

bc1386457

**FACTORS ASSOCIATED WITH SUCCESSFUL EXPORTERS:  
EMPIRICAL EVIDENCE FROM MALAYSIA**

**THESIS SUBMITTED FOR THE DEGREE OF DOCTOR OF PHILOSOPHY  
TO THE UNIVERSITY OF STRATHCLYDE IN ACCORDANCE TO THE  
REGULATION AND RULES OF THE UNIVERSITY**

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1994**

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## ABSTRACT

Empirical investigations on firms' export behaviour and performance have tended to focus on the experience of firms from developed nations. Little is known about such issues among firms in developing nations generally, and Malaysia in particular. This study investigates export behaviour and performance of manufacturing firms in Malaysia.

The central concerns of this study are i) to establish the characteristics of successful and less successful exporters; and ii) to determine factors that distinguish the two groups of exporters.

Fieldwork for this research was carried out in Malaysia between May and July 1992. The study employed two research methods, a mail survey and case study. A total of 190 useful returns were received from firms representing a cross-section of the manufacturing sector. As regards case study, five companies consented to be personally interviewed by the researcher.

Through statistical analysis, it was established that there are three characteristics or profiles of successful and less successful exporters. In the first profile, exporters which are classified as adopting a market diversification strategy are more successful than exporters adopting a market concentration strategy. The second profile is made up of exporters characterised as exhibiting a selling orientation policy. In this group of firms, it was determined that the large-sized firms are more successful than the medium-sized firms. The third profile is represented by firms which are classified as foreign-owned. The analysis shows that firms characterised as exhibiting a marketing orientation policy are more successful than firms characterised as exhibiting a selling orientation.

Analysis determined that variables measuring firms' marketing strengths (broadly classified into organisational and marketing-mix strengths) separate successful and less successful exporters. The two groups of firms also display different attitude with regards the state of the infrastructure in the domestic economy, intensity of competition in export markets, and export barriers.

The findings from case the studies show that both internal and external factors motivate firms to explore export opportunities. The factors peculiar to the export success of case companies, include the manager's international orientation, the company's commitment to producing high and consistent quality products, and the maintenance of close contacts with overseas markets. The findings confirm the findings from the mail survey.

Differences and similarities exist between the findings of this study and those generated in other countries. The results add new information on the export behaviour of firms from Malaysia.

## ACKNOWLEDGEMENTS

Many people contributed directly or indirectly towards the completion of this research. I sincerely thank them all for the part they played. Some of them deserve special mention.

I am most grateful to Mr. Colin N. Wheeler who was my supervisor. He was a great source of inspiration throughout the research period. He was always available for consultation. I truly feel greatly indebted to him. Special gratitude goes to Professor Stephen Young who was my second supervisor. He provided timely feedback and encouragement. I am also indebted to the members of the Strathclyde International Business Unit (SIBU) and Department of Marketing. Many thanks to David Crick who reviewed my survey questionnaires; Dr. Jamil Bojei who introduced me to SPSSX; and Isahak Kassim who guided me through the statistical analysis. Similar appreciation is extended to friends and colleagues, particularly Dr. Huang Chun Hua, Dr. Razak Kamarudin, A. Beloucif, A.B.M.S. Islam, Nordin, Wan Jamaliah, and Mrs. Fisher, who assisted me in proof-reading the thesis.

I am grateful to Universiti Sains Malaysia for the financial support provided to enable me to undertake this study. Many thanks go to the Dr. Mohamed Sulaiman, colleagues at the School of Management, USM, and friends in the industry who assisted me during the data collection phase of the research. There are many other people who assisted me but have not been mentioned here. I am grateful for their contributions.

To my wife Zariah, I must extend deepest gratitude and appreciation for her support, understanding, encouragement and forbearance during our stay in Scotland. She tried her best to make our stay enjoyable and contented. To her goes more than I could ever acknowledge here. To my daughter, Mariam, and sons Ahmad Hafiz and Ahmad Hafifi, thank you very much for providing me with a warm and joyful atmosphere. May Allah bless all of you.

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# CHAPTER 1

## INTRODUCTION

### 1.1 Rationale of the study

The importance of exports to the national economy and as the principal path to economic growth in developed as well as developing nations is widely recognised. Malaysia like other nations has adopted an export oriented industrialisation strategy and hopes to emerge as an industrialised nation by the year 2020.

The rationale for undertaking this study revolves around the following two major points:

1. the relative lack of empirical studies, at the firm level, on export performance of firms in developing nations; and
2. the contextual nature of the study. Namely this study will investigate firms operating in Malaysia, a nation that has adopted an export-oriented industrialisation strategy.

#### 1.1.1 Lack of studies on exporting firms in developing nations

A review of the literature indicates the bulk of export marketing studies are based on the experience of firms from the western industrialised nations. The sudden surge of research focusing on firms' export behaviour and performance was partly driven by the quest to find alternative explanations of world trading patterns which defied the traditional economic arguments.

The domination of Japanese products and their rapid expansion into almost every corner of the globe has spurred a wave of research interests in the field of international marketing. Numerous research has been conducted, notably in North

America and Western Europe to uncover the reasons for, and factors associated with export initiation and performance. At the same time, the virtues of Japanese management systems have been vigorously investigated.

The meteoric rise of the "Four Tigers" (Taiwan, Hong Kong, Korea, and Singapore) during the past decade has further widened the scope of research in attempting to explain the emergence of firms of international stature from the Far East. The opening of the Chinese market has provided such an extensive area of research that export behaviour of firms in other developing and industrialising nations within the region has been neglected.

To fill the gap, this study will focus on the experience of manufacturing firms operating in Malaysia. In contrast to previous empirical works, this study will be carried out in a developing nation which is characterized as a "government-led" economy, in which exporting is the thrust of the nation's development strategy; a nation that aims to emerge as an industrialised nation by the year 2020.

### **1.1.2 Exports and Malaysia's industrialisation strategy**

The New Economic Policy (NEP) introduced in 1969 under the 2nd Malaysia Plan marked the turning point in the Malaysian industrialisation programme. The import-substitution *laizze faire* economy was replaced by an export-oriented industrialisation strategy. The implementation of the Investment Act of 1968 followed by the Income Tax Act 1976, the Industrial Co-ordination Act 1975, and the Promotion of Investment Act 1986 saw concerted efforts to steer Malaysia's economy away from over reliance on the exports of primary commodities.

The strategic role of the manufacturing sector has been emphasised in Malaysia's Five-Year Plans. The introduction of various legislation and regulations to promote the growth of the manufacturing sector led to phenomenal growth in investment from foreign investors. Investment incentives and various forms of assistance were also

extended to domestic manufacturers to boost the nation's exports.

Whilst research in the developmental issues and trade performance at the macro level has been widely investigated, the systematic empirical investigation at the micro level has yet to be seriously explored. An area of interest to the researcher is the factors associated with successful manufacturers-exporters.

## **1.2 Research objectives and questions**

The objectives of this study are:

1. to establish the profiles of successful and less successful exporters;
2. to determine the marketing factors that distinguish successful exporters from less successful exporters; and
3. to compare the perceptions of successful exporters with those of less successful exporters as regards market environmental factors.

In order to achieve objective number 1, this study will address the following basic questions:

1. what are the characteristics of exporting firms in Malaysia?
2. what types of export marketing policy are being adopted by Malaysian exporters?
3. do firms' characteristics and export marketing policies explain the variation in export performance?

While the answers to the first and second questions will provide a profile of Malaysian exporters, the answer to the third question will establish the profile of successful and less successful exporters.

The second research objective is concerned with the marketing factors associated with successful exporters. In this study, the marketing factors hypothesised to contribute to firms' export competitiveness are broadly classified into organisational strengths

and marketing-mix strengths.

The following research questions will be addressed:

1. do successful exporters differ from less successful exporters with respect to export organisation, planning orientation and information search commitment?
2. what is the significance of variables describing external support (from the government and the distributors); management strengths; and assistance from foreign equity partners (for firms with foreign equity participation) in distinguishing successful exporters from less successful exporters;
3. which of the marketing-mix variables (product, price, place, and promotion) are associated with successful exporters and less successful exporters?

The answer to the following research question will satisfy the third research objective:

1. do successful exporters differ from less successful exporters with respect to their perceptions of the market environmental factors?

### **1.3 Contribution of this study**

The findings of this study will provide insights into the state of export marketing management practices among companies in Malaysia, and add to what is minimally known about the export behaviour of firms in developing nations.

To benefit from the strengths of a mixture of data collection strategy, both mail survey and case study methods will be used.

The findings will serve to validate the previous findings on characteristics of the

successful exporters, their marketing strengths and their perceptions of the market environmental factors.

The results of this study will benefit firms that are currently exporting as well as those contemplating exporting to overseas markets. Such information can help managers to evaluate their current export marketing policy and practices.

The results will also have implications for policy makers in Malaysia and in other developing countries especially those that are following an export-led industrialisation growth path. It is anticipated that the findings of this study will provide additional information on the impact of various support services on firms' export involvement and performance.

#### **1.4 Organisation of the chapters**

The organisation the chapters will be as follows:

Chapter 1 - outlines the primary objectives of the study and the relevant research questions.

Chapter 2 - focuses on the conceptual developments in explaining firms' export involvement and performance. Empirical evidence and prescriptions for export success are highlighted.

Chapter 3 - traces the structural transformation of the Malaysian economy and the rising importance of manufactured exports in Malaysia's economy as well as challenges facing exporters from Malaysia. The characteristics of manufacturing firms in Malaysia and their behaviour are compared to those of other developing and developed nations.

Chapter 4 - describes the variables hypothesised to influence the variation in firms'

export performance, and indicators of export performance. The marketing and market environmental factors investigated in this study are highlighted

- Chapter 5 - explains the research design, data collection techniques, the respondents, questionnaire development, administration of field work, and the response rate.
- Chapter 6 - presents the survey findings. The profile of the responding firms are highlighted first. This is followed by a statistical analysis designed to establish the factors explaining the variations in firms' export performance and at the same time identify the profile of successful and successful exporters.
- Chapter 7 - successful and less successful exporters are compared with regard to their marketing strengths, and their perception of the market environmental factors.
- Chapter 8 - presents the findings from case studies.
- Chapter 9 - summarises the findings and limitations of the study. The theoretical, managerial and policy implications are discussed.

The organisation of the chapters is depicted in Exhibit 1.1.



Exhibit 1.1: Organisation of the Chapters

Chapter 1  
Introduction

Chapter 2  
Conceptual development in firms'  
export development and performance

Chapter 3  
The manufacturing sector in  
Malaysia

Chapter 4  
Research framework and hypotheses

Chapter 5  
Research design

Chapter 6  
The survey findings

Chapter 7  
Factors associated with successful  
exporters

Chapter 8  
Case studies

Chapter 9  
Summary and Implications of the study

## CHAPTER 2

# CONCEPTUAL DEVELOPMENTS OF FIRMS' EXPORT INVOLVEMENT AND PERFORMANCE

### **Introduction**

The objective of this chapter is to identify the trends in the export literature which are considered essential in developing the conceptual framework to conduct a study on firms' export performance, and factors associated with successful exporting firms operating in Malaysia.

This chapter is divided into the following three major sections:

- Section 2.1 - reviews the literature associated with the economic explanations of firms' export involvement and performance;
- Section 2.2 - focuses on the behavioural explanations of firms' export behaviour and export performance;
- Section 2.3 - highlights the contribution of marketing to firms' competitiveness and export performance.

## **2.1 Economics literature**

The economic viewpoint holds that firms' international involvement is the result of rational decision making by their managers. Firms are assumed to carefully evaluate alternative markets and alternative entry modes. The literature that builds on these basic premises for explaining the internationalization of firms, can be identified from theories which seek to explain trade between nations - the principle of comparative advantage, the technology-based theories and Dunning's eclectic paradigm.

### **2.1.1 The principle of comparative advantage**

The principle of comparative advantage, first introduced by Ricardo in 1817, postulated that each nation tends to specialise in the production of those goods and services in which it is comparatively most efficient, exporting them, and importing those goods which it could produce less advantageously.

Trade between nations and hence firms' international involvement and performance has its origin in the principle of comparative advantage. This traditional trade theory suggests that differences in labour costs and productivity motivates firms to exploit their comparative advantage in overseas markets by engaging in international transactions.

This principle of comparative advantage assumed that the only factor of production that determined cost and a firm's international competitiveness was labour cost. The simplistic assumption of the principle was subsequently refined by the Heckscher-Ohlin Theorem. In 1933, Heckscher and Ohlin added that all products require a combination of different factors of production namely labour and capital. This two-factor theory was later refined to include two more factors, natural resources and skilled labour. The endowment of these factors of production differ between countries. The theory postulates that a country's exports will consist of those goods which use intensively those factors of production it is best endowed with. The

country's imports will comprise of those goods which incorporate those factors of production it is poorly endowed with.

Loentief's (1953) discovery that the United States of America, supposedly a capital-abundant, labour-scarce nation, had exporting industries which were more labour-intensive than its importing-competing industries, has provoked many controversies and criticisms of the Heckscher-Ohlin Theorem.

The weaknesses of Ricardo's principle of comparative advantage and the Heckscher-Ohlin theorem can be traced to their simplified assumptions. The assumptions are as follows: factors of production - land, labour and capital are immobile between countries; perfect information exists as to international trade opportunities; and goods traded are undifferentiated. These assumptions do not reflect the reality of the market place.

