

Despite the existence of Web 2.0 technology a survey reported in an article by Andrew Colley in *The Australian* (2008) stated that 50 per cent of businesses across the Asia-Pacific region saw Web 2.0 as a business opportunity, while about 8 per cent see it as a threat. With the existence of these technology developments, this study has further recommendations for the public sector and businesses in both developed and developing nations on why they must leverage Web 2.0 for the development of business relationships.

8.11   Recommendations for developed countries

i.   The role of social networking websites and b-webs as tools for developing useful business relationships: competitiveness in exporting requires development of successful business relationships, such that use of email and developing good websites is not enough for generating meaningful business relationships. There are more effective tools and websites that entrepreneur need to consider, evaluate, invest in learning how to use them, and adopt them as part of their exporting strategy. The internet for business is not that it is becoming faster, safer, and more robust—but that it is becoming rich in function (Tapscott et al., 2000). Therefore, the social networking sites should be harnessed as a tool for developing relationship with export agents, foreign customers...etc.

ii.   The role of social networking sites in recruiting early adopters and skilled users of the internet: one way of being competitive at developing business relationships is recruiting employees who have networking skills. It is known that some business employees use social networking sites for their own personal recreation. Instead of banning the use of social networking sites, businesses could take advantage of these skills in their employees and have them used for business purposes in a controlled (internet secure) environment. For example, websites like LinkedIn has members who are already familiar with this technology change. Therefore, recruiting should also cover sources like LinkedIn. Small businesses should consider such a site as a good place to target when recruiting potential employees.

iii.   Web.2.0 allows accessing customer and other industry players' feedback, in addition to opportunities for advertising and branding.

In Scotland, companies that that have not yet adopted e-business said that they did not do so because they do not see the value to their business or they do not have the right skills to do so (Scottish Enterprise, 2003). Bearing this in mind, export support organisations and government, in addition to supporting initiatives like foreign market trade visits (which are critical for accessing experiential knowledge) it is worthwhile that they invest in training small businesses on how to use Web 2.0 tools. This training will allow small exporters to familiarise with using the web as a networking tool. More initiatives with a similar focus as that of GlobalScot are worth investing in. These sites provide entrepreneurs with a faster route to interacting with business contacts of their interest, and take initiative to travel and gain experiential knowledge in foreign markets by themselves without having to wait for the next trade visit organised by the Chambers of Commerce or any other government body.

Another initiative worth mentioning is the Passport to Export Scheme which is run by the UK Trade and Invest a government organisation that helps UK companies with the international trade activities. This initiative offers new and inexperienced exporters free capability assessments, support in visiting potential markets, mentoring from a local export professional, free action plans, customised and subsidised training, and ongoing support once the business is up and running. This is an initiative in the right direction as it fosters the building of relationships between small business managers and foreign country market experts. However, even with this initiative the use of technology in building relationships should be

included as part of the training offered. This training would enable the businesses to build relationships with not only experts, but the foreign market distributors and agents.

Secondly, universities should consider providing modules on use social networking websites to business practitioners. Some of the reasons why businesses do not use social networking sites is said to be security fears, and the perception that these sites are a fad for teenagers where most of the information exchanged is trivial (BBC News, October, 2008, accessed from http://news.bbc.co.uk/1/hi/business/7695716.stm). These myths can be expelled with training which provides firms with the initial exposure to the use of these websites, training on how to incorporate the Web 2.0 technologies into business strategy, and training on how corporate security can be put in place.

Thirdly, owners of industry directory sites should aim to upgrade their sites so that they can be more interactive. Many industry directories take the form of www.themedweb.co.uk/manufacturers which is a UK directory for medical equipment manufacturers. While directories tend to have comprehensive lists of industry players, some of these sites are not interactive. If these sites were interactive, the participants would be enabled to have real-time, online communication with other participants on the site quickly, enabling development of business relationships.

8.12 Recommendations for developing countries

According to UNCTAD (2004), internet adoption in developing countries is on the increase; however, internet users in the developing world are concentrated in a handful of countries like China, the Republic of Korea, India Brazil and Mexico (i.e.

emerging markets). In spite of the rapid development; developing countries remain ten times lower than the average of the developed world. The lowest ranking countries are mostly African countries (Chad, Ethiopia, Central African Republic and Malawi) and Asian countries (Myanmar and Bangladesh). In transition economies enterprises that were connected to the internet were more likely to export than enterprises that were not (Clarke, 2008). In their study of Ghana, Sorensen and Buatsi (2002) found that while internet use adoption by exporters was on the increase, it was mostly used for emailing. Use of web-pages was present but mostly it was a reactive and not proactive use where the exporters hoped to be discovered by their customers rather than them conducting an active search of their own. Apart from lack of infrastructure some of the reasons for not using the internet in developing economies are; few suppliers and customers are online, slow unstable connections, lack of network security (a key problem in both developed and developing nations), and lack of technical skills. Vodafone (one of the major mobile phone operators in Africa) at G8 summit, in July 2009, provided the following recommendations for governments in Africa;

i. Investing in the development of internet technology infrastructure to improve internet bandwidth and speed.

ii. Introduction of policy and regulatory reforms that create a competitive market for Internet Service Providers (ISPs).

iii. Since the development of mobile phone technology and access to phones has grown much more than that of internet technology, government should focus on investing in mass market internet access through the use of mobile, or at least, radio-delivered approaches (Borthwick, 2009).

Even though internet facilities are few and slow, exports support institutions, and individual entrepreneurs could still take advantage of Web 2.0 opportunities. For example;

i. Chambers of Commerce could invest in training and exposing entrepreneurs to the internet

ii. Entrepreneurs who have access to the internet, even though this is limited access, need to use their limited access to join in the so called 'groundswell'. For example, through being part of social networking sites, and/or relevant industry b-webs. Membership to these sites is free; therefore this could allow them to interact with potential customers and foreign distributors directly. The advantages offered by these sites could be revolutionary in terms of cutting costs. For example, farmers in developing countries lose out on their potential income because they need to cover the costs of having to use the services intermediaries e.g. governments, cooperative associations, and non-governmental bodies in order to trade internationally. Interacting directly with potential customers and foreign distributors could cut out the role of these middlemen.

iii. Entrepreneurs need to be more proactive in the use of the internet, by using it for as a tool for foreign market research and formation of business relationships.

Appendices

Appendix 1: Transcripts for the preliminary in-depth interviews

<u>COMPANY 1</u>

Thandiwe: Because your company is really hi-tech, I don't really understand the product that you manufacture….?

We manufacture ultrasound scanners which are used mainly in human applications. Ultrasound is mainly used mainly in human medical applications ….but what we do is manufacture specialised systems for animals, for farmers for vets, and researchers, but we use exactly the same technology as human systems but have to be designed to be more robust and provide may be less detail but larger areas of the animal in situe, and make diagnosis from aaa …quickly from a large area of an animal, so we are a company in ultra sound scanners purely for veterinary and farm use.

Thandiwe: When was the company formed?

20, years, so it will be …1983

Thandiwe:..and how many employees?

25

Thandiwe: so do you export?

 We do export, about 30%

Thandiwe: Which countries do you sell to?

Our main markets are Australia and New Zealand, America, and Middle East

Thandiwe: For the recent export sale that you made how did you get to know about that particular market?

Because we only manufacture the scanners for animal use there has to be a pay back, there has to be some benefit to the person who owns the animal…in the main they are used for pregnancy detection if…err our main market is probably sheep as these can be used to determine; 1. if they are pregnant and 2 to determine how many lams they are carrying which will alter the management of the animal depending on the number of foetuses that they are carrying so if a mother has two lambs you have to give her more feed than you would if it only had one lam, because she has one lam to produce, so in that way we just look at the areas where cattle production is important and is well managed, so Australia, New Zealand, have huge populations err America, has not such a big sheep population, but they have a big cattle population which is

why they are important to us and in the Middle East and they have a lot of highly intensive sheep..because they have to keep them in doors because of the lack of grass so again the feeding is very important so they would like to know how many lams a sheep is carrying and how of much food are they going to use and how many lams they going to have to slaughter at the end of the period..at the end of the day. So it's quite easy for us to identify markets by the number of animals in that country and how they are managed…in those country and how they are farmed, and countries in Europe like in Spain and Portugal they have lost of very small farms and the farmers don't manage, they don't have intensive research for their animals…. If they produce if they don't they don't whereas in these other countries …it's very important that the manager sets a viable financial so we can identify markets very easily just by knowing where there is animal production

Thandiwe: Are you directly in touch with particular customers?

More with our agents, we work towards to sell, the other markets which we have not as yet really got to …but are beginning to ..important..say America,.. the financial position seems to be improving… and to some extent South Africa, are getting more and more interested in sheep,

Thandiwe: So for example if you were to go to South America to sell, what will be like a standard procedure you would follow to actually start selling there?

We would start off by coming out to the internet looking for companies that specialise in agricultural products, they might be totally unrelated, that might be selling irrigation equipment or trying to meet may be there..of the market….you know where the farmers are, and from there we would try to find a number who may be had some high technology or higher technology, ..like they could be selling …visual examination equipment or some of the top end farm equipment

Thandiwe: Do you ever use the trade fairs?

Yeah, I use the Trade fairs in at least…, we found they were quite useful, and we use trade fairs when northern Europe which are so small…. and we use in North America which ..we …weren't so successful,

Thandiwe: What do you mean 'successful?'

We actually made contacts with people, we continued to work with some of the companies….they are good business for us.

Thandiwe: for those contacts that have been useful, what are the qualities, or how would you describe them

The ones that we have most successful with, they are the ones which did actually know the business, they had to spend some extra time diversifying part of the business ..but we spend a lot of time…learning our side of the business ….people who are prepared to employ technical aaa fairly high level of technical support service … and just basically enthusiasm…young people would like to make a small business and are prepared to put a lot of effort into it.

Thandiwe: ..that are very entrepreneurial?

It's interesting because to start to develop a market it's a very individual …I dint know of any other company that specialises in what we do, they are companies, …where they double or where they sell medical systems and they try to sell some on to …and stuff, but no one goes the other way, we do not ..at all where hospitals or human, we only do veterinary , so its..eh, there is a great deal of competition, but you know you have to go out there and work to introduce the product then to support it if the customer needs any help??

Thandiwe: So how do you promote your products?

Mainly now on the internet, it used to be magazines, journals..we found it that if we advertised in the UK, sort of farming journals??........we certainly went to Australia and New Zealand and of course a lot of the vets used to be UK trained we still get information???, now I think it's the internet..most people just go to the internat..? they can find…

Thandiwe: Apart from contacts??..you also use agents, do you also use distributors

Ya that's what I mean by an agent, commission agents or distributors which are .. but they .. are….. *(not clear)*

Thandiwe: Could they also be possible sources of information for potential markets?

Oh ya, ya definitely…occasionally we have people come to us and say that there is a market here and could we…and at the moment we are working as I say in South America, trying to .but they are not producing business at the moment you know, and this is.. may be in 4 years now, time

Thandiwe: What would be like a typical scenario where you have someone..or people who say here there is a potential market, how would that happen?

It would mainly be that some other customer or our viewer/dealer has seen on the internet and they will come back to say they have got information..so we would send our information..and say right ok, you have got our information where does this lie on where you can serve??or where does it lie within your needs is this …within your market and should we try and set up some demonstrations or speak to government officials or we would at that and we would try and ..but in the main its individual companies who would come to us say we can do this for you…?

Thandiwe: of the contacts, which ones give you most reliable information?

It can be either I mean, the obvious answer is that the most successful ones , the ones that sell most products, because they speak to more people but probably our newest market is the United States of America and we are getting a lot information from them that we hadn't been to gather before because we have dealing with companies which were really specialised in human ultrasound and now we are dealing with a person who does veterinary animal husbandry ultrasound so we are getting better responses now.

Thandiwe: So for someone who is specifically in your field will be much more useful to you than

And there are lots of people who are in the ultrasound we call them the technology ultrasound, but most of them are in human ultrasound if we can find somebody that's going to be interested in vet ultrasound that's …

Thandiwe: are there contacts in outside industry who link you up with potential markets

Yes!..no, I suppose they are always in our industry *(..ring, ring – phone rings)*

Thandiwe: DTI?

(Interview ends because we were out of time)

COMPANY 2

Thandiwe: What does the company manufacture and sell?

The company manufactures drug delivery systems. As of now they manufacture a product patented as Cervidil® and Propess®- and their innovation is based on their development of a polymer-a hydrogel that forms the core of their products which is prepared to highly purified standard by washing to remove extractable residues

Thandiwe: Who is the target market?

The company's products are targeted at the pharmaceutical market- and their product is sold to hospital in different countries

Thandiwe: When was the company formed?

It was established in 1986

Thandiwe: How many employees does the company have?

Now it employs 60 people, about 50 employees in the UK, and about 8 people in their US branch

Thandiwe: What are the current company's international markets?

USA, Canada, Germany, Italy, Spain, Portugal, (not Republic of Ireland- because of the concerns that the drug might be used for abortion purposes), Australia/New Zealand, Switzerland, Libya, Saudi Arabia, China, Taiwan, Korea, India, Hungary, Poland, Czech republic, Mexico, Brazil.