### **2.1.2 Technology-based theories**

As the composition of goods traded in the international markets are made up of a whole spectrum of goods ranging from raw materials, intermediate goods and final goods, as well as factors of production (for example management and technology), technology is recognised as an important factor which could explain firms' international involvement and trade between nations. This has led to the development of technology-based explanations of trade between firms from different nations.

The technology-based theories incorporate dynamic elements which contribute to firms' competitiveness (that is innovation) and the timing of firms' production and market servicing methods (exporting and direct investment). The influence of market conditions on firms' behaviour (demand and competition) are taken into account in explaining a product's life cycle and its influence on firms' international involvement. The two prominent theories associated with technology are the technology gap and international product life cycle theories.

The technology gap theory is associated with the works of Kravis (1956) and Posner (1961). The authors stressed that there is a certain time lapse between the introduction of a particular innovation in one country and the successful adoption of that innovation by its trade partners. The imitation of that technology is dependent upon the demand lag and the reaction lag. The demand lag refers to the speed of consumer response to a new product or innovation; the reaction lag refers to the speed with which each country's producers adopt the production technology and compete with the foreign supplier. The difference between these lags gives rise to international trade.

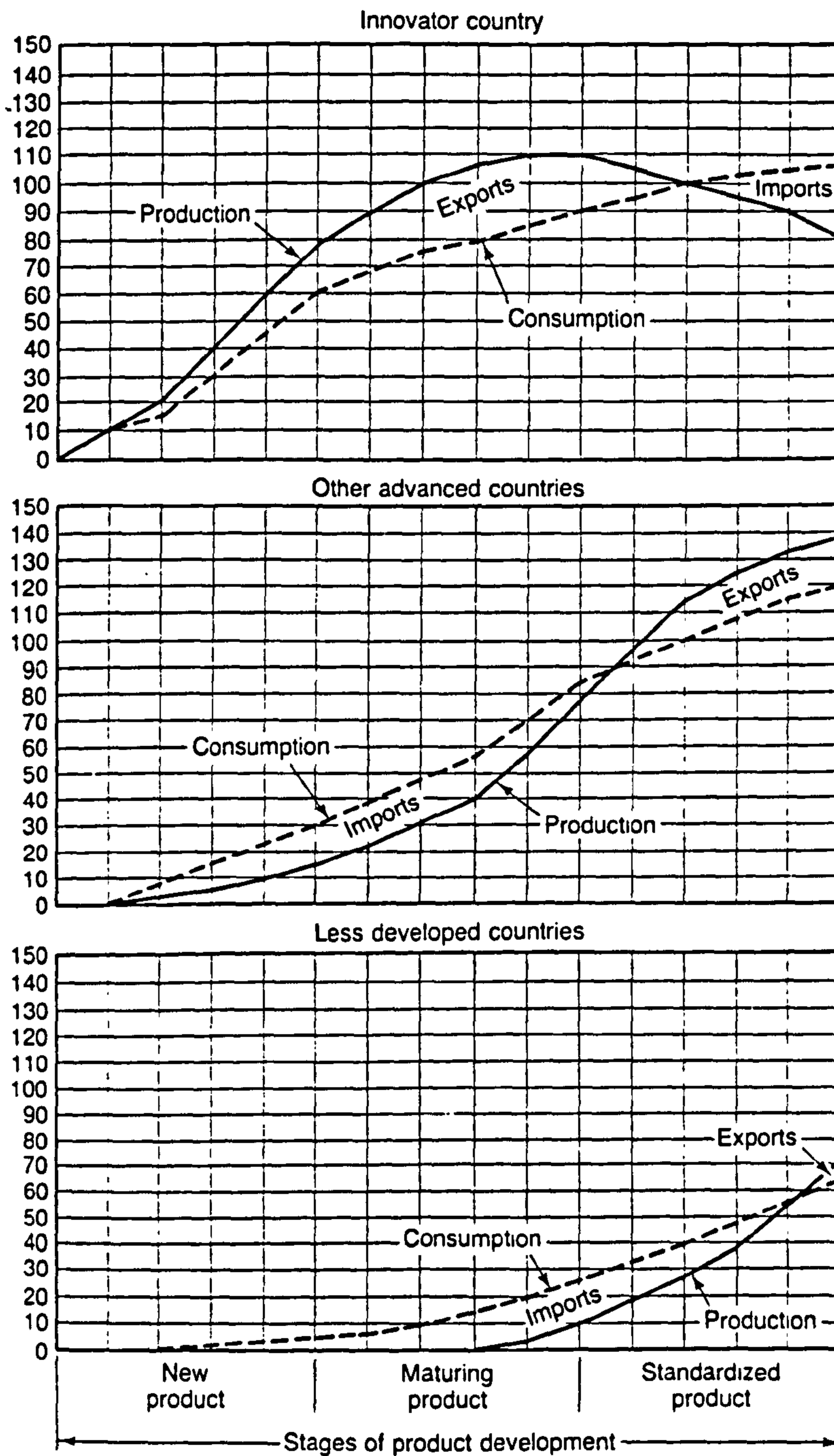
Empirical works by Hafbauer (1966), Nelson (1966), Baldwin (1971), Hirsch (1974), Lowinger (1975), and Goodman and Ceyhum (1976) support the contention that the USA's competitiveness in international markets is largely determined by the country's ability to invest a comparatively high proportion of its resources in the development of new products.

The Theory of International Product Life-Cycle (IPLC), associated with the works of Vernon (1966;1979), highlighted the role of technology in international trade and investment. The theory attempts to predict the timing of the changes in competitive advantage between firms from innovating nations and firms in imitating nations, which the technology gap theory failed to provide.

Vernon suggests that the trade in the innovated product follows its life cycle (refer to Exhibit 2.1). The IPLC theory rests on four basic assumptions:

1. product undergoes predictable changes in production and marketing;
2. restricted information is available on technology;
3. production processes change over time and economies of scale are prevalent;
4. tastes differ according to income and thus products can be standardised at various income levels.

Exhibit 2.1: The international product life cycle theory



Source: Vernon and Wells, Jr. (1986) pp. 83.

Firms in a technologically advanced country, like the United States, play the innovative role in product development. According to Vernon, the factor endowments, the consumer demands and market structure in the USA are all conducive to the introduction of new and innovative products. Thus the initial production of the new product is located in the USA. Demands from foreign markets are served via exporting.

At a later stage as the diffusion of technology takes place, firms in other relatively advanced countries, like Western European countries, will begin to imitate and produce the products to compete with similar imported products. The new producers will reach a point at which they will be cost competitive (particularly due to lower labour costs) and will be in a position to export the products to the innovating nation.

The process of diffusion continues, the relatively advanced nation in turn, would lose their markets to the next group of countries, the emerging newly industrialised countries.

Studies by Hirsch (1967) and Wells (1972) have provided supporting evidence for the IPLC theory. Improvements in education, communication, and the lowering of trade barriers have almost eliminated the differences in income levels, demands and factor costs between the innovating nation (USA) and the imitating nations (Europe, Japan and other newly industrialising nations). The USA no longer has all the dominant and innovating firms in the world. European and Japanese firms are equally capable of developing and introducing new innovative products. The theory provided an adequate explanation of the world's trade patterns in manufactured products and US foreign direct investment in the 1960s and 1970s. However, the theory could not provide satisfactory explanations of the current complex pattern of international trade and firms' activities (Vernon, 1979; Lutz and Green, 1983; Mullor-Sebastian, 1983).

Firms increasingly introduce new products simultaneously instead of sequentially in many markets. Even though the home market structure is a stimulus for innovation,

the production of new products may be undertaken in other nations that provide the most cost-effective method of exploiting the innovation by the firm (Giddy, 1978; Clegg, 1987). Firms' international involvement however, is often triggered by other factors besides the technological characteristics of a product.

### **2.1.3 Dunning's Eclectic Paradigm**

A number of other theories have been proposed to explain firms' international involvement. The works of Dunning (1977; 1988; 1993), referred to as the Eclectic Paradigm, integrate the transaction costs theory and locational theory. Dunning postulates that firms' international involvement and competitiveness can be explained by:

- a. ownership-specific advantages;
- b. location-specific advantages; and
- c. internalization advantages.

These factors are highlighted in Exhibit 2.2 . The paradigm attempts to provide a more comprehensive explanation of firms' choice between exporting, licensing and direct foreign investment. Firms intending to operate in a foreign market are at a disadvantage because they lack the knowledge about the local market and their competitors. According to Dunning, the propensity of a firm to engage in direct foreign investment therefore depends on three main determinants:

1. the firm must possess a competitive advantage which its competitors do not possess. Dunning calls this an "ownership or firm-specific advantage". The advantage could be derived from, for example, proprietary ownership of a patented process or product technology, which other firms do not possess.
2. it must be in the firm's best interests to exploit its competitive advantage in conjunction with the indigenous resources of foreign countries (for example lower cost of production, protected large market, investment incentives) rather than at home.
3. it must be in the best interests of the enterprise to transfer its ownership



advantages across countries within its own organisation, rather than sell the right to use them to another firm.

**Exhibit 2.2: The Eclectic Paradigm of International Production.**

<p>1. Ownership-specific Advantages (of enterprises of one nationality, or affiliates of same, over those of another)</p> <p>a. Property right and/or intangible advantages Product innovations, production management, organisational and marketing systems, innovatory capacity; non-codifiable knowledge; "bank" of human capital experience; marketing, finance, know-how, etc</p> <p>b. Advantages of common governance (i) Which those branch plants of established enterprises may enjoy over <i>de novo</i> firms. Those due mainly to size and established position of enterprise e.g. economies of scope and specialisation; monopoly power, better resource capacity and usage. Exclusive or favoured access to inputs, e.g. labour, natural resources, finance, information. Ability to obtain inputs on favoured terms (due e.g. to size or monopolistic influence). Exclusive or favoured access to product markets. Access to resources of parent company at marginal cost. Economies of joint supply (not only in production but in purchasing, marketing, finance, etc. arrangements. (ii) Which specifically arise because of multinationality enhances above advantages by offering wider opportunities. Most favoured access to and/or better knowledge about international market, e.g. for information, finance, labour. etc. Ability to take advantage of geographical differences in factor endowments, markets. Ability to diversify or reduce risks, e.g. in different currency areas, and/or political scenarios.</p>	<p>2. Internalisation incentive advantages (i.e. to protect against or exploit market failure) Avoidance of search and negotiation costs To avoid costs of enforcing property rights Buyer uncertainty (about nature and value of inputs, e.g. technology, being sold Where market does not permit price discrimination Need of seller to protect quality of products To capture economies of interdependent activities (see 1/(b) above) To compensate for absence of future markets To avoid or exploit government intervention (e.g. quotas, tariffs, price controls, tax differences, etc.). To control supplies and conditions of sale of inputs (including technology) To control market outlets (including those which might be used by competitors) To be able to engage in practices, e.g. cross-subsidisation, predatory pricing, etc. as competitive (anti-competitive) strategy</p> <p>3. Location-specific variables (these may favour home or host countries). Spatial distribution of inputs and markets. Input price, quality and productivity, e.g. labour, energy, materials, components, semi-finished goods Transport and communication costs. Investment incentives and disincentives (including performance requirements, etc.) Artificial barriers to trade in goods. Infrastructure provisions (commercial, legal, educational and transportation). Psychic distance (language, cultural, business, customs, etc., differences) Economies of centralisation of R &amp; D, production and marketing</p>
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Source: Dunning, J. (1981), *International Production and the Multinational Enterprise*, Allen & Unwin, London.

The paradigm suggests that the greater the ownership advantages a firm has over foreign firms, the higher the propensity for it to internalise the advantages. Furthermore, the more beneficial it is for the firm to exploit its advantages by using foreign country-specific endowments rather than those available locally, the more likely it is that the firm will invest abroad.

Compared to the internalisation theory (which focuses primarily on transaction costs but ignores location costs), the eclectic paradigm provides a wider analytical framework to predict the direction which internalisation may take (Clegg, 1987).

Although the paradigm provides a more comprehensive viewpoint of the determinants of a firms' international involvement, there are several unresolved issues. The relationship between these three elements and their development over time is unclear and leaves a classification system bereft of a dynamic content. The critics have suggested that it is tautological to include both ownership advantages and internalisation advantages as necessary conditions for foreign direct investment because the former already contains the latter (Casson, 1986, 1987; Buckley, 1988; Itaki, 1989;1991). The corporate strategic issues such as corporate responses to risks and uncertainties are not seriously taken into account in the paradigm (Mainardi, 1987; Kindleberger, 1988; Macharzina and Englehard, 1991).

The modern international arrangements among firms are too complex to be satisfactorily explained solely by economic viewpoints. Comparative advantage may be altered through government intervention and economic ideology of a particular nation (ISIS, 1986; Mukerjee, 1986; Lall, 1990; Aggarwal and Agmon, 1990; Porter, 1990).

The basic criticism of the contributions from economics is their static nature. An economic viewpoint stresses rational choice, with emphasis on the costs and benefits of using internal markets. A firm's progression into the international markets is influenced by a host of other factors within and outside the firm.

## **2.2 Behaviourial literature**

The behavioural literature attempts to conceptualise the dynamic forces within and outside the firm that motivates it to be involved in servicing the international markets. It departs from the classical arguments that firms are managed by all-knowing managers driven by the desire to maximise profits (Cyert and March, 1963; Bilkey, 1978; Piercy, 1982; Thomas and Araujo, 1985; Young et al., 1988; Young, 1990).

A number of research streams have emerged in trying to explain firms' export behaviour and performance. For the purpose of this study, the researcher will focus on the literature which addresses the following basic questions:

1. what factors propelled firms to enter export markets?
2. do the characteristics of exporting firms differ from that of non-exporting firms?
3. what are the factors associated with successful exporting?

In view of the large amount of published literature dealing with firms' export behaviour and performance, some of the findings of specific studies may not be mentioned here but may appear in Chapters 4, 6 and 7, as well as Chapter 8 when the findings of this study will be compared to the findings from previous research. The evidence on other streams of export research (for examples export obstacles and the impact of public policy measures on firms' export performance) will be mentioned in Chapter 3 where a comparison between Malaysian exporting firms and that of exporters from other nations will be attempted.

### **2.2.1 Firms' export development process**

Firms' export involvement can be attributed to the complex interactions of internal and external factors to the firms. Simmonds and Smith (1968, pp.92) suggest that firms' export involvement is an innovative process:

"entry into an export market is just as much an innovation as the

adoption of a new production process, for example, so there is every reason to suspect that many of the findings concerning other types of innovation will apply to it."

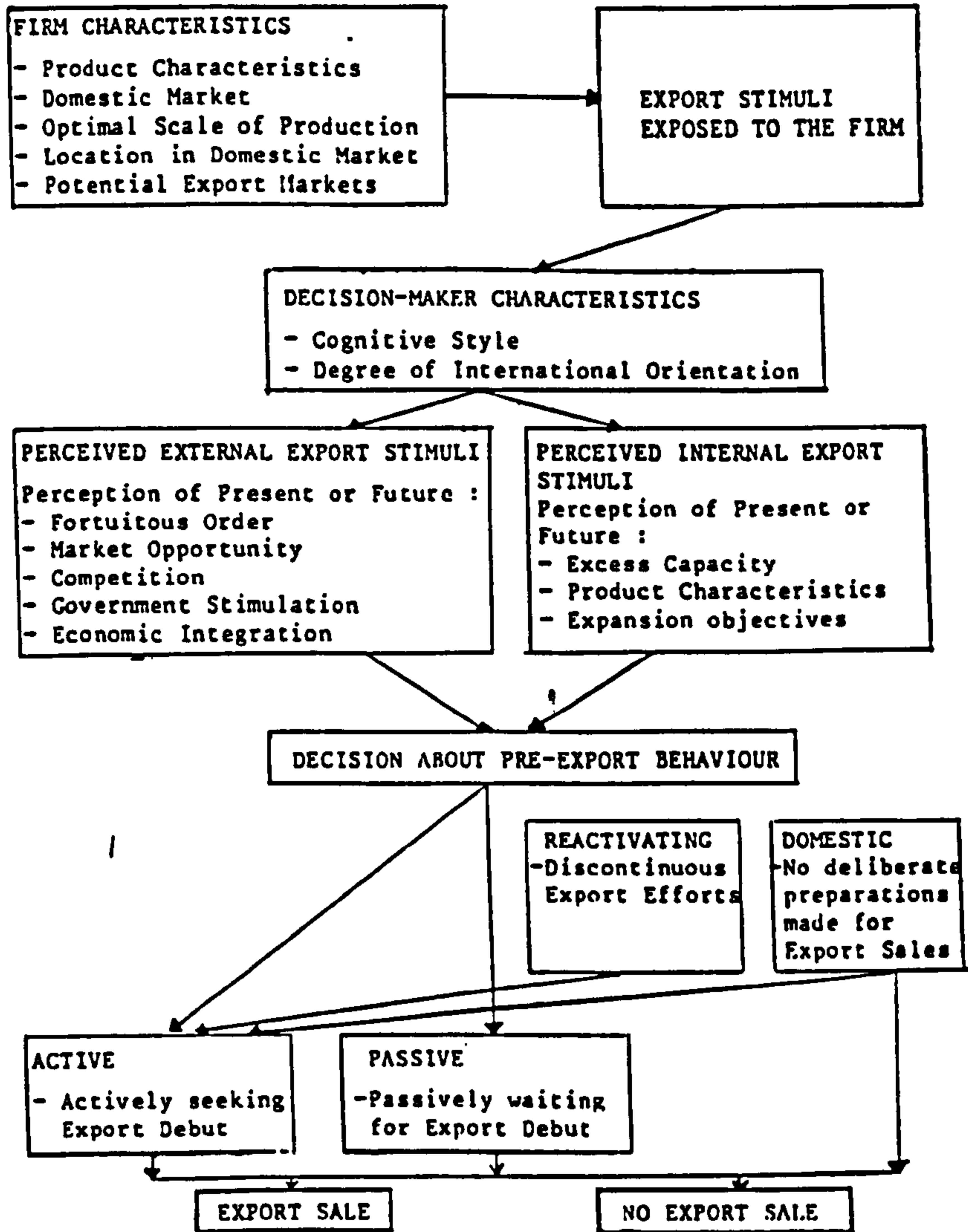
The authors investigated UK exporters who had received their first export orders and concluded that an international orientation of managers was the prominent innovator in an exporting context. In addition it was also confirmed that much of the innovation could be traced to external stimuli, that is an unsolicited order from a foreign customer.

According to Olson and Weidersheim-Paul (1978), a firm's motivation to export is even manifested in its pre-export behaviour and characteristics. The variables that trigger a firm's export intention are depicted in Exhibit 2.3 .

A firm's characteristics (including the goals of the firm, type of product line, history of the firm); the decision-maker's value system ( work experience, perception of uncertainty associated with moving into exporting); and the firm's environment (such as the firm's location, access to information; and exposure to export stimuli) - interactively propell the firm into export involvement. Reid (1981) in his review of the export literature, agrees that export entry should be viewed as an adoption of innovation process. Irrespective of the source of the stimulus, the strategic choice by the decision maker plays a primary role in a firm's decision to export or not.

Other researchers suggest that the innovation process is best conceptualised as a process of incremental involvement (Thomas and Araujo, 1985; Young 1990). The motivation to explore opportunities in export markets and commitment to service export markets is postulated to occur in stages. The stage models identified in the literature are those proposed by Johanson and Wiedersheim-Paul (1975) , Bilkey and Tesar (1977), Cavusgil (1980), and Czinkota (1982). The stages as postulated by these authors are summarised in Exhibit 2.4 .

Exhibit 2.3: Factors affecting the pre-export behaviour of a firm.



Source: Olson, H.C., & Wiedersheim-Paul (1978), pp. 285.

Exhibit 2.4 : Comparison of the export development models

Johanson and Wiedersheim-Paul (1975)	Bilkey and Tesar (1977)	Cavusgil (1980)	Czinkota (1982)
Stage 1: No regular export activities	Stage 1: Management is not interested in exporting	Stage 1: Domestic marketing: the firm sells on to the home market	The completely uninterested firm
Stage 2: Export via overseas agents	Stage 2: Management is willing to fill unsolicited orders, but makes no effort to explore the feasibility of exporting	Stage 2: Pre-export stage: the firm searches for information and evaluates the feasibility of undertaking exporting	Stage 2: The partially interested firm
Stage 3: Establishment of an overseas sales subsidiary	Stage 3: Management actively explores feasibility of active exporting	Stage 3: Experimental involvement: the firm starts exporting on a limited basis to some psychologically-close countries	Stage 3: The exploring firm
Stage 4: Overseas production manufacturing	Stage 4: The firm exports on an experimental basis to some psychologically-close country	Stage 4: Active involvement: exporting to more new countries-direct exporting - increase in export volume	Stage 4: The experimental exporter
	Stage 5 The firm is an experienced exporter	Stage 5: Committed involvement: management constantly makes choices in allocating limited resources between domestic and foreign markets	Stage 5: The experienced small exporter
	Stage 6: Management explores the feasibility to other more psychologically-distant country		Stage 6: The experience large exporter

Source: Ford, D. and Leoniduo, L. (1991) pp.16.

Johanson and Wiedersheim-Paul (1975) proposed that a firm's progression into export markets can be explained by the four successive stages of institutional and structural changes. They are:

1. no regular export activities;
2. export via independent representatives;
3. establishment of an overseas sales subsidiary; and
4. overseas production/manufacturing units.

The above pattern of development is the result of an interplay between the development of knowledge about foreign markets and operations on the one hand, and an increasing commitment of resources to foreign markets on the other. Resource commitments are only initiated when significant experience is accumulated. Firms are therefore hypothesised to enter new markets based on the concept of psychic distance. This concept, which is a construct of geographic and cultural factors, alleges that firms will start their export to the physically closest country and gradually expand to physically more distant markets.

Johanson and Wiedersheim-Paul's work has been further developed and refined by Johanson and Vahlne (1977, 1990). The pace of resource commitments may not follow the above small steps if the firm has a large reservoir of resources and experience. The homogeneity and stable market conditions may also dictate the changes in the pattern of export development.

Bilkey and Tesar (1977), Cavusgil (1980) and Czinkota (1982) characterised firms' export involvement in terms of managerial awareness, interest/attitudes and commitment to engage in exporting. They only differ in their description and number of stages involved.

Inherent in these export development models is the assumption that firms which are farther along the experience path are likely to have higher capabilities or knowledge about research, financing and marketing functions; are likely to possess more

sophisticated managerial skills; and are likely to have a global marketing perspective compared to the experimentally-exporting or non-exporting firms.

Hierarchically lower-level firms, on the other hand, are likely to have a domestic market orientation; are not likely to possess research, financing or environmental analysis skills; are likely to perceive major barriers to exporting; and are likely to export initially to physically and/or psychologically closer countries.

The empirical evidence on the stage process of firms' internationalization is mixed. Johanson and Wiedersheim-Paul (1974); Luostarinen (1979) and Larimo (1985); and Hans Jansson (1989) support the export stage model but Hedlund and Kvernelund (1984); Hood and Young (1983); Varaldo (1987); and Turnbull (1987); Czinkota and Ursic (1987) refute the validity of the model.

With the development of communications systems, firms can increase their knowledge about a particular market in a more rapid manner. The development of education may help to widen the entrepreneurs psychological barriers to foreign markets. A firm need not perform each step in the establishment chain. The short product life cycle requires simultaneous marketing efforts in many markets. The speed with which a process of internationalisation takes place is therefore governed by many other factors such as a firm's differential advantages and external initiators (Young et al., 1989).

The inadequacy of the stage model to explain firms' international involvement have led other researchers to describe a firms' internationalisation either as a proactive or reactive response to situations (Simpson and Kujawa, 1974; Lee and Brasch, 1978; Piercy, 1982; Johnston and Czinkota, 1982; da Rocha et. al., 1990; Bourantias and Halikias, 1991).



**Exhibit 2.5: Proactive versus Reactive Exporters**

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

Source: Albaum et. al., (1989) pp. 35.

As shown in Exhibit 2.5, two kinds of stimuli influence a firm's decision to engage in exporting - the internal factors and the external environment (home or export markets.) The goals of the firm in exporting or its export motives could be classified as arising from its aggressive behaviour based on the firm's interest in exploiting its competitive advantage. Alternatively, the firm's export motives could stem from its reactive behaviour responding to internal and external factors. The classifications of exporters by their export stage and export motives are not mutually exclusive. They are called by different names but in reality they overlap and use many common explanatory variables.

### **2.2.2 Characteristics of exporters and non-exporters**

Firms of similar characteristics and exposed to similar stimuli do not respond or behave in the same manner. Following this argument, another stream of export research investigates the profile of exporters versus non-exporters in an effort to identify the facilitators and inhibitors in a firm's decision to export.

Bilkey's (1978) integration of forty three studies on the export behaviour of firms which have been published since early 60's noted that firms' export involvement is triggered by factors other than profit; that the influence of size on the propensity to export is unclear; and that exporting firms are more likely to have better management than non-exporting firms. A firm's decision to export is determined by the background and traditions of the firm and its managers. The management's perception of the firm's competitive advantage, and adverse home market conditions have also been cited.

Reid's (1981) review focused on the relationship between the characteristics of a firm and its decision-maker in export initiation. The empirical evidence shows strong linkage between firms' export behaviour/market expansion and the characteristics and experience of managers/decision-makers. Exporting firms are managed by decision makers who are internationally oriented and exhibit a favourable attitude toward exporting. The decision-maker's predisposition towards export is, however, subjected to other intervening factors. His/her ability to extend the firm's activities across the national boundary depends to a large extent on the characteristics of the firm itself, its competitive advantage and a host of market environmental factors (Meissenbock, 1988; Aaby and Slater, 1989; Ford and Leoniduo, 1991). The list of factors differentiating exporters and non-exporters is summarised in Exhibit 2.6.

Exhibit 2.6: Characteristics of exporters and non-exporters

Factors	Exporter	Non-exporter
<b>Decision-maker's characteristics:</b> <b>a. Subjective characteristics</b> Degree of international orientation Aspiration toward export Degree of favourable attitude toward export Perception of export risks, costs, and obstacles  <b>b. Objective characteristics:</b> Level of education Knowledge of foreign language Level of experience in living abroad Level of work experience	High High High Low  High High High High	Low Low Low High  Low Low Low Low
<b>Firm's characteristics:</b>  Existence of excess capacity Existence of unique competence Size of the firm Amount of resources committed to export information search	High High Mixed High	Low Low Mixed Low
<b>External factors:</b>  Unsolicited export orders Influence of other companies export performance Public policy on export promotion	Yes High Mixed	No Low Mixed

Source: Adapted from Jatusripitak, S., (1986), The Exporting Behaviour of Manufacturing Firms, Research for Business Decisions, No. 87, UMI Research Press, Ann Arbor, Michigan, pp.14.