Thandiwe: How did you learn/know about the recent market you are exporting to?

The company's strategy is to license the marketing and distributing of emerging products to commercial partners. Therefore the task of inquiring about markets is mainly left to these agents- or licensees. And most of the sales tasks are handled by the company's branch in the US. However the company also acquires information and makes contacts through attending trade shows, and also through attending Pharmaceutical Licensing Conferences- these are meetings for the companies in this industry where firms meet and discuss matters of common concern and where they also present papers.

Thandiwe: What information/knowledge did you require before making the decision to enter this market?

Before any decision to sell abroad the company requires information on the macro environment of the potential markets for the companies that are

currently operating in the potential markets because mainly they want to decide on the level of competition in that market, and also to predict if there are potential subcontractors or those interested in joining up with them in developing their products- and this information is collected through a company that produces printed data from a market research which it carries out- and they also get that information from a journal called the Drug Delivery report which comes out every three months.

The company is not necessarily proactive at searching for markets; apparently what they do is advertise their products with a magazine owned by Pharma Ventures based in Oxford. And this magazine lists 80 companies which advertise in it's a magazine- and if potential customers inquire about their products, the Pharma Ventures gets in contact with them, and then they assess if they are a potential market to pursue through their agents.

Thandiwe: How did you form the business contacts that you have at the moment?

The contacts which the Scottish branch of the company has are a few they are all business contacts- which have not really been conducive to any sale that the company has had.

Thandiwe: What are the different types of contacts that you have used to acquire market information?

The company regards all the contacts that it has had as being very useful, and they can't be categorised as those that have been useful or not

Thandiwe: If you were to categorise them e.g. as business, personal, or family contacts;

For those contacts made by the management in Scotland they are all business contacts

Thandiwe: How are your typical export decisions made?

The typical procedure of how an exporting decision is made is as follows:

The manager finds data on a particular potential market through the reports published in the magazine mentioned above, they pass it on to the agent responsible for that country or who can service that country, the agent then gets in touch with the customer and both the management and the agent finally decide on whether to export to the market or not- the distributors are found by the agent- basically everything that concerns making sales.

Researcher's Comments:

From the discussion with this company and Company 5 (the company interviewed on the phone) – it was obvious that most small firms licence their sales and marketing activities to an agent- therefore they are not directly involved with the actual search of market information and exporting. They do have contacts but these are mostly product development related- while those that involve marketing information are made by the distributors or the sales agents/licensees. Therefore this questions my original thinking that my unit of study should be the company's marketing director- because most companies don't have these. This has therefore made me decide that the criteria for sampling will be

- small companies – that companies with less than 200 employees
- companies that manufacture and sell/export their products abroad
- companies that apart from using sales agents, they also generate and get aware of potential markets by themselves, through contacts/personal sources of information

Note*: At the time of this interview, the research did not have a voice recorder. The researcher wrote down the answers that the respondent gave as he spoke. This was not an effective way to conduct an interview, because facts were missed as the notes were being taken.*

COMPANY 3

Thandiwe: What does the company manufacture and sell?

The company manufactures a high technology downhole Measurement While Drilling system equipment used primarily in the guidance of drilling well down onto a chosen reservoir target. And the equipment is sold under the trade name 'Orienteer MWD System'

Thandiwe: Who is the target market?

Oil and gas drilling service companies, government and private domestic companies in the Oil or gas drilling industry

Thandiwe: When was the company formed?

The company was formed in 1989 by 5 people who previously worked for ICI the Oil company

Thandiwe: How many employees does the company have?

Now it employs 60 people- it is a small firm after all, but a very successful one. It has won 2 export awards and 2 other awards since 1989

Thandiwe: What are the current company's international markets?

Algeria, Argentina, the North Sea (UK), USA, Russia, Canada, Iran, China

Thandiwe: How did you learn/know about the recent market you are exporting to?

A standard market entry process for each of the entry into markets starts by attending the Trade Fairs, or Trade mission visits. On these they are offered with a list of the industry players in different countries, from the list they then screen out their potential markets and potential customers. These visits are organised by the Export Promotion Council, DTI etc. The manager said these mission trips only help them to have overview knowledge of the potential market. And, they are cheaper means of getting to the potential markets because these trips are partly paid for by the organising bodies. However the information collected from these is not specific enough for them to base a decision on. He continued to say that there is no substitute for the company itself making visit to search for potential partners by themselves. He went on to say that through Trade missions or export promoting associations, meetings are arranged with heads of states and other prominent government officials of the potential market, however these are very formal meetings therefore not very useful to their specific information needs. After these formal meetings, they then search and try to get hold of local potential trade partners by themselves.

Literature reviews, trade partners' country specific requests, mail shots, exhibitions, trade missions participation are the most commonly used sources of information.

Thandiwe: How did you form the business contacts that you have at the moment?

The contacts were made through visits to the potential target markets and through existing customers.

Thandiwe: What are the different types of contacts that you have used to acquire market information?

Most of them are their current customers.

The company values these contacts so much that they invest into maintaining these contacts. Apart from continuous communication with the contacts, they relate with them even in non-business settings, e.g. they invite them for dinners, and invite them to meet their families, they invite them over to their Scotland premises where apart from the training them on how to best use the product itself they take them around on tours of Scotland!

Note*:*

• This was a very brief interview, due to the respondent's time constraints.

• At the time of this interview, the research did not have a voice recorder. The researcher wrote down the answers that the respondent gave as he spoke. This was not an effective way to conduct an interview, because facts were missed as the notes were being taken

COMPANY 4

Thandiwe: I read a little bit about your company on your webpage, ..that you started out in 1994, but I couldn't understand the actual products because they are technical

Our main range of products are educational packages which h we sell worldwide to University teaching laboratories, basically what we offer is a fully self contained package for the Lecturer, including all the hardware to perform experiments and also support literature package which include lecture notes, tutorial questions, instruction manuals etcetera, so the Lecturer can purchase these from us and immediately install them in the laboratory.

Thandiwe: So they are not teaching tools for a specific discipline?

It is for a specific discipline, it's called Opto electronics that's the area of expertise that we have and we sell them into those departments

Thandiwe: Ok…and on your website it says you sell them to educational and industrial, what do you mean industrial..?

Industrial as well but may be not much as important in this area, mainly university teaching laboratories

Thandiwe: Where do you export to?

We export world-wide, roughly may be 25% Europe, probably 35% Pacific realm…, and the remainder split among … say America etc.

Thandiwe: Do you have like a specific figures of countries you have sold to, so 10, 30 countries?

Er…, we have probably sold …, I don't have a specific number, we've probably sold to more than 30 countries world-wide

Thandiwe: When did you start exporting?

Probably when we began operations, we had to develop the products first, we sold the first product in 1995, and some of those went to Malaysia, … we were exporting immediately, the particular discipline we operate in is Universal, you have to teach students same technology, so its directly applicable to anyone or anyone any University worldwide.

Thandiwe: How did you know about your first market?

The main market, we …, obviously we came from an academic background it was easy enough to target the particular people who were present in the particular sector we were operating were interested in, which is opto-

electronics area so we could identify people who were interested in that area we gradually built up data bases that way, that and then through international exhibitions.

Thandiwe: Are you a spin-off from Strathclyde University then?

We are originally a spin-off, but it was set up independently, there are still some of the Professors in Strathclyde involved and are non executive directors of the company, but I left the University to set up the company.

Thandiwe: Are you, your background is an academic?

Yes. I did my PhD in Strathclyde

Thandiwe: OK

Thandiwe: So apart from your contacts that you had in your field already, how did you, …what are the other sources of information that used to find markets;

Er.. to get to develop markets principally what we use is our website, which is, a where people obtain most of the information on the products, also search engines etc, we use international exhibitions in the particular sector we operate in whether its teaching optics, or in general photonics conferences exhibitions, we also use direct mail marketing, email marketing, and we also sell overseas using distributors as well, so principally they are the main methods that we use, for accessing and identifying personnel in market we use web searches and everything else in university websites,

Thandiwe: I am really interested in networks and business contacts, so the contacts that you have that you built up since 1994, are they suppliers are they customers, how do you categorise them?

Er well, it depends, you are going to have different areas that you have obviously suppliers who will supply … err… either alliances with whatever and within there that would be a different sector you build those through the methods that I was talking about already.. and you have to use….. and within the particular area you would actually contact other people who are operating may be not in your exact sector, but may be in other areas, maybe opto electronics area certainly if you were looking for distributors things like that, you get in touch with them see how they get along operating with a particular distributor, so you take that on board, so that way you are using networking..say suppliers are or all the contacts that you have in a particular area

Thandiwe…I suppose that may be they provide you information for different purposes, but which one would you say, may be useful to identifying markets?

Probably a lot of market identification mediums for certainly educational products would be directly done by ourselves because we would be using web searches, because you can actually focus in on the people that you actually want to target the information to, or other products is that may be our products that we are developing at the moment, a lot of that would be done may be through contacting the various parties responsible for a particular market we are looking at which in this case would like environmental…. So we get in touch with…like the environmental agency, like the Scottish environmental protection agency..identify various…talk to people there or we set up alliances with them or other people to other joint venture people who are not operating in our area but have expertise which complements what we are trying to do and that may what you are more looking at which is the use of networks to whatever build up basically a profile for the company in an a new sector

Thandiwe: Ok for example a recent sale that you made or a recent market that you entered, could you explain to me the decision process that you went through, or how you go to know about it

Well first of all you would identify the various markets which you want to target a decision made on that first would be is it may be English speaking? Which is easier for the products that we are trying to sell and the support material then you can easily identify the Universities and you can identify the…with there you can always …non English speaking, or whether far removed from Glasgow which makes it more awkward may be..telephone conversation then you would probably think of finding a particular distributor to look at…. and we would identify distributors either through other companies operating in our general field and who use overseas representatives and I talk to them and find out how they operated . the other option is using things like British Council, the various other DTI help desks, they have all been used to ask as well as identify particular aspects of the market or particular people within the market that we should start getting in touch with

Thandiwe: So for example like the DTI they have services whereby you can actually….

Oh well they certainly have

Time is up, interview ends

Note: the fifth company (which was the first one to be interviewed) was interviewed over the phone. The findings were recorded in a much summarised way due to lack of experience on the part of the researcher.

Appendix 2 The scales used to measure the constructs and their sources

Construct	Item	Source	Question No.
Internationalisation Knowledge	• Perceived lack of senior management international experience • Perceived lack of international marketing planning and implementation experience • The difficulty in determining foreign business opportunities • The inability to easily modify marketing mix elements for foreign markets	Eriksson et al, 1997; Hadley and Wilson, 2003	Q16a Q16b Q16c Q16di, ii, iii,iv
Networking Orientation *Validation item*	• Finding contacts that provide export market knowledge is a matter of chance • There is no substitute for export market knowledge acquired through contacts • Contacts which can provide export knowledge are easily found • Maintaining relationships with contacts has contributed to our success in exporting • It is essential to have overseas contacts in order to understand foreign markets • *In this firm, efforts of staff to develop overseas contacts are actively supported*	Author " " " " "	Q18a Q18b Q18c Q18e Q18f *Q18g*
Trust	• Confidence that the contact acts in the company's interest • At times this contact cannot be trusted • This contact can be counted on to do what is right	? Adapted from Anderson and Narus , 1984, 1990 Adapted from Styles and Amber, 2003	Q30a Q30c Q30d

Commitment	• Intention to maintain relationship indefinitely • Deserves maximum effort to maintain • *Level of expenditure invested in the relationship* • *Amount of time invested in the relationship*	Styles and Amber, 2003 Styles and Amber, 2003 *Author* *Author*	Q30f Q30e *Q36* *Q37*
Validation questions			
Contact knowledge	• The contact has good understanding of customer requirements in this export market • This relationship did not provide us with all the our needs for knowledge about this market • This contact understands our export knowledge needs for this market • This relationship has led to many other useful contacts • This contact has opened doors to new customers for us • The contact is well connected in the export market	Author " Adapted from Yli-Renko, Autio, Sapienza, 2001 " Author	Q32a Q32 Q35c Q32h Q32i Q32b
Relationship-embedded knowledge	• Competitors having just as a good a relationship with the contact • There are other sources where we could get the knowledge we got from this contact • We could have easily acquired the same quality of knowledge from our other contacts • Our competitors have access to similar export knowledge	Author " " 	Q35e Q35a Q35b Q35d

222

Experiential knowledge	• Developed international experience	Eriksson et al 1997; Hadley and Wilson, 2003	Q33a
	• Developed international marketing planning and implementation experience		Q33b
			Q31a
	• Developed ability to determine foreign business opportunities		Q31b
			Q33b
	• Developed ability to easily modify marketing mix elements for foreign markets		Q33d
			Q33e
	• Acquired knowledge of knowledge of foreign laws		Q33f
	• Acquired knowledge of foreign norms		Q33g
	• Acquired knowledge of foreign standards		Q33h
	• Acquired knowledge of foreign competitors		Q33i
	• Acquired knowledge of foreign distribution channels		Q33j
	• Acquired knowledge of foreign business contacts		
	• Acquired knowledge of needs foreign customers		Q31b (a, b, c, d)
	• Acquired knowledge of potential foreign customers		
	• Acquired knowledge of how to modify your marketing mix		
Validation question	• *We wouldn't have been successful in this market without a relationship with this contact*		*Q32c*
Exporting Performance of the venture	• Manager's perception of the performance of the venture	Styles and Ambler, 2002 Piercy and Kaleka, 1998	Q35
	• Manager's perception of the performance of the venture in comparison to competitors		Q36
	• Export sales of the venture		Q37
	• Export profits		Q38

223

Appendix 3:Questionnaire for the survey

Business Contacts Survey

This questionnaire has been carefully designed to take minimum time to complete. No reference will be made to individual companies, and your answers will remain strictly confidential.