### **2.2.3 Factors associated with export performance**

The discussions so far have highlighted the factors that motivate firms to internationalise their operation. Another stream of research focuses on the factors that explain the variations in firms' export performance.

The literature search revealed that an integrative review of the literature which uses explicit and quantifiable measures of export performance was undertaken by Madsen (1987). The author employed the following criteria in selecting the literature:

- be concerned with the traditional export activities (i.e., ongoing activities where a product is produced in the home country and marketed abroad);
- include some kind of performance measure (e.g., profitability, sales, growth) as dependent variable;
- be based on data collected at the firm level; and
- be based on data from more than one firm (i.e., not be a case study).

pp. 179

The author identified 17 studies that met the above criteria. In reviewing the literature, the author discovered that no more than 350 variables were operationalised to explain firms' export performance. To reduce the variables into some meaningful classifications, a modified version of the Strategy-Structure-Performance (SSP) paradigm popularised by Thorelli (1977) was used by Madsen to conceptualise firms' export performance. The essence of the SSP paradigm is that firms' export performance is the outcome of their:

strategy;  
organisational structure; and  
environmental structure.

The specific study, the variables classified under each of the three major categories and the findings are highlighted in Exhibit 2.7. As shown in column 1, the strategy

variables are comprised of marketing related activities. There is no clear association between firms' export performance and formality in marketing research, planning and existence of an export department. Nevertheless close monitoring of export activities seems to be important.

On the association between marketing-mix variables and export performance, the overall results suggest that product strengths, channel support and personal contact (as an element of the promotional-mix) are positively associated with firms' export performance. The importance of price-mix and other marketing elements appear inconclusive.

On the impact of firms' structure, experience rather than size appear to be the more powerful explanation of firms' export performance. Firms' irrespective of size can compete successfully in export markets. The support of top management and the level of experience (knowledge) have been determined to positively contribute to firms' export performance.

The findings on the impact of the market environment tend to concur with the ideas behind the stage model. The results show that firms which export to markets which are physically and psychologically/culturally close achieve better export performance. The impact of domestic market attractiveness is unclear. The inconclusive empirical evidence on the factors associated with export performance is shared by Kamath et al (1987) who contend that firms' export success is situation specific. Nonetheless Madsen (1987) and Kamath et. al. (1987) differ on a couple of points regarding the requisites for export success.

Based on their investigation of the success factors associated with firms that won the Canadian Export Awards in 1983 and 1984, Kamath et. al. (1987, pp. 405-6) consider only the following four factors as being crucial for export success:

1. the fundamental strength of having good people at both the managerial and work-force levels;

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2. a clear philosophy and corporate mission;
3. action skills leading to good implementation of company strategy; and
4. close attention to the specifics of the company's exporting situation and activity (a market-by-market, product-by-product, or contract-by-contract approach to business).

They argued strongly that a firm can be successful irrespective of its demographic and structural characteristics. The following possibilities were highlighted by the authors:

- both small and large companies can be successful;
- technology and R & D are not necessary for export success except in high technology companies;
- export success comes at all stages of firm development;
- a dispersed "shotgun" approach to exporting succeeds as well as a focused "rifle approach";
- the international background of company personnel is not crucial for export success;
- no one marketing mix recipe ensures success;
- government assistance is important for some but not for others;
- a variety of organisational structures work;
- no particular environmental variable (for example, exchange rates) is tied to success;
- ad hocery succeeds as often as planned approach to exporting;
- both experienced and inexperienced exporters have been rewarded with success;
- financial clout is not crucial to export success.

In contrast, Madsen (1987) is of the opinion that firms with larger resources (bigger in size) and high technological intensity are more likely to be successful. While Kamath et al. (1987) stresses the managerial quality, Madsen's (1987) prescription

for export success (refer Exhibit 2.8) points to the need to pay particular attention to the management of marketing activities.

**Exhibit 2.8: Madsen's four points for export success.**

<p>1. Before starting a new export market venture, it seems advisable to:</p> <ul style="list-style-type: none"><li>- ensure top management support, and</li><li>- build up a knowledge base related to export marketing</li></ul>
<p>2. If alternative target markets (countries) exist, then choose a market with:</p> <ul style="list-style-type: none"><li>- little competition and/or high growth rate,</li><li>- small trade barriers,</li><li>- a small physical distance, and</li><li>- a small psychological/cultural distance</li></ul>
<p>3. Before entering the market, do the following:</p> <ul style="list-style-type: none"><li>- research the market (however, market research and other planning activities do not appear to be crucial importance of export performance),</li><li>- develop a product with a strong core benefit for the customers, and</li><li>- adapt marketing (and especially product) policy to local market conditions (weighing, of course, the costs involved).</li></ul>
<p>4. In managing an ongoing export market venture, do the following:</p> <ul style="list-style-type: none"><li>- keep good personal contact with the market,</li><li>- ensure continuously good relations with foreign distributors/dealer based on formalised equality (but with roles being flexible),</li><li>- support and keep close contact with the distributor, and</li><li>- establish good control procedures for monitoring the export activities.</li></ul>

Source: Madsen (1987) pp.195-6.



As shown in Exhibit 2.8, export involvement should be preceded by a commitment from top management, market selection, identification of the market needs and continuous contact with the market. On maintaining contact with the market, the suggestion echoes the contention by the Industrial Marketing and Purchasing Group (IMP) which postulates that export performance depends on the effective management of the exporter-importer relationship (Ford, 1990). On the importance of marketing for export success, Madsen's suggestion found support in subsequent reviews by Ford and Leoniduo (1991) and Gemunden (1991).

Ford and Leoniduo (1991) who reviewed a much wider range of publications on exporting and international competitiveness (not confined to small- and medium-sized firms) conclude that firms which allocate resources to export marketing activities, adopt a marketing orientation in exporting, and are managed by managers who are cognizant of the influence of culture on business practices, are more likely to be successful.

Since Madsen's (1987) integrative review, the number of variables that are hypothesised to influence export performance appear to have doubled. Gemunden (1991) stated that more than 700 indicators thought to be associated with firms' export performance were investigated. Gemunden (1991) performed a meta-analysis of approximately fifty-five studies and established the following:

- a. a substantial number of studies showed that export sales ratio is positively associated with the size of the firm, export-oriented information activities, intensity of R & D, and export oriented product adaptations and services; a lesser number of studies established that other factors such as perceived product strength, the importance of growth as a goal of the firm, exports' perceived contribution to growth and profit goals, managers' foreign orientation, export restraints laid upon foreign-owned firms, existence of an export department, attractiveness of the export market, and saturation of domestic market are also associated with export sales ratio; and

- b. export growth and profitability are positively associated with export-oriented information activities, perceived product strength, expected profit or growth, contribution of exporting, attractiveness of export market, and saturation of the home market.

The importance of organisational commitment, in particular marketing and the related support activities such as R & D and information search, is in agreement with another body of research which focuses on the role of marketing in internationally competitive firms.

#### **2.4 Marketing and international competitiveness**

The lacklustre performance of the British and American firms in the international markets compared to the Japanese have led to substantial research interest in the factors contributing to the success of the Japanese firms which have been described by Kotler and Fahey (1982) as the "world champion marketers".

Kotler, Fahey, and Jatusripitak (1985) conceptualised the Japanese Success Model into four major environments - the sociocultural environment, the government-business environment, the competitive environment, and the organisational environment. According to these authors, Japanese firms' international competitiveness could not be attributed to any single factor or even specific business function but to a whole amalgam of cultural and political factors.

Wong, Saunders and Doyle (1988, pp. 128) however, refuted any explanations that attributed the Japanese success to factors other than marketing:

"... The differences in marketing effectiveness of the Japanese and western competitors, in the UK, could not be explained by national cultures ... The performance differences between the US, Japanese and British is best attributed to their marketing skills"

Johansson and Nonaka (1983) asserted that the Japanese managers emphasized the "marketing concept" and made sure that the foreign markets were supplied with products they wanted." This is achieved through effective marketing management in both domestic and international markets; and utilisation of support services provided by facilitating agencies.

Even though the products have undergone the most important test in the home market where customers are very discriminating and competition is intense, they are further adapted to suit the local market conditions. Wong, Saunders and Doyle (1988, pp.127) attributed the Japanese international success compared to the British and American firms, to the foundation of their marketing orientation "... not in terms of spending more on marketing activities or deploying more aggressive pricing and marketing tactics, but rather by way of offering good quality products, specifically targeted at well defined segments in the market, backed by strong customer sales and service support."

The emphasis on after-sales service and other forms of support services have enabled the Japanese to break the British and American stronghold in Saudi Arabia. Yavas, Tuncalp, and Cavusgil (1987, pp. 222) summarised their findings as follows:

"... careful product design to suit local needs, better value for money, timely delivery, long term dependability, and the meticulous attention given to after-sales services. Having local repair facilities, spare parts, and adequate warranties are extremely important to Saudi customers. Japanese have been sensitive to this need to the extent that they have employed travelling clinics with factory-trained technicians in Saudi Arabia, in addition to permanent facilities."

Williamson (1991) highlighted the importance of investing in the distribution networks. The author in comparing the performance of British, German and Japanese exports in the US noted that the success of the Japanese stem from their commitment to

"... maintaining a competitive relative price over a long period, despite external fluctuations, and constantly investing in control of the U.S. distribution, sales, and service support networks for their products, they have continually built market share, customer and dealer loyalty".

pp 62

Responding to the market needs is based on strategic use of information. The Japanese firms intensively use multiple sources of information and the information gathered is varied in nature (Johansson and Nonaka, 1987). Amr Kheir (1990, pp. 41) associated the success of Japanese firms in the United Kingdom to their information search activities, especially to new product ideas and development, when it was established that "... contrary to popular opinion, that the Japanese pay a lot attention to market research. Particularly in NPD (new product development), market research was ranked high by Japanese subsidiaries in our sample as a trigger to introduce new products ...".

The popular notion amongst researchers, and academics alike, is that exporting firms from other nations have a lot to learn from the Japanese (Baker, 1987; Ughanwa and Baker, 1989). There appears to be no better approach than to emulate the Japanese strategies when Tuncalp (1990) also suggests that the British exporters should "do as the Japanese do" - the British exporters need to study the macroenvironment and market environment carefully; conduct market research; and adapt product to local requirements.

However, Doyle, Saunders and Wong (1992) contend that being Japanese is not synonymous with success. Successful companies, whether American, British or Japanese, have a clear mission to be a leader in the market and they effectively implement their marketing plan. This confirms the findings by Kamath et al. (1987) and other studies involving excellent companies from America (for example Peters and Waterman, 1982) and United Kingdom (for example Hooley and Lynch 1985).

Peters and Waterman (1982) established that the traits of successful companies include i. a drive to provide a superior service and quality to customers; ii. a drive to innovate - to develop new products and services; and iii. staying close to their customers.

Similarly excellent companies in the UK, place emphasis on providing customer satisfaction through product quality and service. Hooley and Lynch (1985) in their study of 1,504 British companies, found that the more successful ones, called the "high-fliers", shared three common characteristics:

1. a genuine market orientation;
2. a strategic sensitivity and responsiveness; and
3. particular emphasis on product quality and design to a larger extent than on price.

Saunders and Wong (1985) and McBurnie and Clutterbuck (1987) noted that successful companies are those that have made marketing the foundation of their business. Baker and Hart (1989) found that successful British companies have greater commitment to strategic planning, add value to their products and were more actively involved in market research and information gathering, market segmentation and promotion.

The key to successful export marketing is to be marketing oriented. Successful exporting requires planning, commitment and allocation of resources in understanding the markets and establishing relationships with various parties involved in the process of international transactions (Darling, 1985; Rosenberg et al., 1986; Turnbull, 1987; Baker, 1987; Madsen, 1987; Young et al., 1989; Sethi et al., 1990).

## **2.5 Summary**

This chapter traces the theoretical foundations of firms' export involvement and performance. Both economic and behavioural literature is reviewed. The former assume that firms make decisions on a rational basis while the latter seeks to explain that firms' export involvement and performance are influenced by both internal and external factors other than cost considerations alone.

The integrative review of behavioural literature published during the last three decades revealed that a firm's characteristics, its managerial competencies and market environmental factors are associated with the degree of its export involvement and performance. As regards to managerial competencies, a firm's international competitiveness has been established to be a function of its marketing orientation. The effectiveness in planning and implementing the marketing function so that the firm is touch with the development in the marketplace separates the successful from the less successful exporters.

Kamath et. al. (1987) suggest that there is a need to explore situational contexts and overall business strategy factors more closely. Madsen (1987;88) also highlighted the need to examine the relationship between organizational characteristics, strategy, and environment more closely. Thomas and Araujo (1985) and Ford and Leoniduo (1991) suggest that a study involving firms from developing nations should be included.

This study hopes to bridge the gap and extend the knowledge of export marketing behaviour and performance of manufacturing firms in Malaysia. In the next chapter, the characteristics of manufacturing firms in Malaysia (the country which this study will be based on) will be discussed. As Malaysia is a developing nation, it would be appropriate to discuss evidence from studies involving firms from developing nations in Chapter 3.

# CHAPTER 3

## THE MALAYSIAN MANUFACTURING SECTOR

### **Introduction**

The objective of this chapter is to highlight the characteristics of manufacturing firms in Malaysia. The export behaviour of Malaysian firms will be compared to that of firms in other nations. The chapter is divided into 2 parts.

**Part 1 - This part covers the macro environment.**

**Section 3.1 - The focus of the discussion is on the structural changes and the transformation of the Malaysian economy.**

**Section 3.2 - Highlights the importance of the manufacturing sector in Malaysia's industrialisation programme;**

**Section 3.3 - Presents the challenges facing the Malaysian economy and the manufacturing sector.**

**Part 2 - This part focuses at the firm level.**

**Section 3.4 - The characteristics of firms in the manufacturing sector are discussed. Issues pertinent to the state of Malaysian firms' export involvement, export marketing management and performance are highlighted.**

**Section 3.5 - The factors impinging upon Malaysian firm's export competitiveness and performance are discussed. The findings from studies on the profile of manufacturing firms operating in Malaysia are highlighted and compared to evidence from other nations.**

## **Part 1. The macro level.**

### **3.1 Structural features of the Malaysian economy**

Malaysia is comprised of Peninsular Malaysia, Sabah, and Sarawak and covers a land area of 330,000 square kilometers. Endowed with a rich natural resource base, Malaysia has always been trade oriented. Since Independence, Malaysia has successfully diversified its export base. In addition to being the world's leading producer of both natural rubber and tin, Malaysia has emerged as the world's producer of palm oil and its by-products, timber, cocoa beans and a net-exporter of oil as well as manufactured products. Malaysia's experience has often been considered by many, including the World Bank and the International Monetary Fund, as a showcase of successful economic development.

#### **3.1.1 Economic growth**

Malaysia's economic development over the last three decades has generally been characterised by rapid economic growth. As shown in Table 3.1, the pace of growth as measured by the real growth rates of Gross Domestic Product (GDP) steadily accelerated from an average annual rate of 5.0 percent in the first half of the 1960s to 7.3 percent in the first half of the 1970s and to 8.5 percent during the period 1976-80. The rate of growth, however, slowed down to 5.2 percent during the first half of the 1980s due to world wide recession. The economy bounced back to recover impressively during the 1988 to 1990.



**Table 3.1: Annual growth rates (%) of gross domestic product (GDP) at constant prices.**

Years	1	2	3	4	5	Average
1961-65	1.4	6.9	5.5	5.8	5.6	5.0
1966-70	6.2	1.0	4.2	10.4	5.0	5.4
1971-75	10.0	9.4	11.7	8.3	0.8	8.0
1976-80	11.6	7.8	6.7	9.3	7.4	8.6
1981-85	6.9	6.0	6.2	7.8	-1.1	5.2
1986-90	1.2	5.4	8.9	8.8	10.0	6.9

Note: 1965=100 for 1965-1970; 1970=100 for 1971-1980; and 1978=100 for 1981-1990.

Source: Malaysian Economic Report - various issues.

### 3.1.2 Gross Domestic Product by sector

Malaysia is basically an agricultural country. Nevertheless, the share of agriculture had declined substantially, while manufacturing rose in importance to account for a share almost equal to that of agriculture by the early 1980s. This is equivalent to nearly 20 percent of the country's gross domestic products. The sectoral contributions to Malaysia's GDP in the 1970s and 1980s are presented in Table 3.2.

In the first half of the 70s, agriculture was a major contributor to growth comprising 28.8 percent of GDP. The manufacturing sector was the next most important contributor with 15.5 percent. The agricultural sector, though remaining important, recorded a reduced percentage of its contribution to GDP at around 25 percent in the second half of the 70s. On the other hand, the contribution of the manufacturing sector increased to approximately 20 percent.

**Table 3.2 : Gross domestic product by sector origin  
(as percentage of GDP) - 1971-90.**

Sectors	1971-75	1976-80	1981-85	1986-90
Agriculture	28.8	25.5	21.3	20.5
Mining and Quarrying	5.4	4.7	9.9	10.3
Manufacturing	15.5	18.2	19.6	24.3
Construction	4.0	4.1	5.1	3.5
Tertiary	51.3	47.5	44.1	41.4

Note: 1. 1971-1980 at constant 1970 prices; and 1981-1990 at constant 1980 prices; 2. Tertiary sector refers to Finance, Insurance and other services.

Source:

Bank Negara Malaysia, Annual Report and Malaysian Economic Report, Ministry of Finance (various issues).

In the first half of the 80s the agriculture sector grew relatively slower, with an average contribution to GDP of 21.3 percent. The manufacturing sector continued to show increasing contribution with 19.6 percent of the GDP. The mining sector also grew with GDP contribution of approximately 10 percent. The government sector, having grown in the second half of the 70s, grew only marginally. The construction sector picked up significantly owing to public sector demand.

The second half of the 80s saw the agricultural sector stagnating with GDP contribution hovering at about 20.5 percent. The manufacturing sector maintained the momentum of the previous period to emerge as the number one sector in the economy with an average GDP contribution of 24.3 percent. The mining sector again emerged with renewed vigour with GDP contribution of 10.3 percent. The construction sector tended to move along very slowly with slightly lower GDP contribution than the previous period.

There was also significant transformation within sectors. Palm oil gained in

significance to displace natural rubber as the leading crop in agriculture. Within the mining sector, petroleum and natural gas displaced tin as the leading product; while the manufacturing sector emerged in importance as a significant world exporter of semiconductors, room air conditioners, wood mouldings and furniture, and natural rubber products.

The growth performance and the structural transformation was achieved through prudent economic management and a planned industrialisation programme pursued within the framework of 5-year economic development plans.

### **3.1.3 The industrialisation programme**

The industrialisation and the accompanying structural change in the Malaysian economy can be divided into three main phases:

1. the laissez-faire policy ; domestic oriented - import substitution policy 1957 - 1968;
2. active participation; export oriented - industrial development policy after 1968 - 1986; and
3. period of adjustment 1986 - present.

#### **3.1.3.1 The laissez-faire period**

The first phase of import-substitution policy was initially based on the objective of diversifying the nation's economy through industrialisation. It was then seen as protective move to cushion-off the adverse effects on the economy due to the fluctuation in the prices of primary products.

The Pioneer Industries Ordinance of 1958 was introduced to stimulate industrial development and attract foreign capital. This ordinance provides tax "holidays" ranging from two to five years depending on the amount of capital invested and tariff protection to selected industries. The Tariff Advisory Board was established in 1963

to assist the government on tariff measures. To promote and co-ordinate industrial development The Federal Development Authority (FIDA) was set up in 1966. This agency was later renamed Malaysian Industrial Development Authority (MIDA).

### **3.1.3.2 Active involvement period**

The implementation of the Second Malaysia Plan marked the next phase of the Malaysian economic development programmes. The laissez faire domestic oriented policy was replaced by an interventionist state export oriented industrialisation policy. The shift is reflected both in nation's economic development plans and legislation passed by the government.

The basic feature of the Second Malaysia Plan is the New Economic Policy (NEP). NEP contains the twin objectives of eradicating poverty by raising income levels and increasing employment opportunities, and of the restructuring of society so as to reduce and eliminate the identification of race with economic functions, through reducing imbalances in income, employment and the ownership and management of productive assets in the economy.

With respect to the second objective which specifically aims to foster Malay participation in business activities, the Plan set the target that by 1990,

"the Malays and other indigenous people will manage and own at least 30% of the total commercial and industrial activities, in all categories and scales of operation."

The new Bumiputra industrial community,

"will operate on a par and in effective partnership with the non-Malays in the modern sector, without depriving the opportunities for non-Malays and foreign private entrepreneurs."

An important part of this strategy was that development and growth must lead to

maximum contribution to the achievement of national unity. The manufacturing sector was identified to lead the nation's socio-economic transformation.

The Investment Incentives Act was enacted in 1968 to replace the Pioneer Industries Ordinance 1958. The Income Tax Act 1967 was introduced to promote investment in the manufacturing sector. The Petroleum Development Act 1974 was introduced to regulate not only upstream but also downstream activities in the petroleum industry.

The Industrial Co-ordination Act (ICA), 1975, was enacted to ensure an orderly process of industrial development of all manufacturers with the exception of those with less than \$250,000 in shareholders' funds and with less than 25 full-time workers. This Act covers conditions for expansion of production capacity and guidelines on equity ownership designed to achieve the objectives of the country's New Economic Policy.

Besides encouraging the expansion of the private sector, the government actively participated in the economy through the establishment and operation of a wide range of productive enterprises. Various agencies both at the federal and state level were established to spearhead industrial development. In addition regional authorities were also established to undertake development projects and commercial activities.

The government's participation in economic activities through direct public investment was deemed necessary to achieve the two-pronged objectives of increasing the participation of Malays in manufacturing and commercial activities and enhancing economic growth. Public investment constituted about 40 per cent of total investment in the early 1970's increasing to 50 per cent in 1982. By 1985 it had surpassed private investment with its share accounting for 55 per cent of total investment. Much of the investment was directed at realising the government's endeavour to establish a heavy industrial base.

The creation of the Heavy Industry Corporation of Malaysia (HICOM) in 1980 set the stage for the government's involvement in large industrial projects (for example in the production of motor car and steel billets). All in all, the share of Non-Financial Public Enterprises (NFPEs) in manufacturing value added was estimated at around 24 per cent in 1986, one of the highest ratios in the non-socialist world.

### 3.1.3.3 The adjustment period

The impact of the mid-80s recession led to a new phase of development strategy. The Industrial Coordination Act which was criticised as having negative impact on local and foreign investment was reviewed (Stopford et al., 1991). The Promotion of Investment Act 1986 was introduced to promote export oriented, local resource use and labour intensive products. This Act gives generous tax incentives designed to provide either total or partial relief from payment of income tax to enterprises that are in the manufacturing, agricultural, and tourism sector.

Table 3.3: Origin of Foreign Equity in Approved Projects, 1985-90 (Millions M\$).

	1985	1990
Taiwan Province	32	6,339
Japan	264	4,213
Singapore	100	895
United Kingdom	27	867
United States	112	567
Indonesia	13	1,083
Hong Kong	28	375
Iran	0	1,014
Others	383	2,276
<b>Total</b>	<b>959</b>	<b>17,629</b>

Source: Sixth Malaysia Plan, pp.150

Projects approved with foreign participation in 1985 show that Japan was the most important source of foreign investment, contributing approximately 28 percent of total approved investment in 1985. The new industrializing economies of Taiwan, Singapore and Indonesia, Hong Kong have increasingly emerged as important foreign investors in Malaysia, reflecting rising labour costs in these countries which encourage a labour redeployment of labour-intensive manufacturing sub-sectors. Among the non-Asian nations, the United States and the United Kingdom were the major sources of foreign investment.

In collaboration with the private sector, an Industrial Master Plan (1986 - 1995) was drawn up to redefine and chart the direction of the nation's industrialisation programme. The manufacturing sector is designed to play a dynamic role in national development. As set by the IMP, the main objectives of manufacturing development are:

- a. to accelerate the growth of the manufacturing sector to ensure a continued rapid expansion and to provide the basis for meeting the social objectives consistent with the NEP;
- b. to promote opportunities for the maximum and efficient utilisation of the nation's abundantly endowed natural resources; and,
- c. to build up the foundation for leap-frogging towards an advanced industrial country in the informational age, by increasing indigenous technological capability and competitiveness.

An intergral part of this plan is to promote the growth of the resource based sector. Accordingly the plan classifies seven groups of resource-industries in the overall plan for industrial development. These are rubber products industry, palm oil products industry, wood-based industry, food processing industry, chemical and petrochemical industry, non-ferrous metals industry and non-metallic mineral products industry. Growth targets for output, value added, employment and exports for selective industries are shown in Appendix 3.1 .

Besides the Industrial Master Plan, the Privatisation Plan was also drawn up to raise efficiency and productivity of government agencies by allowing them to operate in accordance to the market forces.

According to the Central Information Collection Unit (CICU) as of September 1988, of the 1,711 NFPEs (for which information was collected by the CICU), 38 companies have been sold or privatized. The remaining 1,133 companies included companies in the fields of agriculture, construction, extractive process, finance, services, manufacturing and transportation. The major concentration is in the area of manufacturing, services, and agriculture and finance. Out of these 1,133, 286 companies have been identified as non-operational companies.

**Table 3.4: Government Companies by Industry and Status, 1988.**

	Operational	Non-Operational	Total
Agriculture	108	35	143
Building and construction	89	40	129
Extractive industries	19	16	35
Financial institutions	102	12	114
Manufacturing	250	82	332
Services	226	71	297
Transportation	53	16	69
Others	..	14	14
<b>Total</b>	<b>847</b>	<b>286</b>	<b>1,133</b>

Source: Malaysia, Economic Report 1988/89.



### **3.2 The importance of manufacturing sector**

For Malaysia, manufacturing may be described as a dedicated sector. According to the Mid-Term Review of the Second Malaysia Plan, 1971 - 75,

"Manufacturing is the leading sector in the expansion of the Malaysian economy. It has been accorded a strategic role for the achievement of the objectives of the New Economic Policy in terms of employment expansion, income generation and restructuring Malaysian society particularly in the creation of a Malay commercial and industrial community.

The growth of the manufacturing sector was rapid in the 1970s and export expansion was the principal source of growth. This was fostered by export production in the Free Trade Zones. Table 1.4 shows Malaysia's gross exports by major commodities.

The structural transformation of the economy brought about changes in the pattern of exports. The agricultural commodities (mainly rubber and palm oil) together with tin made up almost 90 percent of the total exports in the 1960s. The export of manufactured goods grew in importance when at the end of 1970s it contributed over 20 percent of Malaysian exports. Manufactured exports whose share rapidly went up to 33 percent in 1985 overtook agricultural exports as the major foreign exchange earner. By 1990, export of manufactured goods accounted for 59 percent of total exports; Malaysia is the world's largest exporter of electronic semiconductors and also of latex-dipped goods such as gloves and catheters, and the second largest exporter of room conditioners in the world.