1. **Company name** _____

2. **Year of company formation** _____

3. **The number of full-time employees**_____

4. **Please provide a brief description of your company's main line of business** e.g. '*Manufacturing and selling sterilisation equipment for Pharmaceutical Companies.*'

    _____

5. **What is your position?** Please tick <u>one</u>, choosing the position closest to your job description.

    Managing Director ☐

    Sales/Marketing Director ☐

    Production Manager ☐

    Other, please specify_____

6. **For how many years has your company been exporting?** _____Years

7. **How many foreign country markets do you export to at present?** Please state the approximate number. _____

8. **Who are your main customers?** Please tick <u>one</u>.

    Mainly other businesses ☐   Mainly individuals ☐   Both ☐

Export Information

In this section, I want to ask you about the sources of export information that your company uses

9. **Which of the following export information sources do you mainly use?** Please tick <u>all</u> that apply.

    Export support organisations e.g. the DTI, Scottish Enterprise ☐

    Other organisations e.g. business libraries ☐

    Industry contacts e.g. customers, suppliers, distributors ☐

    Business colleagues/associates ☐

    Personal contacts e.g. friends, family ☐
    Other, please specify_____

10. **Please indicate your preference for the following ways of getting export information?** On a scale of 1- 7 where 1 is Most Preferred and 7 is Least Preferred, please indicate by circling the appropriate number.

	Most Preferred						Least Preferred
Personal contact through meetings	1	2	3	4	5	6	7
Telephone conversation	1	2	3	4	5	6	7
Personal visits to foreign markets	1	2	3	4	5	6	7
Impersonal web-based sources e.g. visiting export related websites	1	2	3	4	5	6	7
Use of your company's own website	1	2	3	4	5	6	7
Monitoring industry related journals	1	2	3	4	5	6	7
Use of export support organisations e.g. the DTI, Scottish Enterprise	1	2	3	4	5	6	7

11 How useful are the following in providing you with information <u>about potential customers</u> in foreign markets? Please indicate on the scale of 1- 7, where 1 is Most Useful, 6 is Least Useful, and 7 is Not Used, by circling the appropriate number.

	Most Useful					Least Useful	Not Used
Export support organisations	1	2	3	4	5	6	7
Customers	1	2	3	4	5	6	7
Suppliers	1	2	3	4	5	6	7
Distributors/Agents	1	2	3	4	5	6	7
Competitors	1	2	3	4	5	6	7
Personal friends/family	1	2	3	4	5	6	7
Business colleagues/associates	1	2	3	4	5	6	7

12 How useful are the following in providing you with information <u>about how to carry out business</u> in the foreign market? Please rate them on the scale of 1- 7, where 1 is Most Useful, 6 is Least Useful, and 7 is Not Used, by circling the appropriate number.

	Most Useful					Least Useful	Not Used
Export support organisations	1	2	3	4	5	6	7
Customers	1	2	3	4	5	6	7
Suppliers	1	2	3	4	5	6	7
Distributors/Agents	1	2	3	4	5	6	7
Competitors	1	2	3	4	5	6	7
Personal friends/family	1	2	3	4	5	6	7
Business colleagues/associates	1	2	3	4	5	6	7

The Respondent

In this section I would like to ask some questions about you

13 Including job positions prior to your current one;

a. For how long have you been involved in exporting? _____years

b. How many countries have you had the experience of exporting to? Please state the number _____

14 In which of the activities below do you invest most of your time? Please tick <u>one</u> box only.

Acquisition of new contacts ☐

Maintenance of relationships with existing contacts ☐

In both of the above ☐

None of the above ☐

`

15 How well connected (in terms of business contacts) would you say you are in; (a) the UK market (b) export markets in general? Please rate yourself on the following scale, where 1 is Not at all connected, 7 is Very well connected

	Not at all connected					Very well connected	
In the UK market	1	2	3	4	5	6	7
In export markets <u>in general</u>	1	2	3	4	5	6	7

16 To what extent are the following factors barriers to your company in finding export markets abroad? On a scale of 1 to 7, where 1 is To a great extent, and 7 is Not at all, please indicate by circling the appropriate number.

	To a great extent						Not at all
Senior management's lack of international experience	1	2	3	4	5	6	7
Lack of experience in international marketing planning and implementation	1	2	3	4	5	6	7
The difficulty in determining foreign business opportunities	1	2	3	4	5	6	7
Lack of knowledge on how to modify your marketing strategy	1	2	3	4	5	6	7

17 To what extent do you agree with the following statements? On a scale of 1 to 7 where 1 is Completely Agree, 7 is Do not agree, please indicate by circling the appropriate number.

	Completely Agree						Do not Agree
Finding contacts that provide export market knowledge is a matter of chance	1	2	3	4	5	6	7
There is no substitute for the export market knowledge acquired through contacts	1	2	3	4	5	6	7
Contacts which can provide export market knowledge are easily found	1	2	3	4	5	6	7
Maintaining relationships with contacts has contributed to our success in exporting	1	2	3	4	5	6	7
It is essential to have overseas contacts in order to understand foreign markets	1	2	3	4	5	6	7
In this firm, efforts of staff to develop overseas contacts are actively supported	1	2	3	4	5	6	7

The Contact

In this section I am interested in <u>one</u> key contact outside of your firm from whom you have acquired export knowledge. This should be knowledge that you have used to enter or operate in a particular export market within the past 3 years. If you have several contacts, concentrate on the one that has had the biggest impact on your firm's export operations.

18 Who is the key contact you have in mind? Please tick <u>one</u> box only

Customer ☐

Supplier ☐

Distributor/Agent ☐

Competitor ☐

Business colleague/associate ☐

Personal friend/Family ☐

Other, please specify_____

19   Please name the country market for which the knowledge you acquired from this contact helped you enter or operate? _____

20 In which year did you meet this contact? _____

21   In which country was the contact based when you met? _____

22 Does the contact work in a business?   Please tick <u>one</u> box only

Yes ☐   No ☐

If yes, please provide a brief description of the contact's main line of business.

_____

227

23 How frequent has your interaction been with this contact (a) in the year you met (b) in the current year? Please tick <u>one</u> box in each column

	The year you met	Current Year
At least once a week	☐	☐
1-3 times a month	☐	☐
At least once every 3 months	☐	☐
Rarely	☐	☐

24 When were you last in touch with this contact? Month_____ Year_____

25 How did you meet the contact? Please tick <u>one</u> box only

Through a business meeting	☐
Through a sales visit to a foreign market	☐
Through our company website	☐
As a result of prior order	☐
The contact got in touch with us to make an enquiry	☐
Through an informal meeting	☐

Other, please specify_____

26 To what extent has your relationship with this contact led to other useful contacts (a) in this export market (b) in other country markets? On a scale of 1-7 where 1 is Led to many useful contacts and 7 is Has not led to useful contacts

	Led to many useful contacts						Has not led to useful contacts
(a) In this export market	1	2	3	4	5	6	7
(b) In other country markets	1	2	3	4	5	6	7

27 How well do the following statements describe your relationship with this contact?

	Do not Agree						Completely Agree
We are confident that this contact acts in our interest	1	2	3	4	5	6	7
We maintain a close social relationship with this contact	1	2	3	4	5	6	7
At times this contact cannot be trusted	1	2	3	4	5	6	7
This contact can be counted on to do what is right	1	2	3	4	5	6	7
This relationship deserves maximum commitment to maintain	1	2	3	4	5	6	7
We intend to maintain this relationship indefinitely	1	2	3	4	5	6	7

28 To what extent do you agree that through the knowledge you acquired from this contact;

	Do not Agree						Completely Agree
You were able to identify foreign business opportunities?	1	2	3	4	5	6	7
You were able to easily modify your Marketing strategy	1	2	3	4	5	6	7

29 Roughly, how many customers have you sold to through this contact? Please put a figure_____

30 How best do the following statements describe the contact and his contribution to your operations in this export market? , On a scale of 1-7 where 1 is Do not Agree, 7 is Completely agree. Please indicate by circling the appropriate number.

	Do not Agree					Completely Agree	
This contact has a good understanding of customer requirements in this export market	1	2	3	4	5	6	7
This contact is well connected in this export market	1	2	3	4	5	6	7
The knowledge we acquired has made us more efficient in our exporting activities	1	2	3	4	5	6	7
Our relationship with this contact gave us a 'feel' for how to conduct business in this market	1	2	3	4	5	6	7
This relationship did not provide us with all our needs for export knowledge on this market	1	2	3	4	5	6	7
We wouldn't have been successful in this market without a relationship with this contact	1	2	3	4	5	6	7
This relationship has led to many other useful contacts in this export market	1	2	3	4	5	6	7
This contact has 'opened doors' to new customers for us	1	2	3	4	5	6	7

31 To what extent do you agree that your relationship with the contact helped you

	Do not Agree					Completely Agree	
develop your international experience	1	2	3	4	5	6	7
develop international marketing planning and implementation experience	1	2	3	4	5	6	7
acquire knowledge of foreign market laws	1	2	3	4	5	6	7
acquire knowledge of foreign market norms	1	2	3	4	5	6	7
acquire knowledge of foreign market standards	1	2	3	4	5	6	7
acquire knowledge of foreign competitors	1	2	3	4	5	6	7
acquire knowledge of foreign distribution channels	1	2	3	4	5	6	7
acquire knowledge about foreign business contacts	1	2	3	4	5	6	7
acquire knowledge of foreign customers' needs	1	2	3	4	5	6	7
acquire knowledge of potential foreign customers	1	2	3	4	5	6	7

32. **Thinking about the knowledge you have acquired from this contact, to what extent do you agree with the following statements?** Please indicate by circling the appropriate number   .

	Do not Agree					Completely Agree	
There are other sources where we could get the knowledge we got from this contact	1	2	3	4	5	6	7
We could have easily acquired the same quality of knowledge from our other contacts	1	2	3	4	5	6	7
This contact understands the kind of export knowledge we need for this market	1	2	3	4	5	6	7
Our competitors have access to similar export knowledge	1	2	3	4	5	6	7
Our competitors have just as good a relationship with this contact	1	2	3	4	5	6	7

33   **Roughly, how much money have you spent on maintaining this relationship? (e.g. on travelling costs…etc)** Please tick <u>one</u> box only.

Negligible ☐
Less than £500 ☐
£501 to £1,000 ☐
£1,001 to £10,000 ☐
£10,001 to £50,000 ☐
More than £50,000 ☐

34 **How much time have you invested in maintaining this relationship?** Where 1 is A great deal, and 7 is Very little time

A great deal   Very little time
1   2   3   4   5   6   7

Export Performance

In this section I want to ask about the performance of the export venture you carried out with the help of the contact discussed in the previous section.

35   **How would you rate the performance of this venture**, on a scale of 1 to 10, with 1 being Unsuccessful, and 10 being Successful? Please indicate by circling the appropriate number

Unsuccessful   Successful
1   2   3   4   5   6   7   8   9   10

36   **How would you rate your performance in this venture in comparison to your main competitors?** On a scale of 1 to 7, where 1 is Much worse, and 7 is Much better? Please indicate by circling the appropriate number

Much Worse   Much better
1   2   3   4   5   6   7

37   **Please estimate the level of export sales from this export venture**_____£_____

38   **Estimate the amount of export profits made through this export venture**_____£_____

39   **Please indicate the turnover of your firm for the financial year 2003?** Please tick <u>one</u> box only.

Less than £100, 000	☐	More than £1m to £5m	☐
£100,001 to £500, 000	☐	More than £5m to £10m	☐
£500,001 to £1m	☐	More than £10m to £40m	☐
		More than £40m	☐

40   **What percentage of the annual sales were export sales?** _____%

Thank you very much for your help! Please return the questionnaire as soon as possible in the enclosed self addressed envelope

---

If you have lost the prepaid envelope, please return the completed questionnaire to the following address;
Thandiwe Phiri, University of Strathclyde, Department of Marketing, Stenhouse Building, 173 Cathedral Street, Glasgow, G4 0RQ, Scotland, UK
Tel: 0141 548 2962 (University) 0141 575 3164 (Home) Fax: 0141 552 2802 Email: thandiwe.phiri@strath.ac.uk

1

Appendix 4: Introductory statement for the telephone interviews

---

Hello. This is... <u>(Thandiwe Phiri.)</u>….a student researcher at the University of Strathclyde in Glasgow, Scotland. I am conducting a survey of UK exporting companies for their views on sources of export information. Is this the owner or the manager of..... <u>(The name of the firm)........</u>?