According to the IMF Survey, Malaysia was one of the world's top 25 exporters and importers in merchandise trade in 1991. In terms of exports, Malaysia ranked 24th with a merchandise value of M\$85 billion (US\$35 billion) or one percent of global export trade. The GATT annual report indicated that the strongest overall growth in both exports and imports occurred in Asia, with six leading non-members of the Organisation for Economic Cooperation and Development (Malaysia, China, Hong

Kong, Korea, Singapore and Taiwan) experiencing growth rates of 10 to 20 per cent for exports and 8 to 30 per cent for imports.

There was also significant impact on the structure of employment. The manufacturing sector had replaced the primary sectors (agricultural and mining) as an important source of employment. The manufacturing sector's share of total employment increased from 11.4% in 1970 to 17.7% in 1990; while the total employment in the primary sector has dwindled from 50.5% to only 29.8% over the same period.

**Table 3.5: Gross exports by major commodities (Value (M\$mill.) and Percentage)**

Items	Agriculture	Minerals	Manufactures	Others	Total
1970	3,100 (60)	1,209 (23)	614 (12)	240(5)	5,163
1975	4,956 (54)	2,067 (22)	2,020 (22)	188(2)	9,231
1980	11,951 (42)	9,214 (33)	6,319 (22)	688(2)	28,172
1985	11,746 (31)	10,346 (27)	12,414 (33)	3,511(9)	38,017
1990	17,740 (22)	14,158 (18)	47,170 (59)	482(1)	79,550

Source: Malaysian Economic Report, Ministry of Finance (various issues).

**Table 3.6: Employment by Sectors (%).**

Sectors	1970	1975	1980	1985	1990
Agriculture	50.5	47.6	37.2	31.3	29.8
Mining and Quarrying	2.6	2.2	1.3	0.8	0.6
Manufacturing	11.4	12.4	15.5	15.2	17.7
Construction	4.0	2.7	5.6	7.6	6.4
Tertiary	31.5	35.1	40.4	45.1	45.5
Total	100.0	100.0	100.0	100.0	100.0

Source: Bank Negara Malaysia, various issues.

### **3.2.1 Composition of manufactured exports**

Table 3.7 shows the composition of manufactured exports. The pattern of exports reflected the changing structure in the manufacturing sector itself. The influx of foreign investment in the electrical and electronic sector has witnessed a growth in the export of electronic chips, electrical appliances and other electrical goods. This sector which was insignificant in the 1970's is now the largest foreign exchange earner in the manufacturing sector.

Compared to 1980, exports of electronic components and parts has been overtaken in 1990 by the export of electrical appliances and machinery (comprising electrical end-products such as audio-video and telecommunication equipment, air conditioners, automated office equipment and other electrical appliances). Exports of electrical appliances and other machinery as a group amounted to \$14.8 billion or 31.6% of total exports of manufactured goods in 1990, while exports of electronic components and parts was valued at \$11.7 billion or a 24.9% share. Amongst the other exports of manufactured goods, textiles, clothing and footwear as a group continued to

dominate, accounting for nearly \$4 billion in 1990 or 8.3% of total exports of manufactured goods.

Table 3.7: Gross Exports of Manufactures 1970-90 (M\$mill. and Percentage)

Manufactured items	1970	1980	1990
Electrical Machinery Appliances and Parts:	51.9 (8.5)	3,015.6 (47.7)	26,502.4 (56.6)
Electrical components	n.a	2,292.0 (36.3)	11,685.2 (24.9)
Electrical appliances	n.a	277.0 ( 4.4)	2,481.2 (5.3)
Other electrical machinery	n.a	446.6 ( 7.1)	12,336.0 (26.3)
Transport equipment	3.24 ( 5.3)	222.9 ( 3.5)	1,928.0 ( 4.1)
Food products	92.4 (15.0)	492.6 ( 7.8)	1,966.1 ( 4.2)
Beverages and tobacco	20.4 ( 3.3)	28.1 ( 0.4)	95.3 ( 0.2)
Textiles, clothings and footwear	31.7 ( 5.2)	806.3 (12.8)	3,907.2 ( 8.3)
Wood and wood products	89.7 (14.6)	469.5 ( 7.4)	1,347.2 ( 2.9)
Petroleum products	160.8 (26.2)	189.2 ( 3.0)	1,285.1 ( 2.7)
Chemicals and chemical products	35.1 ( 5.7)	187.7 ( 3.0)	1,468.1 ( 3.1)
Non-metallic mineral products	20.2 ( 3.3)	60.8 ( 1.0)	774.1 ( 1.6)
Manufactures of metal	34.4 ( 5.6)	249.6 ( 3.9)	1,576.9 ( 3.4)
Other manufactures	28.6 ( 4.6)	513.3 ( 8.1)	4,639.3 ( 9.9)
<b>Total</b>	<b>614.2 (100)</b>	<b>6,319.2 (100)</b>	<b>46,840.5 (100)</b>

Source: Department of Statistics.

### 3.2.2 Principal markets for manufactured exports

Table 3.8 shows the principal markets for Malaysian manufactured exports in 1989/90. Singapore, which accounted for approximately 24 percent of Malaysia exports in 1980, increased its share to 27.5 percent in 1989.

Exports destined for Europe and Japan registered a slight increase from 16.9 percent and 7.4 percent to 17.6 percent and 8.4 percent respectively. There was also an increase in exports to West Asian nations. On the whole Singapore, United States, the EC countries and Japan together markets account for approximately 78 per cent of Malaysia's manufactured exports.

Table 3.8: Principal Markets for Manufactured Exports.

	1989		1990	
	M\$mill	%	M\$mill	%
Singapore	8,584	(23.5)	12,897	(27.5)
United States	11,009	(30.1)	11,732	(25.0)
Japan	2,720	( 7.4)	3,800	( 8.1)
Hong Kong	1,866	( 5.1)	2,266	( 4.8)
EC	6,182	(16.9)	8,202	(17.6)
Germany	1,877	( 5.1)	2,605	( 5.6)
United Kingdom	2,006	( 5.5)	2,518	( 5.4)
France	767	( 2.1)	851	( 1.8)
Others	1,532	( 4.2)	2,228	( 4.8)
West Asian countries	616	( 1.7)	1,132	( 2.4)
Rest of the world	5,595	(15.3)	6,812	(14.6)
<b>Total</b>	<b>36,572</b>	<b>(100.0)</b>	<b>46,841</b>	<b>(100.0)</b>

Source: Department of Statistics.

### **3.3 The challenges facing Malaysian exports**

Despite the changing structure of exports from commodities to manufactured products, Malaysian exports remain generally labour intensive. As reflected in the composition of exports, the Malaysian economic sectors are generally narrow-based and lack depth.

In the manufacturing sector, electronic components and electrical products alone contributed about 67 percent of total manufactured export values in 1990. A distant second was textiles with 8 percent. In this respect, nearly 65% of export revenue from manufactured items and about 350,000 jobs (or 30% of the total manufacturing workforce) are still dependent on the electronic component parts, electrical products and textile industries.

Another narrow base was the concentration of products within the industry-group. For example, rubber gloves dominated the rubber products subsector and in the electronics subsector, there is an over concentration in the output of the component parts, rather than industrial and consumer electronics. In terms of destination, the bulk of Malaysian exports are still destined to the traditional markets, Singapore, USA, Japan and EC.

Malaysia is losing its comparative advantage in labour-intensive activities (Ariff, 1991). According to the Bank Negara Report 1992 pp. 219 "The higher cost of labour and an increase in the prices of raw materials had contributed to the higher cost of production. This had resulted in an increase in the average selling price by 9% as against 8.6% in 1989." Real wages have been rising faster than labour productivity.

Kamal (1988) describes Malaysian manufacturers as cost inefficient and suffer from lower productivity compared to their competitors. Their manufactured exports remain competitive for the sole reason of currency effects. Between 1985 and 1988 the value of the Ringgit in terms of a composite basket of currencies of Malaysia's major

trading partners, was allowed to depreciate by 32.6 per cent. This has helped the expansion of Malaysian manufactured exports (UNIDO, 1991; Ariff, 1991). The recent stabilisation of the Ringgit has prompted calls for Malaysian exporters not to depend on cheaper Ringgit and "subsidised" interest rates (Ahluwalla, 1989) but on aggressive marketing.

Access to overseas markets will determine the success of Malaysia's export-oriented industrialisation. Even though Malaysia is a small exporter of manufactured items to developed nations compared to Korea, Taiwan, Hong Kong and Singapore, the recent developments suggest that it will not be spared by the protectionist forces. Malaysia has been on the "watch list" of not only advanced industrialised nations but also of international environmental pressure groups and business associations (Asmat, 1990; Siew Hoey, 1990; Ariff, 1991).

The experience of Asian NIEs suggest that Malaysian's economic success will only pave the way for eventual withdrawal of the GSP facility and other trade privileges. Aggressive marketing and competitiveness, not privileges, are the keys to long-term success.

Overall, the ownership of the manufacturing equity is predominantly foreign dominated. Worldwide political and structural changes have indirectly benefitted Malaysia. As postulated in the IPLC (Vernon, 1976), advanced industrialised nations will lose their comparative advantage to less industrialised nations through diffusion of technology and shifts in resource and factor endowments. The availability of abundant natural resources, a well educated labour force, and a favourable investment climate, Malaysia has been successful in attracting foreign investors to relocate their production unit in Malaysia. The bulk of foreign investment is in the export-oriented manufacturing industries (Ariff, 1991). In the long run sustainable industrialisation however is dependent on domestic firms. Foreign firms will continue to look for and shift their production unit to nations which offer cheaper source of production costs.

The above discussions provided a broad overview of the transformation the Malaysian economy, the rising importance of the manufacturing sector and the challenges facing Malaysian exports. In spite of Malaysia's success, newspaper reports tend to paint a gloomy picture of her ability to sustain the economic growth. The criticisms are often directed at the structure, and the management practices at the micro or firm level which shall be discussed next.

## **Part 2 - The micro level**

The discussions in this section will review the characteristics of manufacturing firms operating in Malaysia vis-a-vis their export involvement and performance. The characteristics of firms in the manufacturing sector may be described according to their size, ownership, and managerial competencies.

### **3.4 The Characteristics of manufacturing firms in Malaysia**

#### **3.4.1 Size**

Hoffman and Siew Ee (1980) noted that at Independence in 1957 the manufacturing sector accounted for less than 8 percent of the GDP and was heavily dominated by the processing of primary commodities (mainly palm oil and coconut oil processing; food manufacturing such as grain and oil milling; and sawmilling) with relatively large establishments. By the late 1960s manufacturing industries tended to become more export oriented, and external demand emerged as a major source of industrial growth in the 1970s.

The 1988 Census on manufacturing establishment shows the small and medium-sized firms (SMEs) dominated the manufacturing sector. As shown in Table 3.9, firms with less than 200 employees represent about 90 percent of establishments. However they account for only 42 percent of employment, 35 percent of value added and 30 per



cent of fixed assets in 1988.

Even though the large-sized firms are relatively small in numbers they account for the bulk of the manufactured exports. It could be argued that this relationship stems from the size of the Malaysian domestic market. The scope for growth is obviously rather limited. As such a company's growth and expansion plan can only be realized if its outputs are sold beyond the national boundaries. Therefore export sales are necessary to reap the economies of scale and better utilisation of existing capacities (Hoffman and Siew Ee, 1980; Siew Ee, Hirata, and Yew Wah, 1987; Forum, 1991).

Table 3.9: Size Structure of Manufacturing Firms, 1978 and 1988 (Percentage).

Size group by number of employees	Total employment		Number of establishments		Value of output		Value added		Fixed Assets	
	1978	1988	1978	1988	1978	1988	1978	1988	1978	1988
Below 50	-	11.7	66.3	58.8	12.6	7.0	11.7	7.0	10.3	6.3
50 - 99	-	11.8	16.3	17.2	13.6	12.2	14.2	10.0	12.5	9.0
Below 100	-	23.5	82.6	76.0	26.2	19.2	25.9	17.0	22.8	15.3
100 - 199	-	18.0	8.7	13.6	18.5	23.4	17.8	18.1	16.3	14.9
200 and above	-	58.5	8.7	10.4	55.3	57.4	56.2	64.9	60.9	69.8

Source: Department of Statistics, Survey of Manufacturing Industries, various issues.

Additionally, the large-sized firms are predominantly foreign-owned or joint ventures and their establishment is governed by the policy which calls them to export a large percentage of their output.

The large-sized firms' active export involvement is very much in line with the evidence from United Kingdom (Piercy, 1981) Australia (Barrett and Wilkinson, 1986) United States of America (Cavusgil, 1984b; Bounafina, 1990), France (Roux, 1987), Brazil (Christensen, et. al. 1987), Singapore (Ah Keng and Soo Jiuan, 1989),

and Turkey (Karafakioglu and Harcar, 1990). The situation in Italy is quite different, small and medium-sized firms dominate the export sector (Bonaccorsi, 1992).

Recent developments tend to show that SME do participate indirectly by supplying inputs or components to the bigger establishments. Exhibit 3.1 shows some of the existing linkages between SMEs and large firms. Some of the more dynamic organisations have broadened their scope by operating as contract manufacturers for branded items such as dried processed foodstuffs, apparel or garments, and footwear.

Small and medium-sized (SMEs) firms inward looking attitude and lack of interest in exporting could be traced to lack of knowledge of overseas markets, market contacts, understanding of financial instruments, export documentation and particularly marketing skills (Mei Ling, 1988; Poh Seng, 1991).