If wrong number or incorrect listing, terminate interview by saying something like "Sorry to have bothered you"; if correct, proceed with the remainder of introductions

Your company was randomly selected from....<u>(Name of the database/directory).....</u>and your responses will be confidential. I would like to send the questionnaire for the survey to you (if speaking the owner) owner or the export manager of your company, would that be fine?

If they say 'Yes' then proceed as shown below, if they refuse to be sent the questionnaire, thank them for their time and terminate the interview

Can I please confirm three things before I mail out the questionnaire to you?
1. Your company has less than 250 employees?
2. Does your company export the products that you are manufacturing?
3. Your contact address is .....<u>(Describe the address from the database).......</u>?

If they fit the criteria, proceed as shown below. If not, let them know that
you were mistaken by saying something like,
"Sorry to have bothered you, I thought your firm had less than
250 employees/ exports. I won't be sending the questionnaire,
but all the same thank you for your time".

Thank You for your time. I will post the questionnaire to.....<u>the name of the owner/export manager</u>..... this week. Bye.

Adapted from: Frey and Oishi (1995), pp. 47

Appendix 5: General Guideline Document

<u>GENERAL QUESTIONNAIRE GUIDELINES</u>

1. This questionnaire is designed for UK based exporting firms with less than 250 employees. The participants should be equipment manufacturers with at least 2 years experience in exporting

2. In **SECTION C** please make sure that you choose one contact from whom you acquired export market information which you later used to enter an export market, or used in the course of your exporting activities in an export market

3. In **SECTION D**, it is important that an individual in your firm who had interaction with the contact (preferably the Managing Director, or the Sales Manager) fills out this questionnaire. If someone else is better qualified than you, then please pass this questionnaire to him or her

4. I would like to assure you that all the information you provide will be treated as highly confidential and the anonymity of the respondents and the firm will be reserved

5. On request, the respondents will be sent a copy of the executive summary of the research findings. Please enclose a business card including your email address along with the completed questionnaire to enable us to forward

Appendix 6: Survey Cover Letter

> University of Strathclyde
> Department of Marketing
> Stenhouse Building
> 173 Cathedral Street
> Glasgow, G4 0RQ
> Tel: 0141 548 2962
> Fax: 0141 552 2802
> Email: thandiwe.phiri@strath.ac.uk
> Date............

Respondent name
Company Name
Postal address
City
Postcode

Dear Sir/Madam

I am a PhD Student in the Department of Marketing at Strathclyde University, in Glasgow. I am investigating whether the quality of the relationships which managers have with their business contacts have an impact of the level of export market knowledge they acquire from these contacts. The findings of this study should provide insight into the networking practices that lead into better export performance among small firms.

Through the DTI database, I have chosen your firm to give an input into this study by completing a questionnaire which I have enclosed. My interest is to study your relationship with one contact, through whom, you acquired export information which resulted an export sale, or in the better running of your exporting activities within the past 5 years. Therefore these questions are preferably to be addressed by the individual who is aware of the relationship with this contact and this export venture. If you feel that another executive in your firm would be more qualified to describe your interaction with this contact, please forward these materials to him/her

For the findings of this study to be accurate and meaningful, would you please ensure that the questionnaire is completed fully. I hope you will be able to do so at your earliest convenience.

Let me assure you that the Department of Marketing, University of Strathclyde adheres to the Data Protection Act. Therefore be assured that the information you provide will be treated confidentially and will be used for academic purposes only. Your organisation will not be identified in any report of this project.

Let me also take this opportunity to extend an invitation to you to Strathclyde University, to a presentation of the findings of this study, to be carried out after the completion of this study. Further, I free copy of the report of this study will be provided.

Thank you in advance for your cooperation. If you need any further information, feel free to contact me the addresses provided above.

Yours sincerely,
Miss Thandiwe Phiri
Doctoral Researcher, Department of Marketing, Strathclyde University

Appendix 7: Reminder letter

Dear Sir/Madam

Business Contacts Survey

I wrote to you recently asking for your help with the 'Business Contacts' Survey which I am carrying out as a requirement for my doctoral studies in the University of Strathclyde, Department of Marketing, in Scotland.

I would really appreciate if you could spare ten to fifteen minutes to complete the enclosed questionnaire and return it to me in the prepaid envelope. The information you provide will be useful in providing insight into business relationship management practices that enhance SME exporting performance.

This questionnaire is designed for UK based exporting firms with fewer than 250 employees. The participants should be manufacturers with experience in exporting. For the findings of this study to be accurate and meaningful, would you please ensure that the questionnaire is completed in full (preferably by the member of staff who is directly involved in finding your export markets e.g. the Sales Manager or the Managing Director).

Please be assured that the information you provide will be treated in confidence and your details will not be added to any other mailing list. If for whatever reason you cannot complete the questionnaire, please return it to me in the prepaid envelope provided. If you enter your company details on the first page, I will remove your firm from my database and you will receive no further contact from me.

On request, you will be sent a copy of the Executive Summary of the findings of this study. Please enclose your business card, along with the completed questionnaire to enable me to forward the Executive Summary to you.

If you have returned your questionnaire in the past few days, please accept my apologies for troubling you again. Thank you very much for your help.

Thandiwe Phiri

Appendix 8:   Thank You letter

26 September 2009

Dear Sir/Madam

This is to notify you that I received your filled-in questionnaire for the 'Business Contacts' Survey which I carried out for my doctoral research during the period between September to December, 2004.

Let me take this opportunity to thank you very much for taking time to take part in the survey. The information provided in the questionnaire is going to be useful in providing insight into whether (among other factors) the nature of the relationship between managers and their key business contacts have an impact on export performance of small medium-sized exporters in the UK, which is the quest of my study.

If you enclosed your business card in the questionnaire, at the end of this study I will send you a copy of an Executive Summary of this study.

Apart from sending you the Executive Summary, be assured that you will not be contacted again for anything regarding this study.

All the best for the future,

Thandiwe Phiri (*Doctoral Student*

Appendix 9: Formulas for AVE & Composite Reliability

The formula for **VE** is:
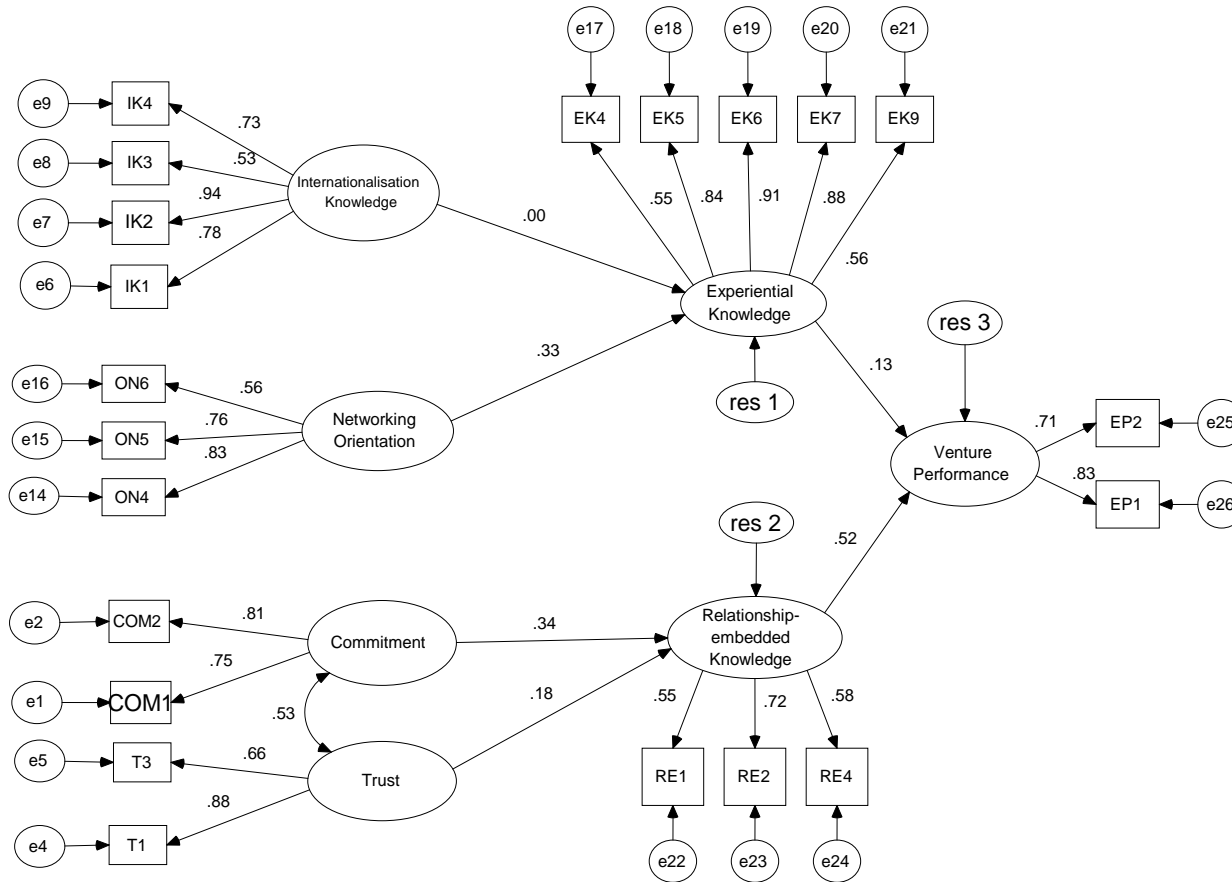
$$\frac{\sum_{i=1}^{n} \lambda_i^2}{n}$$

or

$$\frac{\sum (\text{Standardised Loading}^2)}{\sum (\text{Standardised Loading})^2 + \sum \text{Measurement errors of each indicator}}$$
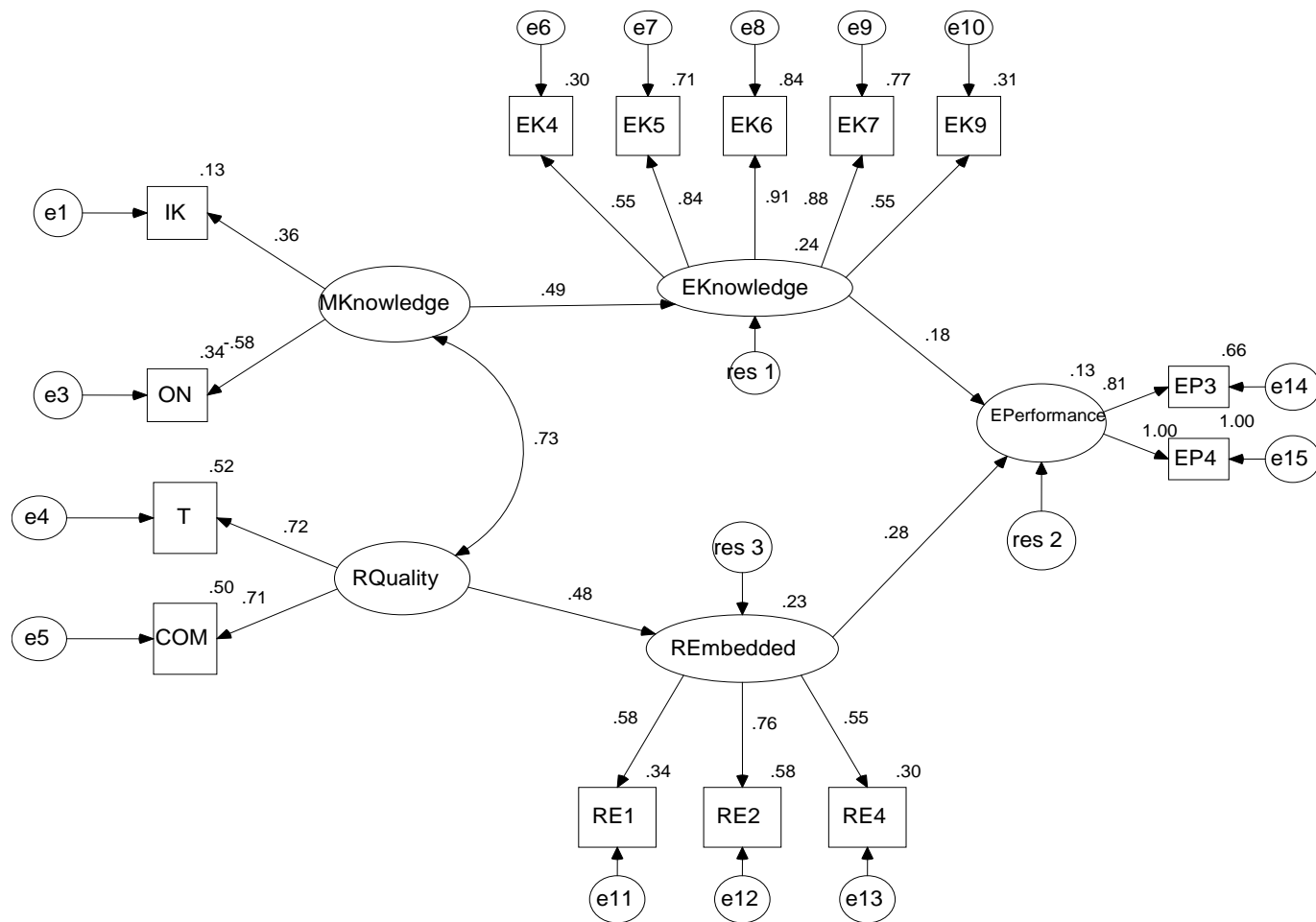
While the formula for **CR** is;

$$\frac{\left[\sum_{i=1}^{n} \lambda_i \right]^2}{\left[\sum_{i=1}^{n} \lambda_i \right]^2 + \left[\sum_{i=1}^{n} \delta_i \right]}$$

Appendix 10 SEM results for the competing model

Appendix 11: SEM results of the operating model

238

References

Aaby, N.-E., and S. F. Slater (1989) "Managerial influences on export performance: a review of the empirical literature 1977-88", *International Marketing Review*, 6(4): 53-68.