According to Chan Onn (1990) who investigated the characteristics of SMEs in four major industrial regions in Peninsular Malaysia, a high proportion of the owner/proprietor are college or university graduates and a large percentage of engineers are employed by the SMEs. In spite of these indicators of their capability to absorb new technologies and broaden their business horizons beyond the local market, they remain content to service their localised market. The majority of SMEs consider the domestic market is large enough to absorb their output, and consider their products unsuitable for export. Furthermore, their product commands a higher price in the domestic market than in the export market.

However considering some of the evidence from the West and other industrialising nations, the phenomenon is not surprising. The reasons for lack of interest in exporting appear to be somewhat similar to those encountered by the small and medium-sized exporting firms from industrialised nations. Exhibit 3.2 summarises the problem areas in exporting identified by the respective researchers.

### Exhibit 3.1: The linkages between SMEs and large-sized firms.

Export manufactures Sub-sectors	Key players
Electrical, electronic machinery and appliances	The electrical industry is dominated by joint-ventures or foreign firms as exemplified by Sanyo, Matsushita, Sharp, Roxy and Union Carbide. The electronic industry (comprising consumer, industrial and components) is also dominated by subsidiaries of large multinationals like Motorola, N.S., Hitachi and Intel which in total accounted for some M\$16 billion worth of exports. SMIs involvement in the entire sector is confined largely to the supply of inputs to these foreign firms or big joint-ventures.
Textiles, clothing and footwear	The textiles and clothing sub-sector has high participation by SMIs, at least in numbers (estimated to amount to over 70 per cent of total establishments). But in terms of output and exports, big joint-ventures and foreign firms still dominate. Many SMIs are involved in the supply of inputs like buttons, to big firms. In the footwear sub-sector, exports amounted to some M\$190 million, with fair contributions from SMIs and large firms like Bata, Marco Shoe Sdn Bhd, Fung Keong Shoes, Kasut Kulim Malaysia, the International Footwear Group and Viking-Askim.
Pulp and paper and scientific instruments	This sub-sector has two sub-components — paper and paper conversion, and printing and packaging. Sabah Forest Industries, Asean Security Paper, Scott Papers and Muda Holdings represent the paper milling component. Computer Foams represents an example of the paper conversion component, whilst Tien Wah Press, Times, South Island Packaging and Hong Hong Printing represent examples of the printing and packaging sub-component. Participation of SMIs is confined largely to the conversion and printing and packaging components of the industry and is largely domestically-inclined.
Other machinery and transport equipment	These include furnaces, non-domestic refrigerating equipment, printing and book-binding machinery, general industrial machinery, aircraft parts and components and passenger cars and vehicles. SMIs' involvement here is largely indirect, that is, the supply of inputs.
Chemicals and petroleum	These comprise lubricating oil, bituminous mixture, methanol, manufactured fertilisers, perfumes, medical products and toiletries. SSIs appear to be more active in the perfumes and toiletries component of this sector.
Food, beverage & tobacco	Apart from beverages and tobacco, the other items include margarine and shortening, preserved vegetables, chocolate and cocoa preparations, sugar preparations and confectionery. SMIs appear to be fairly active in the confectionery area.
Iron, steel and metal	These comprise items such as iron and steel wires. Participation by SMIs is considered not that significant.
Non-metallic mineral	These comprise cement, concrete glass, stone, lime, plaster and ceramic products. Except for cement and glass products, this sector has extensive participation by SMIs (estimated at some 85 per cent of total establishments).
Rubber and wood-based products	This rubber sub-sector includes rubber gloves, catheters and prophylactics. SMIs appear to be actively involved only in the rubber gloves component. Wood-based products include wooden picture frames, match splints and furniture and parts. SMIs are also actively participating in this component.

Source: Poh Seng (1991), pp.124.

**Exhibit 3.2: Perceived export problems.**

Problem area	Author/s
1. Attitudinal barriers among managers	Burton and Schlegelmilch (1987); Cavusgil and Noar (1986); Holzmuller and Kasper (1990)
2. Difficulty in identifying foreign opportunities and markets	Ongram (1982); Tesar and Tarleton (1982); Kaynak and Khotary (1984); Kedia and Chhokar (1986a); Barrett and Wilkinson (1985)
3. Lack of knowledge of exporting or export procedures and documentation	Ongram (1982); Tesar and Tarleton (1982); Kedia and Chhokar (1986a)
4. Selection of reliable distributor	Ongram (1982); Tesar and Tarleton (1982); Kedia and Chhokar (1986a)
5. Lack of understanding of foreign culture and business practices	Bilkey (1978); Tesar and Tarleton (1982); Kedia and Chhokar (1986a)
6. Difficulties with marketing and product adaptation	Bilkey (1978); Rabino (1979) Tesar and Tarleton (1982); Kedia and Chhokar (1986a)
7. Level of competition	Ongram (1982); Tesar and Tarleton (1982); Kedia and Chhokar (1986a)

Source: Extracted from Kedian and Chhokar (1986a).

While much has been said about the relationship between size and export involvement, there appears to be a lack of empirical evidence on the association between firm's size and export performance among manufacturing firms in Malaysia. While it is widely acknowledged that large-sized firms are more involved in exporting, do they achieve the targeted level of performance? Could there be variations in achievement due to factors other than size in explaining the behaviour of Malaysian exporters?

### **3.4.2 Ownership**

The dual structure (SMEs versus large-sized firm) of the manufacturing industry is further amplified by policies on ownership and managerial competencies. Small and medium-sized firms are operated by local entrepreneurs, while large-sized firms are predominately foreign owned or joint ventures. The division could be traced to the political and economic development of Malaysia.

Historically, the British and other European merchants and trading houses controlled international trade transactions. The control over shipping, financial institutions, and contacts with the manufacturers in the western hemisphere gave them the leverage to handle a significant percentage of the export-import trade.

Chinese traders played an intermediary role at the local level to the European traders. The lukewarm attitudes of the Europeans towards manufacturing has enabled the Chinese businessmen to diversify their economic activities to the plantation and tin mining areas and later on into the banking and manufacturing.

The dominant participation of the Chinese in the Malaysian economy follow the following expansionary route: "... the intial activity was usually retailing evolving into wholesaling, importing, or exporting. With larger surpluses accumulated and the development of broader experience and outlook, the traders could then move into resource-based activities related to their trading and/or some manufacturing." (Tat Wai,1982, pp. 294).

The Malays lacked institutions that could mobilize capital and pool economic resources effectively. Furthermore the colonial policies were directed at maintaining the Malays in their subsistence agricultural economy. Malays participation in commerce and industry were insignificant. The policy of divide and rule by the British resulted in the social structure which saw the Chinese dominating the commercial sector and the Malays dominating the administrative services.

The state's laissez-faire approach adopted after independence and development programmes introduced brought greater benefits to the large foreign sector and the domestic Chinese businesses. The uneven development, marked by ethnic division of labour, differences in the incidence of poverty, and access to business opportunities climaxed with the 13th. May 1969 riot. The NEP was introduced and various legislation were enacted to restructure society and the ownership of economic resources. (refer to discussions on Section 3.1.3.2).

The relative lack of know-how among local manufacturers, and the reluctance of local investors to invest in manufacturing and downstream activities have prompted the government to offer further lucrative incentives to foreign investors. Priority accorded to the inflow of foreign investment is based on the assumption that it will provide the greatest impetus for technology upgrading, market access and facilitate the transfer of soft and hard technology.

Baharudin (1989, pp. 31) in his review of the status of the wood processing industry stressed that "... the process of industrialisation is bound to be slow through the natural course of action. All expansions, modernisation and technology transfer require massive investments. Financial institutions take time to convince themselves before the needed funds are released. It is therefore necessary, in order to provide the impetus to development, to invite foreign investment."

Foreign firms are mainly concentrated in the non-resource based industries, among the important ones being those producing electrical and electronic products, and textiles and textiles products. The growth of the non-resource based industries has largely originated from the influx of foreign capital and is located in the Free Trade Zones (FTZs). These firms came to Malaysia in search of cheap labour (assembly of electronic products) and to take advantage of the quota allocations which have not been used by local firms (textiles industry).

The local firms are mostly found in resource based industries particularly in the food

processing, rubber product, wood-based, and the chemical industry which are characterised by the low level of processing technology. The recent emphasis of promoting the industrialisation of the resource based sector has seen an increase in the foreign controlled or joint venture firms. For example, in 1988, of the 80 glove making companies, around 15 were established as part of large international companies.

While acknowledging that foreign and joint venture firms are largely responsible for Malaysia's export expansion and growth, hard statistics comparing the contribution of exports based on ownership pattern are hard to come by. Nevertheless the prevailing situation tends to parallel that of the evidence from Singapore where a large majority of the Singaporean firms are non-exporters (Ah Keng and Soo Jiuan, 1989) and are primarily domestic market oriented.

However other evidence tend to show that ownership factor is not a strong discriminator of firm's export involvement and performance has been rather mixed. Ross (1989) found that ownership variable is not a significant discriminating factor between exporting and non-exporting firms in Jamaica. Dominguez and Sequeria (1993) included foreign equity participation as one of the organisational variables in their investigation of the export performance of the firms operating in Costa Rica, El Salvador, Guatamela, Honduras and Nicaragua. The findings show that the higher the level of foreign equity participation, the less involved the firms are in exporting. The reason being that their operations were intended to service only the regional markets. Thus they confirm McGuinness and Little (1981) finding that restraints imposed by parent company do influence firm's export involvement and export performance. In the absence of any export restraints, the firm's competency in managing marketing function is the determinant of export performance.

Doyle, Saunders and Wong (1992) are of the opinion that ownership per se is not a determinant of export performance. The authors compared the characteristics of British, American and Japanese firms operating in the British market and noted that

successful companies irrespective of their ownership/origin exhibit a greater degree of organizational flexibility and marketing orientation.

This study seeks to verify the generally held view that foreign firms are superior in their export performance and marketing practices vis-a-vis local firms in Malaysia.

### **3.4.3 Managerial competency**

Local firms are characterised by a low level of technology, lack of finance, and management expertise and skilled labour (Chan Onn, 1990). According to Baharudin (1989), out of 2,000 firms manufacturing furniture (both wooden and rattan), only 45 are reasonably well equipped with modern facilities. The majority of the furniture manufacturers do not have a proper system of quality control; they depended on imitation designs leading to production of outdated furniture; the smallness of the production scale makes it difficult for the manufacture to afford sustained market research and to develop original design and compete in the international markets.

Most of the SMEs are controlled and managed by the owners themselves - often with the help and support of their family members. The business is based on a relationship with their distributors supported by a flexible credit policy. They lack the technology and marketing expertise and compete basically on price. Systematic marketing planning tend to be confined to limited number of progressive companies only. Marketing seems to be relatively insignificant function when compared with other management functions such as finance and production (Mei Ling, 1988).

In contrast, foreign firms employ more specialist staff to carry out the marketing tasks while the chief executive of domestic firms handled similar tasks in addition to other duties (Sin Jee, 1973). The foreign firms allocated a bigger proportion of their budget to implementing the marketing related activities compared to domestic firms and show greater appreciation of the importance of of the marketing-mix.



In terms of support activities necessary for enhancing firms' competitiveness, the foreign firms also enjoy the benefit of the experience of their associate companies overseas. For example, a large percentage of the foreign large-sized firms benefitted from the R & D activities carried out by their associate firms; market information; and distribution networks (Hoffman and Siew Ee, 1980; Siew Ee, Hirata, and Yew Wah, 1987).

Sin Jee's (1973) findings that foreign firms have the edge in the consumer product industry while local firms hold the edge in commodities trade are identical to the findings of de la Torre Jr (1972). The author studied export performance of 69 companies (38 in Colombia, 16 in Nicaragua, and 15 in Mexico) and noted that locally-owned firms are competent in handling exports of relatively undifferentiated products where price is the major factor in consummating exchange. However their ability to manage and compete successfully in foreign markets is considerably lower when exporting highly differentiated manufactured goods. This could be attributed to the fact that they lack the manpower and managers who possess the marketing skills and knowledge. Foreign-owned firms perform better because they have the necessary marketing experience, market knowledge, and established marketing channels overseas.

The above scenario tends to reflect the export behaviour of firms in other nations. Competitive edge in management and marketing do differentiate exporting from non-exporting firms (Cavusgil and Nevin, 1981; Jatusripitak, 1986; Cavusgil and Noar, 1987; Burton and Schlegelmilch, 1987). Firms at the higher stage of internationalisation systematically explore export opportunities and exhibit a greater appreciation of the importance of marketing activities (Cavusgil, 1984b; Barrett and Wilkinson, 1986; Diamantopoulos and Inglis, 1988; Bourantas and Halikias, 1990; Bounafina, 1990).

### **3.5 Factors impinging on Malaysian manufacturers' export involvement and competitiveness**

In this section the researcher examines some of the published works on factors impinging on export performance of Malaysian manufacturers. This includes the perception of the firm as regards to factors inhibiting export expansion as well as factors contributing to their export competitiveness.

#### **3.5.1 Factors inhibiting export expansion**

The discussion in section 3.4 highlighted some of the attitudinal problems that characterised the inward looking SMEs. In this section, the obstacles which hinder a firm's export activities are reviewed.

Hoffman and Siew Ee (1980) in their study of Malaysia's industrialisation explore the nature of problems encountered by Malaysian exporters. The findings showed the main problems as being:

1. lack of knowledge about potential foreign markets;
2. difficulties in procuring raw materials;
3. handicap in competitiveness due to higher prices for domestic input;
4. competitive practices by rival domestic exporters; and
5. poor organizational set up.