Aharoni, Y. (1966), *The Foreign Investment Decision Process*, Boston, Graduate School of Business Administration, Harvard University.

Albaum, G., J. Strandskov, E. Duer and L. Dowd (1998), *International Marketing and Export Management*, Addison-Wesley, Reading, MA.

Alderson, W. (1965), *Dynamic Marketing Behaviour: A Functionalist Theory of Marketing*, Richard D. Irwin, Inc., Homewood, IL.

Aldrich, H. E. and C. Zimmer (1986) "Entrepreneurship Through Social Networks" In: D. Sexton and R. Smilar (Eds.) *The Art and Science of Entrepreneurship*, New York: Ballinger: 3-23.

Aldrich, H. E. (1989) "Networking among women entrepreneurs", In O. Hagen, C. Rivchun, and D. Sexton (Eds.), *Women-owned businesses* New York: Praeger: 103-132.

Aldrich, H. E. (1992) "Methods in our madness? Trends in entrepreneurship research", in D. L. Sexton and J. D. Kasarda (Eds), The state of Art of Entrepreneurship Research, PWS, Kent, Boston: 292-313.

Aldrich, H. E., P. R. Reese and P. Dubini (1989) "Women on verge of a breakthrough: networking among entrepreneurs in the United States and Italy", Entrepreneurship Regional Development, 1: 339-356.

Alvarez, S. A., and J. B. Barney (2001) "How entrepreneurial firms can benefit from alliances with large partners", *Academy of Management Executive*, 15 (1): 139–148.

Ambrosini, V., and C. Bowman (2001) "Tacit knowledge: some suggestions for operationalization", *Journal of Management Studies*, 38(6): 811-829.

Anderson J. C., H. Håkansson and J. Johanson, (1994) "Dyadic Business Relationships within a Business Network Context", *Journal of Marketing*. 58 (October): 1-15.

Anderson, E. and H. Gatignon (1986) "Modes of Entry: A Transaction Cost Analysis and Propositions", *Journal of International Business Studies*, 17 (3): 1-26.

Anderson, G., K. Herr, and A. Nihlen (1994) *Studying Your Own School: An Educator's Guide to Qualitative Practitioner Research*, California: Corwin Press, Inc.

Anderson, J. C. and J. A. Narus (1984) "A model of the distributor's perspective of the distributor-manufacturer working relationships", *Journal of Marketing*, 48(Fall): 62-74.

Anderson, J. C., and D. W. Gerbing (1988) "Structural equation modeling in practice: a review and recommended two-step approach" *Psychology Bulletin*, 103: 411–423.

Argyris, C. and D. Schon (1978) *Organizational Learning: A Theory of Action Perspective,* Reading, MA: Addison-Wesley.

Asanuma, B. (1989) "Manufacturer-supplier relationships in Japan and the concept of relationship-specific skills", *Journal of Japanese and International Economies*, 3: 1-30.

Autio, E. (2005) Creative tension: The significance of Ben Oviatt's and Patricia McDougall's article 'Toward a theory of international new ventures'", *Journal of International Business Studies*, 36: 9-19.

Autio, E., H. J. Sapienza and J. G. Almeida (2000) "Effects of age at entry, knowledge intensity, and imitability on international growth, Academy of Management Journal, 43: 909-924.

Axelsson, B. and G. Easton (Eds) (1992), *Industrial Networks: a new view of reality*, London: Routledge.

Baker, W. E., and J. M. Sinkula (1999) "The synergistic effect of market orientation and learning orientation on organizational performance", *Journal of the Academy of Marketing Science*, 27 (4): 411-427

Barkema, H. G., and F. Vermeulen (1998) "International expansion through start-up or acquisition: a learning perspective", *Academy of Management Journal*, 41(1): 7-26.

Barney, Jay B. (1991) "Firm resources and sustained competitive advantage", *Journal of Management*, 17 (March): 99-120.

Bartlett, C. A. and S. Ghoshal (2002), *Managing Across Borders: The Transnational Solution*, Harvard Business School Press, 2nd Edn. UK.

Baumgartner H. and C. Homburg (1996) "Applications of structural equation modeling in marketing and consumer research: a review", *International Journal of Research in Marketing* 13: 139–161.

Beamish, P. W. (1990) "The Internationalisation process for smaller Ontario firms: research agenda", In A. M. Rugman (Ed.), *Research in global strategic management- international business research for the twenty-first century: Canada's new research agenda*, JAI Press Inc, Greenwich: 77-92

Beckermann, W. (1956) "Distance and the pattern of intra-European trade," *Review of Economics and Statistics*, 28: 31-40.

Bell, J. (1995) "The Internationalisation of Small Computer Software Firms: A Further Challenge to 'Stage' Theories", *European Journal of Marketing*, 29(8): 60-75.

Bell, J., D. Crick, and S. Young (1998) "A holistic perspective on small firms growth and Internationalisation", In Academy of International Business Annual UK Conference, City University Business School.

Bierly, P., E. Kessler and E. Christensen (2000) "Organizational learning, knowledge and wisdom", *Journal of Organizational Change Management*, 13(6): 595-618.

Bilkey, J. and G. Tesar (1977) "The export behaviour of smaller sized Wisconsin manufacturing firms", *Journal of International Business Studies*, 8: 93-98.

Birley, S. (1985) "The role of networks in the entrepreneurial process", *Journal of Business Venturing*, 1: 107-117.

Bodur, M. and S. T. Cavusgil (1985) "Export Marketing Research Orientations of Turkish Exporting Firms," *European Journal of Marketing*, 19 (2): 5-16.

Bodur, M. and T. K. Madsen (1993) "Danish Foreign Direct Investments in Turkey", *European Business Review*, 93 (5): 28-43.

Boisot, M. (1998) *Knowledge Assets, Securing competitive advantage in the information economy*, Oxford, Oxford University Press.

Bornaccosi, A. (1992) "On the Relationship between Firm Size and Exporting Intensity", *Journal of International Business Studies*, 4 (4): 605-635.

Bordieu, P. and L. Wacquant (1992) *An invitation to reflexive sociology*, Chicago, IL: University of Chicago Press.

Borthwick, R. (2009) *Maximizing voice and data access in African Markets*: a presentation at the G8 Africa Business Forum, July, 2009.

Bower, G. H., and E. R. Hilgard (1981) *Theories of Learning*, Englewood Cliffs, NJ: Prentice-Hall.

Bowman, C. and V. Ambrosini (2003) "How the resource-based and the dynamic capability views of the firm inform corporate-level strategy", *British Journal of Management Business Review*, 10: 399-420.

Brown, J. D. (1997) "Statistics corner: Questions and answers about language testing statistics: Skewness and kurtosis", *Shiken: JALT Testing & Evaluation SIG Newsletter*, 1(1) Apr: 20 – 23 (accessed from http://jalt.org/test/bro_1.htm.)

Buckley, P. (1993) "The Role of Management in Internalisation Theory" *Management International Review*, 33 (3): 197-207.

Buckley, P., and M. Casson (1993) "Economics as an Imperialist Social Science", *Human Relations*, 46(9): 1035-1052.

Burrell, G. and G. Morgan (1979) *Sociological paradigms and organizational analysis*, Heinemann, London.

Byrne, B. M. (2001) *Structural Equation Modeling with AMOS: Basic Concepts, Applications, and Programming*, 1st Edn. Lawrence Erlbaum.

Cavusgil, S. T. (1984) "Differences among exporting firms based on their degree of Internationalisation", *Journal of Business Research*, 12 (2): 95-208.

Cavusgil, S. T. and S. Zou (1994) "Marketing strategy-performance relationship: An investigation of the empirical link in export market ventures", *Journal of Marketing*, 58 (1): 1-21.

Cavusgil, S. T. and V. H. Kirpalani (1993) "Introducing products into export markets: Success Factors", *Journal of Business Research*, 27: 1–15.

Chamberlin, E. (1962) *The theory of monopolistic competition*, Harvard Univ. Press, Cambridge, MA.1-180.

Chaudry, S. and D. Crick (1998) "Export information providers are they meeting the needs of SMEs?" *Marketing Intelligence and Planning*, 16 (3): 141-149.

Chetty, S. and K. Eriksson (1998) "Mutual commitment and experiential knowledge in international business relationships", University of Uppsala working paper 1998/3, Uppsala.

Churchill, Jr., A. Gilbert and D. Iacobucci (2005) *Marketing Research: Methodological Foundations*, 9th Edn., Mason, OH: Thomson Learning.

Clark, K. B., and T. Fujimoto (1991) *Product Development Performance: Strategy, Organization, and Management in the World Auto Industry*, Boston: Harvard Business School Press.

Clarke, G. R. G. (2008) "Has the internet increased exports for firms from low and middle-income countries?", *Information Economics Policy*, 20:16-37.

Coase, R. (1937) "The Nature of the Firm", *Economica*, 4 (6), November: 386-405.

Cohen, J. (1977) *Statistical Power Analysis for the Behavioral Sciences,* New York: Academic Press.

Cohen, W. M. and D. A. Levinthal (1990) "Absorptive Capacity: A New Perspective on Learning and Innovation", *Administrative Science Quarterly,* 35: 128-152.

Collis, D. J. (1991) "A resource-based analysis of global competition: The case of the bearings industry", *Strategic Management Journal*, 12 (Summer): 49-68.

Conner, K. R. (1991) "A Historical Comparison of Resource-Based View and Five Schools of Thought within Industrial Organization Economics: Do We Have a New Theory of the Firm?" *Journal of Management*, 17 (1): 121-154.

Conner, K. R., and C. K. Prahalad (1996) "A Resource-Based Theory of the Firm: Knowledge versus Opportunism", *Organisational Science*, 7 (5): 477-501.

Coviello N. and H. Munro (1997) "Network Relationships and the Internationalisation Process of Small Software Firms", *International Business Review*, 6 (4): 361-386.

Coviello, N, and A. McAuley (1999) "Internationalisation and the Smaller Firm: A Review of Contemporary Empirical Research", *Management International Review*, 39: 223-256.

Creswell, J. W. (1994) *Research Design: Qualitative & Quantitative Approaches*, London: SAGE Publications.

Crick, D. (1995) "An Investigation into the Targeting of U.K. Export Assistance", *European Journal of Marketing,* 29 (8):76-94.

Crosby, L.A., K. R. Evans and D. Crowles (1990) "Relationship quality in services selling: an interpersonal influence perspective", *Journal of Marketing*, 54(July), 68-81.

Curran, J., R. A. Blackburn and S. Black (1993) "Networks and small firms: constructs, methodological strategies and some findings" *International Small Business Journal*, 11 (2): 13-25.

Czinkota, M. R. (1982) Export *Development Strategies: US Promotion Policies*. Praeger. New York.

Da Rocha, A., and C. H. Christensen (1994) "The export experience of a developing country: a review of empirical studies of export behaviour and the performance of Brazilian firms", In S. T. Cavusgil and C. Axinn (Eds), *Advances in International Marketing*, JAI Press, Greenwich, CT, 6: 258-82.

Daft, R. L. (1983) "Learning the craft of organizational research", *Academy of Management Review*, 8: 539-546

Daft, R. L., and K. E. Weick (1984) "Toward a model of organizations as interpretation systems", Academy of Management Review, 9 (2): 284-295.

Darling, J., and J. F. Postnikoff (1985) "Strategic Export Information for Small Business" Journal of Small Business Management, 23(4): 28-37.

Davenport, T. and L. Prusak (1998) Working Knowledge: How Organizations Manage What They Know, Harvard Business School Press, Boston, MA.

Delios A., and P. W. Beamish (1999) "Geographic scope, product diversification and the corporate performance of Japanese firms", *Strategic Management Journal*, 20(8): 711-727.

Delios, A., and P. W. Beamish (1999) "Ownership strategy of Japanese firms, transactional, institutional and experience influences", *Strategic Management Journal*, 20 (10): 915-933.

Deshpande, R. and G. Zaltman, (1982) "Factors affecting the Use of Marketing Research Information: Path Analysis", *Journal of Marketing Research*, 19: 14-31.

DeVellis, R. F. (1991) "Scale Development: theory and applications", *Applied Social Research Methods Series*, Vol. 26. Newbury Park: Sage.

Diamantopoulos, A., B. Schlegelmich and C. Allpress (1990) "Export marketing research an empirical investigation of user and non user", In H. Mulhlbacher and C. Jochum (Eds), *Advanced Research in Marketing*, Proceedings of the 19th Annual Conference of the European marketing Academy, 1 : 427-446.

Diamantopoulos, A., and S. Horncastle (1997) "Use of export marketing research by industrial firms: an application and extension of Deshpande and Zaltman's model", *International Business Review*, 6 (3): 245-270.

Dierickx, Ingemar and Karel Cool, (1989) "Asset stock accumulation and sustainability of competitive advantage" *Management Science*, 35 (December): 1504-1511.

Dimitratos, P. and E. Plakoyiannaki (2003) "Theoretical Foundations of an International Entrepreneurial Culture", *Journal of International Entrepreneurship,* 1(2): 187-215.

Dominguez, L. V., P. B. Rose and C.G. Sequeira (1993) "Environmental and managerial factors in export-led development: an explorative test of Porter's competitive advantage of nations", *Journal of Macromarketing*, Fall: 5–21.

Doney, P. M., and J. P. Cannon (1997) "An Examination of the Nature of Trust in Buyer-Seller Relationships", *Journal of Marketing*, 61(April): 35–51.

Dow, D. (2000) "A Note on Psychological Distance and Export Market Selection", *Journal of International Marketing*, 8 (1): 51-64.

Dunning, J. H. (1980) "Toward an Eclectic Theory of International Production: Some Empirical Tests", *Journal of International Business Studies*, 11: 9-31.

Dunning, J. H. (1981) *International Production and the Multinational Enterprise*, London: Allen and Unwin.

Dunning, J. H. (1988) "The eclectic paradigm of international production: a restatement and some possible extensions", *Journal of International Business Studies*, 19(1): 1-31.

Dyer, J. and H. Singh (1998) "The Relational View: Cooperative Strategy and Sources of Interorganisational competitive advantage", *Academy of Management Review*, 23 (4): 660-679.

Dyer, J. H. (1996) "Specialises supplier networks as a source of competitive advantage, evidence from the auto industry", *Strategic Management Journal*, 17: 271-292.

Easterby-Smith, M., R. Thorpe and A. Lowe (1999), *Management Research, an Introduction*, London: SAGE Publications.

Easterby-Smith, M., R. Thorpe and A. Lowe (2001), *Management Research, an Introduction*, London: SAGE Publications

Elliott, S. (1996/1997) "APQC conference attendees discover the value and enablers of a successful KK program", *Knowledge Management in Practice*, 5: 1–8.

Ellis, Henry Carlton, (1965) *The Transfer of Learning*, New York: Macmillan.

Emerson, R. (1981) Social exchange theory, In M. Rosenberg and R. Turner, *Social Psychology: sociological perspectives*, New York: Basic Books.

Eriksson, K. and S. Chetty (2003) "The effect of experience and absorptive capacity on foreign market knowledge", *International Business Review*, 12 (6): 673-695.

Eriksson, K., J. Johanson, A. Majkgard and D. Deo Sharma (1997) "Experiential Knowledge and Cost in the Internationalisation process", *Journal of International Business Studies*, 28(2) Second Quarter: 337-359.

Erramilli, K. (1991), "The experience factor in foreign market entry behaviour of service firms", *Journal of International Business Studies*, 22 (3): 479-501.

Estes, William Kaye (1970), *Learning Theory and Mental Development*, New York: Academic Press.

Evans, J., A. Treadgold and F. Mavondo (2000) "Explaining export development through psychic distance", International *Marketing Review*, 17 (2): 164-169.

Evigren, C., M. Bodur, and S. T. Cavusgil (1993) "Information Needs of Exporters: An Empirical Study of Turkish Exporters", *Market Intelligence & Planning*, 11(2): 28-36.

Fahy, J. and A. Smithee (1999) "Strategic Marketing and the Resource Based View of the Firm" *Academy of Marketing Science*, 10: 1-20.

Firestone, W. A. (1987) "Meaning in method: the rhetoric of quantitative and qualitative research" *Educational Researcher*, 16 (7):16-21.

Floyd, S. W., and B. Wooldridge (1999) "Knowledge Creation and Social Networks in Corporate Entrepreneurship: The Renewal of Organizational Capability," *Entrepreneurship: Theory and Practice*, 23 (3): 123-144.

Fontes, M. and R. Coombs, (1997) "The Coincidence of Technology and Market Objectives in Internationalisation of New technology Based Firms", *International Small Business Journal*, 15 (4):14-35.

Ford, D. (Ed.), (1980) *Developments in Industrial Marketing*, London: MCB Publications.

Ford, I. D. and L. C. Leonidou (1991) "Research developments in international marketing: a European perspective", In Paliwoda, S. J. (Ed.) *New Perspectives on International Marketing*, Routledge, London: 3-32.

Forgsen, M. (1989) *Managing the Internationalisation Process: The Swedish Case*, Routledge, London.

Fornell, C., and D. Larcker (1981) "Structural equation models with unobservable variables and measurement error", *Journal of Marketing Research*, 18(1): 39-50.

Frey, J. H., and S. M. Oishi (1995) *How to conduct interviews by telephone and in person*, Sage Publications, USA.

Galan, J., J. Galende and J. Gonzalez-Benito (1999) "Determinant factors of international development: some empirical evidence", *Management Decision*, 37(10): 778-785.

Ganitsky, J. (1989) "Strategies for innate and adoptive exporters: lessons from Israel's case", *International Marketing Review*, 6: 50–65.

Gankema H.G., H. R. Snuit and K. A. van Dijken (1997) "The internationalisation process of small and medium sized enterprises: an evaluation of the stage theory", In P. Dockels and A. Miettinen, (Eds), *Entrepreneurship and SME Research: On Its Way to the Next Millennium*. Ashgate Publishing, Aldershot, pp 185-197.

Glazer, R. (1991) "Marketing in an information-intensive environment: strategic implications of knowledge as an asset", *Journal of Marketing*, 55: 1-19.

Granovetter, M. S. (1973) "The Strength of Weak Ties", *American Journal of Sociology*, 78 (6): 1360-1380.

Grant, R. M. (1991) "The resource-based theory of competitive advantage: Implications for strategy formulation", *California Management Review*, 33 (Spring): 114-135.

Grant, R. M. (1998) *Contemporary Strategy Analysis*, Blackwell Publishers Ltd, Oxford.

Greenley, G. (1995) "Market orientation and company performance: Empirical evidence from UK companies", *British Journal of Management*, 6 (1), 1-13.

Gulati, R. (1998) "Alliances and Networks", *Strategic Management Journal*, 19 (4): 293-317.

Gupta, A. K. and V. Govindarajan (2000) "Knowledge flows within multinational corporations", *Strategic Management Journal*; 21: 473-496.

Gupta, B., L. S. Iyer and J. Aronson (2000) "Knowledge management: practices and challenges", *Industrial Management & Data Systems*, 100 (1): 17-21.

Hadley, F. and F. Mavondo (2000) "The Relationship between Learning Orientation, Market Orientation and Organisational Performance" *ANZMAC 2000 Visionary Marketing for the 21st Century: Facing the Challenge.*

Hadley, R and I. M. H.Wilson (2003) "The network model of internationalisation and experiential knowledge", *International Business Review*, 12(6): 697-717.

Hair, J., R. Tatham, R. E. Anderson and W. Black (1998) *Multivariate Data Analysis*, 5th Edn. Prentice Hall.

Hair, J., R. Tatham, R. E. Anderson and W. Black (2006) *Multivariate Data Analysis*, 6th Edn. Prentice Hall.

Hakansson, H. (Ed.) (1982) *International Marketing and Purchasing of Industrial goods*, Chichester: Wiley.

Håkansson, H. and I. Snehota (Eds.) (1995) *Developing Relationships in Business Networks*. London: Routledge.

Hall, R. (1993) "A framework linking intangible resources and capabilities to sustainable competitive advantage", *Strategic Management Journal*. 14 (November): 607-618.

Hamill, J. (1999) "Critical success factors in exporting", Strathclyde Business School, *International Marketing* (1999-2000), unpublished Teaching Unit.

Hamill, J. and A. Stevenson (2002) "Internet Forum", *International Marketing Review*, 19(2/3):209-212.

Hart, S., and N. Tzokas (1999) "The impact of marketing research activity on SME export performance: evidence from the UK", *Journal of Small Business Management*, 37: 63–75.

Hilgard, E. R. (1980) "The trilogy of mind: Cognition, affection, and conation", *Journal of the History of the Behavioural Sciences*, 16: 107-117.

Hill, C. W. L. (2004) *International Business: Competing in the Global Marketplace*, McGraw-Hill, 5th Edn., NY, US.

Hilton, G. (2005) "Knocking Down Export Barriers to Smaller Firms", *Business and Economic Review*, 51 (4): 18.

Hoang, H. and B. Antoncic (2003) "Network-based research in entrepreneurship: A critical review", *Journal of Business Venturing*, 18(2): 165-187.

Hollensen, S. (2001) Global *Marketing: A market-responsive approach*, 2nd Edn., Prentice Hall International.

Holmen, M. G. (1979) "Action Research: the Solution or the Problem?", In C. L. Cooper (Ed) *Behavioral Problems in Organisations, Prentice-Hall*.

Holmlund, M. and S. Kock (1998) "Relationships and the internationalisation of Finnish Small Medium-Sized Enterprises", *International Small Business Journal*, 16 (4): 46-63.

Howard A. E. and C. Zimmer (1986) "Entrepreneurship Through Social Networks" In D. Sexton and R. Smilor (Eds.), *The Art and Science of Entrepreneurship*. New York: Ballinger pp. 3-23.

Hoyle, R. H. (Ed.) (1995) *Structural equation modeling: Concepts, issues, and applications,* Thousand Oaks: Sage Publications.

Huber, G. (1991) "Organizational learning: the contributing processes and the literatures", *Organization Science*, 2 (1): 88-115.

Hunt, S. D., and R. M. Morgan (1995) "The comparative advantage theory of competition", *Journal of Marketing*, 59: 1-15.

Hunt, S. D., and R. M. Morgan (1999) "Relationship-based competitive advantage: the role of relationship marketing in marketing strategy", *Journal of Business Research*, 46: 281-290.

Husserl, E. (1946) "Phenomenology" in *Encyclopaedia Britannica*, 14th Ed. Vol. 17: 699-702.

Hymer S. H. (1976) *International Operations of National Firms: A study of Foreign Direct Investment*, Boston, Mass: MIT Press.

Iacobucci, D. and P. Zerrillo, (Eds) (1996) "Multiple Levels of Relational Marketing Phenomena" In: D. Iacobucci (Ed) *Networks in Marketing*, Sage Publication, USA.

Jarvelin, A. and U. Lehtinen (1996) "Relationship quality in business-to-business service context", in B. B. Edvardsson, S. W. Johnston and E. E. Scheuing (Eds), *QUIS 5 Advancing Service Quality: A Global Perspective*, Warwick Printing Company Ltd: 243-254.

Johanson J and L-G. Mattson (1988) "Internationalisation and industrial Systems a network approach", In N. Hood and J. E. Vahlne (Eds), *Strategies in Global competition*, New York: Croom Helm: 287-314.

Johanson, J. and F. Wierdersheim-Paul (1975) "The Internationalisation of the firm-four Swedish cases", *Journal of Management Studies* (October): 305-322.

Johanson, J. and J.-E. Vahlne (1977) "The Internationalisation Process of the Firm-a Model of Knowledge Development and Increasing Foreign Market Commitments", *Journal of International Business Studies* 8 (1): 23-32.

Johanson, J. and J.-E. Vahlne (1990) "The Mechanism of Internationalisation" *International Marketing Review*, 7 (4): 11-24.

Johanson, J. and L-G. Mattsson, (1995) "International business and internationalization processes: a network approach", In S. J. Paliwoda and J. K. Ryans (Eds), *International Business Reader*, Routledge, London: 51-71.

Johanson, J. and Mattson, L.G. (1986) "International marketing and internationalisation processes - a network approach", In S. Paliwoda and P.W. Turnbull, (Eds), *Research in International Marketing*. London: Croom Helm.

Johanson, J. and Mattsson, L. (1988) "Internationalisation in Industrial Systems-A network Approach", In N. Hood and J.E. Vahlne, (Eds), *Strategies in Global Competition*, Routledge, as reprinted in Buckley P.J. and P. Ghauri (Eds) (1993) *The Internationalisation of the Firm: A Reader*, Academic Press, London: 303-321.

Johanson, J., and L.-G. Mattsson (1987) "Interorganizational Relations in Industrial Systems: a Network Approach Compared with the Transaction-Cost Approach", *International Studies of Management and Organization*, 17:34- 48.

Johnson, D. and C. Turner (2003) *International Business: Themes and Issues in the Modern Global Economy*, Routledge, London.

Johnson, J. L. (1999) "Strategic integration in industrial distribution channels: managing interfirm relationship as strategic asset", *Journal of the Academy of Marketing Science*, 27(1): 4-18.

Jones, M. V. (1998) "A Preliminary Analysis of the Patterns, Processes and Decisions That Constitute the Internationalisation of Small UK High Technology Firms" *Strathclyde International Business Unit Working Paper 1998/7*, University of Strathclyde, UK.

Jones, M. V. (1999) "The internationalisation of small high technology firms", *Journal of International Marketing*, 7(4): 15-41.

Joreskog, K. G. (1993) "Testing Structural Equation Models", In K. A. Bollen and L. S. Long (Eds.) *Testing Structural Equation Models*, Newbury Park, CA: Sage Publications, CA.

Julien, P.-A. and C. Ramangalahy (2003) "Competitive strategy and performance of exporting SMEs: An empirical investigation of the impact of their export information search and competencies", *Entrepreneurship Theory and Practice*, 27(3): 227-247.

Kahan, H. (1990) "One-on-Ones Should Sparkle Like the Gems They Are", *Marketing News*, (September); 8-9.

Kaleka, A. (2002) "Resources and Capabilities Driving Competitive Advantage: Guidelines for Industrial Exporters", *Industrial Marketing Management*, 31(3): 273-283.

Katsikeas, C. S. (1998) "Import stimuli and import development" *Management International Review* 3: 215–237.

Katsikeas, C. S., D. Skarmeas and D. C. Bello (2009) "Developing successful trust-based international exchange relationships", *Journal of International Business Studies*, 40 (1): 132-155.

Kemmis, S. and R. McTaggart (1982) *The Action Research Reader*, Geelong Victoria, BC: Deakin University Press.

Keupp, M. M., and O. Gassmann (2009) "The Past and the Future of International Entrepreneurship: A Review and Suggestions for Developing the Field", *Journal of Management* 35(3): 600-633.

Kim, J. (2003) "Research Paradigms in organisational Learning and Performance: Competing Modes of Inquiry", *Information Technology, Learning, and Performance Journal*, 21 (1) Spring: 9-18.

Kindleberger, C. P. (1969) *American Business Abroad: Six Lectures on Direct Investment*, New Haven, CT: Yale U.P.

Kinnear C. T. and J. R. Taylor (1996) *Marketing research: an applied approach*, McGraw-Hill, US.

Kogut B., and U. Zander (1993) "Knowledge of the firm and the evolutionary theory of the multinational corporation", *Journal of International Business Studies*, Fourth Quarter: 625-645.

Kogut, B., and H. Singh (1988) "The effect of national culture on the choice of entry mode", *Journal of International Business Studies*, 19(3): 411-432

Kotler, P., G. Armstrong, J. Saunders and V. Wong (1999) *Principles of Marketing*, 2nd European Edn. Prentice Hall, Europe.

Lages, C., C. Raquel, L. Filipe (2005) "The RELQUAL scale: a measure of relationship quality in export market ventures", *Journal of Business Research* 58: 1040– 1048.

Lages, L. and D. Montgomery (2004) "Export performance as an antecedent of export commitment and marketing strategy adaptation", *European Journal of Marketing*, 38 (9/10):1186-1214.

Lane, P. J., and M. Lubatkin (1998) "Relative absorptive capacity and interorganizational learning", *Strategic Management Journal*, 19: 461-477.

Larsen, J. (1982) *Information Utilization and Non-Utilization, American Institute for Research in the Behavioural Sciences*, Washington, DC.

Larson, A. (1992) "Network Dyads in Entrepreneurial Settings: A study of Governance of exchange Relationships", *Administrative Science Quarterly*, 37 (March): 76-104.

Larson, A. and Starr, J. (1993) "A Network Model for Organisational Formation", *Entrepreneurship Theory and Practice*, 17 (Winter): 5-15.

Leonidou, L. and A. Kaleka, (1998) "Behavioural aspects of international buyer-seller relationships: their association with export involvement" *International Marketing Review*, 15 (5): 373 – 397.

Leonidou, L. C., and A. S. Adams-Florou (1999) "Types and Sources of Export Information: Insights from Small Business", *International Small Business Journal*, 17 (3): 30-48.

Leonidou, L. C., C. S. Katsikeas and S. Samiee (2002) "Marketing strategy determinants of export performance: a meta-analysis", *Journal of Business Research* 55: 51-57

Levitt, T. (1986) *The Marketing Imagination*, The Free Press, New York, NY.

Li, C. and J. Bernoff (2008) *Groundswell: winning in a world transformed by social technologies*, Harvard Business School Publishing.
Lincoln, Y. S., and E. G. Guba (1985) *Naturalistic inquiry*, Beverly Hill CA: Sage.

Lindstrand, A. (2003) "Network routine and change of network configuration", Occasional paper, Uppsala University, faculty of Social Sciences, Department of Business Studies: ISSN 1650-2825; 2003:2.

Ling-yee, L., and G. O. Ogunmokun (2001) "The Influence of Interfirm Relational Capabilities on Export Advantage and Performance: An Empirical Analysis", *International Business Review* 10 (4): 399-420.

Linnemann, H. (1966) An *Econometric Study of International Trade Flows Amsterdam*: North-Holland.

Lorenzoni, G., and A. Lipparini (1999) "The Leveraging of Interfirm Relationships as a Distinctive Organizational Capability: A Longitudinal Study", *Strategic Management Journal* 20(4): 317-338.

Low, B. K. H. (1997) "Managing business relationships and positions in industrial networks", *Industrial Marketing Management*, 26(2): 189-202.

Marchand, D. (1998) "Competing with Intellectual capital", In G. von Krogh, J. Roos and D. Kleine (Eds), *Knowing in Firms. Understanding, Managing and Measuring Knowledge*, Sage Publications, London.

Mathews, J. A., and I. Zander 92007) "The international entrepreneurial dynamics of accelerated internationalization", *Journal of International Business Studies*, 38:1-17

Matthyssens, P., and P. Pauwels (1996) "Assessing Export Performance Measurement." In: S. T. Cavusgil and T. K. Madsen (Eds.) *Advances in International Marketing*, Greenwich, CT: JAI Press: 85-114.

McAuley, A. (1993) "The perceived usefulness of export information sources", *European Journal of Marketing*, 27(10): 52-64.

McCracken, G. (1988) *The Long Interview*, Newbury Park, CA: Sage.

McCutcheon, G., and Jung, B. (1990) "Alternative Perspectives on Action Research", *Theory into Practice*, 29 (3): 144-151.

McDougall, P. P. and B. M. Oviatt (2000) "International entrepreneurship: the intersection of the two research paths", *Academy of Management Journal*, 43(5): 902-906.

McDougall, P.P., S. Shane and B. M. Oviatt (1994) "Explaining the formation of international new ventures: the limits of theories from international business research", *Journal of Business Venturing*, 9 (6): 469-87.

McQuitty, S. (2004) "Statistical power and structural equation models in business research", *Journal of Business Research* (57): 175–183.

Melin, L. (1992) "Internationalization as a strategy process", *Strategic Management Journal*, 13: 99-118.

Menon, A., and R. Varadarajan (1992) "Model of marketing Knowledge Use within Firms", *Journal of Marketing*, 56 (October): 53-71.

Menon, A., S., G. Bharadwaj, P. T. Adidam and S. W. Edison (1999) "Antecedents and Consequences of Marketing Strategy Making: A Model and a Test", *Journal of Marketing*, 63: 18-40.

Miesenbock, K. J. (1988) "Small businesses and exporting: a literature review, *International Small Business Journal*, 6 (2): 42-61.

Moini, A. H. (1998) "Small firms exporting: how effective are government export assistance programs?" *Journal of Small Business Management*, 36 (1): 1-15.

Moorman, C., G. Zaltman and R. Deshpande (1992) "Relationships between providers and users of market research: the dynamics of trust within and between organizations", *Journal of Marketing Research*, 29 (August): 314-328.

Morgan, N. A., S. Zou, D. W. Vorhies and C. S. Katsikeas (2003) "Experiential and Informational Knowledge, Architectural Marketing Capabilities, and the Adaptive Performance of Export Ventures: A Cross-National Study", *Decision Sciences*, 34 (2): 287-310.

Morgan, N.A., A. Kaleka and C. S. Katsikeas (2004) "Antecedents of Export Venture Performance: A Theoretical Model and Empirical Assessment", *Journal of Marketing*, 68(1): 90-108.

Morgan, R. M. and S. D. Hunt (1994) "The commitment-trust theory of relationship marketing", *Journal of Marketing* 58 (July): 20-38.

Morgan, R.M. and S. D. Hunt (1999) "Relationship-Based Competitive Advantage: The Role of Relationship Marketing in Marketing Strategy", *Journal of Business Research*, 46 (3): 281-290.

Mostafa, R. H. A., C. Wheeler and M. V. Jones (2006) "Entrepreneurial orientation, commitment to the Internet and export performance in small and medium sized exporting firms", *Journal of International Entrepreneurship* 3: 291-302.

Mudambi, R. and S. A. Zahra (2007) "The survival of international new ventures", *Journal of International Business Studies,* 38: 333-352.

Myers J. K., J. J. Lindenthal, M. P. Pepper and D. R. Ostrander (1972) "Life events and mental status: A longitudinal study", *Journal for Health Social Behaviour*, 13: 398-406.

Nahapiet, J. and S. Ghoshal (1998) "Social capital, intellectual capital and the organizational advantage", *Academy of Management Review*, 23(2): 242-266.

Newbould, G. D., P. J. Buckley, J. Thurwell (1978) *Going International: The experience of Smaller Companies Overseas*, Associated Press, London.

Nielsen, B. B. (2005) "The role of knowledge embeddedness in the creation of synergies in strategic alliances", *Journal of Business Research*, 58(9): 1194-1204.

Nonaka, I. (1991) *The Knowledge Creating Company*, Harvard Business Review, Boston, MA, 96-104.

Nonaka, I. (1994) "A dynamic theory of organizational knowledge creation", *Organization Science*, 5(1):14-37.

Nonaka, I., and D. Teece (2001) *Managing Industrial Knowledge: Creation, Transfer and Utilization*, Sage Publications, London.

Nonaka, I., and H. Takeuchi (1995) The *Knowledge Creating Company*, Oxford University Press, New York, NY.

Nonaka, I., K. Umemot and K. Sasaki (1998) "Three tales of knowledge-creating companies", in G. von Krogh, J. Roos and D. Kleine (Eds), *Knowing in Firms Understanding, Managing and Measuring Knowledge*, Sage Publications, London.

Nordstrom, K.A., and J. Vahlne (1992) "Is the globe shrinking? Psychic distance and the establishment of Swedish sales subsidiaries during the last 100 years", paper presented at the International Trade and Finance Association's Annual Conference, April 22-25, Laredo, TX.

O'Grady, S., and H. Lane (1996) "The psychic distance paradox", Journal *of International Business Studies*, 27 (2): 309-333.

Ohmae K. (1995) *The end of the nation-state: the rise of regional economies*, The Free Press, New York.

Ohmae, K. (1990) *The Borderless World*, London: Harper Collins.

Oviatt, B. M. and P. P. McDougall (1997) "Challenges for internationalization process theory: the case of international new ventures", *Management International Review*, 37(2): 85-99.

Oviatt, B. M., and P. P. McDougall (1994) "Toward a theory of international new ventures", *Journal of International Business Studies*, 25 (1): 45-64.

Oviatt, B. M., and P. P. McDougall (1995) "Global start-ups: entrepreneurs on a worldwide stage", *Academy of Management*, 9 (2): 30-43.

Oviatt, B. M., and P. P. McDougall (2005) "Defining international entrepreneurship and modelling the speed of internationalization", *Entrepreneurship: Theory and Practice*, 29:537-553.

Pallant, J. (2007) *SPSS survival manual*, 3rd Edn., Allen & Unwin.

Peng, M. W. (2001) "The resource-based view and international business", *Journal of Management*, 27 (6): 803-829.

Penrose, E. (1955) "Research on the business firm: limits to growth and size of firms", *American Economic Review*, 45 (2): 531-543.

Penrose, E. (1959) *The Theory of Growth of the Firm*. Oxford: Blackwell.

Peteraf, M. A. (1993) "The cornerstones of competitive advantage: A resource-based view, *Strategic Management Journal*, 14 (March): 179-191.

Petrazzini, B. and M. Kibati (1999) "The Internet in Developing Countries", *Communications of the ACM* **,** 42(6): 31-36.
Philip K., G. Armstrong and V. Wong (2001) *Principles of Marketing*, European Edition, Financial Times/ Prentice Hall.

Piercy, N. F., A. Kaleka and C. S. Katsikeas (1998) "Sources of competitive advantage in high performing exporting companies", *Journal of World Business*, 4 pp. 378–393.

Piercy, N. F., C. S. Katsikeas and D. W. Cravens (1996) "Examining the role of buyer–seller relationships in export performance", *Journal of World Business,* 1: 73–86.

Pointon, T. (1977) *Economics of Government Export Promotion*, Cranfield University, unpublished PhD.

Pointon, T. (1978) "Information needs of exporters" *Marketing*, July: 53-57.

Polanyi, M. (1962) *Personal Knowledge*, Routledge and Kegan Paul, London.

Polanyi, M. (1966) *The Tacit Dimension*, London, Routledge and Kegan Paul.

Polanyi, M. (1967) *The Tacit Dimension*. Garden City, NY: Anchor.

Porter, M. E. (1980) *Competitive Strategy*, The Free Press, New York.

Reason, P. and J. Rowan (1981) "Issues of validity in new paradigm research", In P. Reason and J .Rowan, *Human Inquiry*, Chichester: John Wiley.

Reed, R., and R. J. DeFillippi (1990) "Causal ambiguity, barriers to imitation and sustainable competitive advantage" *Academy of Management Review*, 15 (January): 88-102.

Reid S. D. (1981) "The decision Maker and export entry and expansion", *Journal of International Business Studies*, Fall: 101-112.

Ritter, T., and H. G. Gemunden (2003) "Network competence: Its impact on innovation success and its antecedents", *Journal of Business Research* 56: 745-755.

Robinson, J. P., P. R. Shaver and L. S. Wrightsman (1991) "Criteria for Scale Selection and Evaluation", In J. P. Robinson, P. R. Shanver, and L. S. Wrightsman (Eds.) *Measures of Personality and Social Psychological Attitudes*, San Diego, CA: Academic Press.

Rumelt, R. P. (1984) "Towards a strategic theory of the firm", In R. B. Lamb (Ed) *Competitive Strategic Management*, Engelwood Cliffs, NJ: Prentice-Hall: 566-570.

Saimee, S., P.G.P. Walters, and F. L. DuBois (1993) "Exporting as an Innovative Behaviour: An Empirical Investigation," *International Marketing Review*, 10 (3): 5–25.

Sako, M. (1992) *Prices, Quality and Trust: Inter-Firm Relations in Britain and Japan*. Cambridge: Cambridge University Press.

Saxenian, A. (1991) "The origins and dynamics of production networks in Silicon Valley", *Research Policy,* 20 (5): 423–437.

Sbrana, R., and M. S. Tangheroni (1991) "Italian exporting SMEs and their use of support services in export development and promotion: the role of public organizations", In F. H. R. Seringhaus, P. Rosson. (Eds), *Export Development and Promotion: The Role of Public Organizations*, Kluwer Academic Publishers, Norwall, MA: 145-160.

Scherer, F. M., and D. Ross (1990) Industrial *Market Structure and Economic Performance*, Houghton and Mifflin Company, Boston.

Schlegelmilch, B., A. Diamantopoulos and K. Tse (1993) "Determinants of export marketing Research usage: testing some hypotheses on UK exporters", In M. Baker (Ed.), *Perspectives on marketing Management III*, Wiley, Chichester: 119-139.

Schumacker, R. E., and R. G. Lomax (1996) *A beginner's guide to structural equation modelling*, Mahwah, NJ: Lawrence Erlbaum Associates.

Schurr, P. H. and J. L. Ozanne (1985) "Influence on exchange processes: buyers' preconceptions of a seller's trustworthiness and bargaining toughness", *Journal of Consumer Research*, 11(4): 939-953.

Seringhaus, F. H. R (1993) "Comparative marketing behaviour of Canadian and Austrian high-tech exporters", *Management International Review*, 33 (3): 247-269.

Seringhaus, F. H. R. (1984) "The Role of Information assistance in small firms export involvement", *International Business Journal*, 5 (2): 26-36.

Seringhaus, F. H. R., and P. J. Rosson (1991) "Export development and promotion and public organizations: the state-of-the-art", In F. H. R Seringhaus and P. J. Rosson (Eds), *Export Development and Promotion: The Role of Public Organizations*, Kluwer Academic Publishers, Norwall, MA: 3-19.

Shaw, E. (1999) "A guide to the qualitative research process: evidence from a small firm study", *Qualitative Market Research: an International Journal*, 2 (2): 59-70.

Shoham, A. (1996) "Marketing-mix standardization: Determinants of export performance", *Journal of Global Marketing* 10 (2): 53-73.

Sinkula J. M. (1994) "Market information processing and Organisational Learning", *Journal of Marketing*, 58: 35-45.

Sinkula, J. M., W. Baker and T. G. Noordewier (1997) "A Framework for Market-Based Organizational Learning: Linking Values, Knowledge and Behaviour", *Journal of the Academy of Marketing Science*, 25 (Fall): 305-318.

Smith, J. K. (1983) "Quantitative versus qualitative research: An attempt to clarify the issue", *Educational Researcher*, March: 6-13.

Soehadi, A. (2001) *The relationships between market orientation, supplier partnership, environmental factors and firm performance in Indonesian retail firms*, unpublished PhD Theses, University of Strathclyde.

Sorensen, O. J., and S. Buatsi (2002) "Internet and exporting: The case of Ghana", *The Journal of Business & Industrial Marketing,* 17(6): 481-500.

Souchon, A. L., and A. Diamantopoulos (1996) "A Conceptual Framework of Export Marketing Information Use: Key Issues and Research Propositions", *Journal of International Marketing* 4(3), 49-71.

Sousa, C. M. P. (2004) "Export Performance Measurement: An Evaluation of the Empirical Research in the Literature", *Academy of Marketing Science Review*, 9: 1-22.

Spence, M. (2003) "Evaluating export promotion programmes: U.K. overseas trade missions and export performance", *Small Business Economics*, 20: 83–103.

Spence, M. and D. Crick (2001) "An investigation into UK firms' use of trade missions" *Marketing Intelligence & Planning*, 19 (7): 464 – 474.

Spence, M. And D. Crick (2004) "Acquiring relevant knowledge for foreign market entry: the role of overseas trade missions", Strategic Change, 13(5): 283-293.

Steensma, K. H., L. Marino and M. K. Weaver (2000) "Attitudes towards cooperative strategies: a cross cultural analysis of entrepreneurs", *Journal of International Business Studies*, 31 (4): 591-609.

Stöttinger, B., and B. Schlegelmilch (1998) "Explaining export development through psychic distance: enlightening or elusive?" *International Marketing Review*, 15 (5): 357-372.

Styles, C. (1998) "Export performance measures in Australia and the United Kingdom", *Journal of International Marketing,* 6 (3): 12-37.

Styles, C. and T. Ambler (1994) "Successful export practice: the UK experience", *International Marketing Review*, 11 (6): 23-47.

Styles, C., and T. Ambler (2000) "The impact of relational variables on export performance: an empirical investigation in Australia and the UK", *Australian Journal of Management*, 25(3):261-81.

Styles, C., and T. Ambler (2003) "The coexistence of transaction and relational marketing: Insights from the Chinese business context", *Industrial Marketing Management* 32 (8): 633–642.

Styles, C., P. G. Patterson and F. Ahmed (2008) "A relational model of export performance", *Journal of International Business Studies*, 39(5): 880-900.

Tabacknik, B. G., and L. S. Fidell (2001) *Using Multivariate Statistics*, (4th Edn.) Needham Heights, MA: Allyn & Bacon.

Tapscott, D. and A. D. Williams (2006) *Wikinomics: How Mass Collaboration Changes Everything*, London, Atlantic Books.

Tapscott, D., D. Ticoll and A. Lowry (2000), *Digital Capital: Harnessing the Power of Business Webs*, Harvard Business School Press, Cambridge, MA.

Thomson, D. (Ed) (1992) *The Pocket Oxford Dictionary of Current English*, Clarendon Press, Oxford.

Toften, K. (2005) "The influence of export information use on export knowledge and performance", *Marketing Intelligence & Planning*, 23 (2): 200-219.

Toften, K., and S. Olsen (2003) "Export market information use, organisational knowledge, and firm performance; A conceptual framework", International *Marketing Review*, 20(1): 95-110.

Turnbull, P. W. (1987) "A challenge to the stage theory of internationalisation process", In P. J. Rosson and S. D. Reid (Eds), *Managing Export Entry and Expansion*; *Concepts and Practice*, West Port, Connecticut, New York: Praeger, pp.21-40.

Turnbull, P. W., and J. P. Valla J (Eds.) (1986) *Strategies for International Industrial Marketing*. London: Croom Helm.

Turnbull, P. W., D. Ford and M. T. Cunningham (1996) "Interaction, Relationships and Networks in Business Markets: An Evolving perspective", *Journal of Business & Industrial Marketing*, 11(3/4):44-62.

Varadarajan, P. R., and M. H. Cunningham(1995) "Strategic alliances: a synthesis of conceptual foundations" *Journal of Academic Marketing Science,* 23 4 pp. 282–296.

Walter, A., T. Ritter and H. G. Gemunden, H.G. (2001) "Value Creation in Buyer-Seller Relations" *Industrial Marketing Management*, 30: 365-377.

Webb, J. (2000) "Questionnaires and their Design" *The Marketing Review*, 1(2): 197-218.

Welch, L. S., and Luostarinen, R. K. (1988) "Internationalisation: Evolution of a Concept" *Journal of General Management*, 14 (2) winter: 34-55.

Welch, L. S., and Luostarinen, R. K. (1993) "Inward-Outward connections in Internationalization", *Journal of International Marketing*, 9 (1): 44-56.

Wernerfelt, B. (1984) "A Resource-Based View of the Firm", *Strategic Management Journal*, 5 (2): 171-180.

Wernerfelt, B. (1989) "From critical resources to corporate strategy" *Journal of General Management*, 14 (Spring): 4-12.

Wernerfelt, B. (1995) "The resource-based view of the firm: Ten years after", *Strategic Management Journal*, 16 (March): 171-174.

Wheeler, C., K. Ibeh and P. Dimitratos (2008) "UK Export Performance: Review and Implications", *International Small Business Journal*, 26 (2): 207-237.

William, E. (1998) "Research and Paradigms", Paper submitted to MComms Programme at Victoria University of Wellington.

Williamson, O. E. (1975) *Markets and Hierarchies: Analysis and Anti-Trust Implications*, Free press, New York.

Wilson, R. M. S., and C. Gilligan (1997) *Strategic Marketing Management*, 2nd Edn., Butterworth Heinemann, Oxford.

Wong, A., and A. Sohal (2002) "An examination of the relationship between trust, commitment and relationship quality", *International Journal of Retail & Distribution Management*, 30(1), 34-50.

Wood, V. R. and K. R. Robertson (2000) "Evaluating international markets; The Importance of information by industry, by country of destination, and by type of export transaction", *International Marketing Review*, 17(1): 34-55.

Yeoh, P., and I. Jeong (1995) "Contingency relationships between entrepreneurship and export channel structure and environment: a proposed model of export performance", *European Journal of Marketing*, 29 (8): 95-115.

Yeoh, P.-L. (1999) "Information acquisition activities: a study of global start-up exporting companies", Journal of International Marketing, 8(3): 36-60.

Yli-Renko, H., E. Autio and H. J. Sapienza (2001) "Social capital, knowledge acquisitions, and knowledge exploitation in young technology-based firms", *Strategic Management Journal*, Chichester: 22(6/7): 587-613.

Yli-Renko, H., E. Autio and V. Tontti (2002) "Social capital, knowledge, and the international growth of technology-based new firms" *International Business Review*, 11: 279-304.

Young S., and N. Hood (1976) "Perspectives on the European marketing strategy of U. S. multinationals", *European Journal of Marketing*, 10(5): 240

Young, S., J. Hamill, C. Wheeler and J. R. Davies (1989), *International Market Entry and Development*, Harvester Wheatsheaf, Hemel Hempstead.

Zafarulla, M., M. Ali and S. Young (1998) "The Internationalisation of the Small Firm in Developing Countries- Exploratory Research from Pakistan", *Journal of Global Marketing*, 11 (3): 21-40.

Zahra, S. A. (2005) "A theory of international new ventures: a decade of research", *Journal of International Business Studies* 36: 20-38.

Zaltman, G. (1986) "Knowledge utilization as planned social change", In G. Beal, W. Dissanayake and S. Konoshima (Eds), *Knowledge Generation, Exchange and Utilization*, Praeger, Boulder, CO,: 433–62.

Zou, S., and S. Stan (1998) "The determinants of export performance: a review of the empirical literature between 1987 and 1997", *International Marketing Review,* 15(5): 333-356.

Government and Other bodies' publications

Barclays Bank Report (2008) *International Trade*, accessed at www.business.barclays.co.uk.

BBC New, October, 2008, http://news.bbc.co.uk/1/hi/business/7695716.stm

Colley, A. (2008) "Business yet to harness Web 2.0", *The Australian*, March 11, http://www.australianit.news.com.au/story/0,24897,23351440-24169,00.html

Department for Business, Enterprise and Regulatory Reform Press Release August, 2007.

OECD Report (2002), *OECD Small and Medium Enterprise Outlook*, OECD Publishing.

OECD Report (2005), *SME and Entrepreneurship Outlook*, OECD Publishing.

Report of Definitions (1961) Committee of the American Marketing Association, Chicago, USA.

Scottish Enterprise (2003) Scottish *e-Business Survey: Review of Findings*, presentation submitted to UNCTAD Expert Meeting on Measuring the Digital Economy, Geneva, 8-10th September, 2003.

Scottish Excutive, *Annual survey of small businesses: Scotland 2005*, available at http://www.scotland.gov.uk/Publications/2006/12/20153636/0

UNCTAD (2004) *E-Commerce and Development Report*, 2004, United Nations Publication, New York and Geneva.

Websites

http://www.business.barclays.co.uk/BBB/A/Content/Files/International_Trade.pdf

www.australianit.news.com.au/story/0,24897,23351440-24169,00.html

http://www2.chass.ncsu.edu/garson/pa765/structur.htm

www.themedweb.co.uk/manufacturers

www.globalscot.com

www.wikipedia.org

http://web2cpd.ning.com/profiles/blogs/topic-1-web-20-overview).