Among foreign-controlled companies, the restrictions placed by their parent companies hindered export involvement. Being dependent on imported raw materials, the bureaucratic inefficiencies which take the form of delays in granting licenses (import and export), processing of application forms, and more important, customs clearance for imported raw materials that serve as inputs and lastly, export clearance, are also cited as the factors impeding their export performance.

These problems still prevail as the findings by Siew Ee, Hirata and Yew Wah (1987,

pp. 119) show that "most firms derided the inefficiency of government officials alleging that excessive bureaucracy have hampered them greatly in their efforts to export more and faster." Other reports also revealed that manufacturers are concerned about the rising cost of raw materials, freight rates, and inadequate market information (Malaysian Business, March 1, 1987; Berita FMM, 1987).

The problems encountered by Malaysian exporters are apparently no different from those encountered by firms from other industrialising nations. The evidence from Turkey for example shows that intense international competition; lack of foreign market information; low quality and high cost of production; export restrictions and formalities; excessive domestic market orientation; communication difficulties; and lack of qualified personnel as some the major problems facing exporters (Karafakioglu, 1986; Bodur, 1986; Kaynak and Erol, 1989).

Christensen et. al. (1987) in their investigation of the factors influencing the continuance of exporting activities among Brazilian firms, found that four obstacles were consistently seen as more serious by ex-exporters than by successful exporters. They are inadequate financial incentives; strong international competition; obstacles internal to the firm; and the need to service the domestic market demand.

Ah Keng and Soo Jiu (1989) surveyed the Singaporean exporters and reported that the exporters faced the following problems: managing the marketing mix particularly matching competitors' prices; promoting products overseas; establishing distribution networks overseas; getting information about foreign markets; granting credit facilities to foreign buyers; employing good export sales personnel; and developing new products to meet foreign demand.

The Malaysian exporters therefore encounter similar problems faced by firms from other newly industrialising namely market access factors, structural factors notably the quality of human resources; the level of technological development; lack of infrastructure and strong industrial linkages; and bureaucracy (Ford et al., 1987;

Andaleeb and Gardner, 1989; Lall, 1991).

In fact the problems encountered by Malaysian and other developing nations' exporters are almost identical to the problems encountered by firms in developed nations. Ford and Leoniduo (1991) summarised these problems into five categories - environmental, organisational, managerial, strategic, and functional. The list of specific obstacles are reproduced in Exhibit 3.3 . The apparent difference is the intensity of the problems.

Exhibit 3.3: Factors and obstacles to export success.

<p><b>Environmental:</b>          Cultural differences          Government barriers          Infrastructural facilities          Availability of export services          Regularity of supplies          Degree of competition</p>
<p><b>Organisational:</b>          Amount and quality of export staffing          Size of the firm</p>
<p><b>Managerial:</b>          Level of management quality and determination          Marketing vs selling orientation in exporting          Long-term vs short-term commitment to exporting          Frequency of personal visits to foreign markets          Degree of management's international outlook          Foreign language proficiency of export executives          Frequency and clarity of communication with customers</p>
<p><b>Strategic:</b>          Degree of product and packaging adaptation          Level of product quality and design          Product delivery performance          Pricing practices in foreign markets          Extent of overseas promotion          Degree of promotion adaptation          Selection of the right overseas distribution channels</p>
<p><b>Functional:</b>          Level and use of export marketing research          Existence and adequacy of export market plans          Availability of sources to finance the export efforts</p>

Source: Ford, D. and Leoniduo, L. (1991) pp. 10.

If firms from developing nations are equipped with the latest technology, and staffed by dynamic internationally trained managers who are market oriented and operate in a conducive environment, they can be as successful as the firms in advanced industrialised nations. Therefore the factors that explain the export success (refer Chapter 2) should be universal in nature.

### **3.5.2 Factors contributing to export competitiveness**

As reviewed in Chapter 2, the factors influencing a firm's export performance may be broadly classified into two categories, namely internal and external factors. Internal factors are inherent within the organization, for example its resources and managerial values and marketing competencies. External factors on the other hand are those that are beyond the control of the management which may either inhibit or help to place the firm in a favourable position in the market place.

#### **3.5.2.1 Internal factors**

The previous discussion on managerial competencies provided some background information about the state of management expertise in the SMEs and large-sized firms in Malaysia. They in fact represent the internal factors which may be described as characteristic of the Malaysian manufacturing sector. In this section the discussion is focussed on additional evidence which has been published to explain Malaysian firm's export competitiveness.

The study by Syed Jabbar (1972) appear to be among the first systematic investigation into the marketing of manufactured products from Malaysia. The focus of study was on the export marketing of canned pineapple in the UK market. The findings show that the lackluster performance stems the lack of support services which are necessary to maintain the visibility of the products in the market. The allocation of limited resources towards market research, distributors incentives, and building customer loyalty have resulted in the decline of sales in the UK market. The

reluctance to shift the distribution strategy in tandem with the growth of self-service retailing in UK have contributed to the lack of visibility of Malaysian canned pineapple. The Malaysian pineapple cannery industry has been described as being production oriented.

Hoffman and Siew Ee (1980) as part of their study on industrial development, included a section on factors affecting a firm's international competitiveness. According to the companies surveyed, past export success of Malaysia's manufactured items largely resulted from high product quality and raw material availability.

Tan Siew Ee , Akira Hirata and Lai Yew Wah (1987) repeated a similar study but involving firms from only four manufacturing sectors. Across all the four industries, the product's quality and design is cited as the factor contributing to increased export sales. However firms in the electronic industry cited the introduction of new products; the textile industry attributed increase sales to the lowering of protectionist barriers; the metal and wood sector attributed the increase to higher productivity, better marketing facilities and more competitive product pricing.

The fact that manufacturing companies in Malaysia lack competitive advantage due to their inability to conduct marketing in a strategic manner (Mei Ling, 1987) has often been lambasted in the local press. Journalistic accounts suggest that Malaysian manufacturers generally lack the marketing skills.

Malaysian exporters are accused of not being aggressive in their export ventures. They do not actively seek export related information and are not exploiting the opportunities offered by the developed nations under the GSP schemes. The quality of products exported do not meet the expected standards and in consequence they face disputes over quality and hence problems of non-payment and/or late payment.

Notwithstanding the above unfavourable accounts, there are instances of success

stories. Malaysian Business (Feb. 1, 1987) reported the success of Marco Shoe Sdn. Bhd., a contract manufacturer of leisure footwear. The company's heavy investment in research and development activities and product development are the hallmarks of the company's success.

Similarly the Export Award Winners for 1990, Heavefil Sdn. Bhd. and Leader Cable Sdn. Bhd. as reported in the Malaysian Trade News, a publication of the Malaysian Export Trade Centre (MEXPO), invested heavily in technology upgrading. The former attributed its success to strict quality control; after-sales-support services; skilled and dedicated personnel; and the customer-oriented approach to business. The latter began seriously looking at exporting after being hit by the recession years of the 1984-86. It established an export division and acquired new technology through a licensing agreement with Hitachi Cable Ltd to provide the necessary know-how for the manufacturing of power cables. A combination of quality products available at competitive prices, and the commitment to employee training has been the hallmark of the company's export success.

New Straits Time (Sept. 4, 1992) highlighted the success story of four textile apparels exporters. All the four attributed their export success to aggressive marketing which is defined as zeroing in on buyers and finding out their particular needs, and then responding quickly to meet the demand. Quality, price competitiveness, and the ability to deliver the goods at short notice are their marketing strengths. These firms frequently participate in trade fairs and exhibitions in order to maintain contact with the buyers and market developments.

Financial Times (December 3, 92) reported the Proton's (Malaysia's national car) marketing efforts in the UK. Proton's success in penetrating the UK market is attributed to its very aggressive dealer network. Additionally it offers a package of value-for-money extras such as zero interest on financing and two years' free insurance cover and a six-year mechanical warranty.

While the above accounts may not come from rigorous academic exercise, the evidence suggests that the success factors and the prerequisites for export success as highlighted in the previous chapter also explain the success of Malaysian exporters. The limited available evidence also concurs with studies involving firms from other developing nations.

Leoniduo (1988) examined the decision of developed country-importers to purchase from developing country-based indigenous manufacturing firms. He established that good value for money, high product quality, satisfactory ordering/shipping procedures, reliability/security of regular delivery and long-term supply, are the most important influences on decisions to purchase.

Christensen et. al, (1987) investigated the profile of Brazilian firms that continued to export (successful firms) compared to firms that cease exporting (less successful firms) over the period 1978 to 1984 and found that successful exporters had qualified management team, a better structured quality control department and effective delegation of marketing decisions. The emphasis on quality is also the hallmark of successful exporters from Costa Rica, Honduras, El Salvador, and Guatemala (Domiguez and Sequeira, 1993).

Levy (1988), Hsieh (1993) and Chang (1993) also revealed that quick response time, and continuous product improvement through investment in research and development, as the factors influencing the export success of the Taiwanese firms.

### **3.5.2.2 External factors**

Exports are crucial for national economic growth. As such many national governments (both in developed and developing nations) assist their exporters. As discussed in the previous chapter, a firm's export involvement can also be initiated by firms/distributors from importing countries.



### **3.5.2.2.1 Government agencies**

Malaysia like any other nation assists its exporters. The promotion of manufactured exports includes the provision of various fiscal incentives, marketing support services and the establishment of FTZs (refer to Appendix 3.1 for details of investment incentives).

A study by Ariff (1983) reported that a number manufacturers lack the knowledge of the existence of export incentives. Those that are aware and eligible for such incentives did not take advantage of them.

Siew Ee, Hirata, and Yew Wah (1987) found that the relative importance of investment policies on export activities of firms differ between industries. The findings show that the electronics and textile industries considered the establishment of FTZs to have had the greatest positive impact on their operations since they are the industries that have benefited most from the implementation of such zones.

The metal products and wood products industry, on the other hand, did not list FTZs as an important factor as the majority of them were not eligible for such incentives. To them, the exemption of import duties on inputs (drawback facilities) is a common and significant factor. Export promotion policies are not considered important in enhancing competitiveness.

In the textile industry, the availability of quota and export credit facilities emerged as the most important factor in influencing their competitiveness. On the whole, the effectiveness of government's export promotion incentives are doubtful.

Evidence from other developing nations is no different (Ford et al., 1987). Soo Jiuan and Ah Keng (1987) reported that the Singaporean firms are familiar with the export promotion programmes but the usage level is less than encouraging.

Christensen et. al. (1987) found that the support of top management rather than from the government is regarded as more important by the Brazilian firms that continue to export. Dominguez and Sequeira (1993) noted that firms in El Salvador and Honduras are least concerned about export incentives but their counterparts in Costa Rica and Panama think the opposite. The findings also show that the need for government assistance tend to vary according to experience. The experienced exporters relied least on incentives.

The need for government support is necessary at the early stage of a firm's export development. This is confirmed in a study by Erskine (1991) on the success of Thailand's canned pineapple and tuna industry. The Thai government's incentives particularly the low interest rates is acknowledged as being responsible for putting the industry on strong foothold to gain a competitive edge against other established exporters from other nations.

The empirical evidence seems to suggest that public policy measures are necessary but not a critical success factor. The general argument is that government participation is necessary to establish the infrastructure required to ensure the success of the nation's exports particularly the non-traditional products (Nicholls et al., 1988; Fonfara and Collins, 1990).

#### **3.5.2.2.2 The intermediaries' role**

Besides government agencies, a firm's export involvement and performance can also be triggered by other external agencies. A number of studies have established that a firm's export involvement is often triggered by unsolicited orders. Receipt of unsolicited orders as a motivating factor is also evidenced among the Dutch exporting firms (Verhoeven, 1988). The performance of other exporting firms is also another external motivating factor (Jatusripitak, 1986).

Ford et al (1987) argued that proactive buying behaviour of importers from developed

nations helped the developing countries exports. The evidence from Brazil (Christensen et al, 1987) noted that the successful exporters relied particularly on the international Japanese trading companies networks in their export activities. The importers' superior knowledge of the market and marketing skills have helped to improve the internal organisation of Cyprus manufacturers-exporters (Leonidou, 1989).

The role of the intermediaries has also been documented in other studies. Wortzel and Wortzel (1981) traced the internationalisation of firms from the Far East and attributed their success to the skills in internalising the marketing functions previously made available by the importers of their products. Similarly Levy (1988) highlighted the crucial role of international trading agencies in the success of Taiwanese firms. The direct access to networks of traders appears to have been crucial in enabling Taiwanese manufacturers to respond rapidly to opportunities.

Erskine (1991) studied the success of the Thais canned food processing industry. The canners credited the role played by the World Bank Asian Productivity Center who supplied one of the companies with a Taiwanese expert and a retired America executive. They provided marketing advice and technical know-how to meet foreign food standards. Their advice propelled the company into the American and European markets.

Evidence from Malaysia also tends to suggest that external agencies played a crucial role in their export involvement. All the four textiles exporters covered in the newsreport by NST attributed their breakthrough in exporting to the services of the CBI, a Dutch organisation responsible for the promotion of imports from developing countries.

#### **3.5.2.2.3 Other factors**

The importance of other external factors to Malaysian exporters are underscored in

the findings of the 1991 FMM Survey on Performance, Problems, and Prospects of the Manufacturing Sector which was conducted in April 1991. The survey findings showed that a majority of the respondents expect a better performance in their exports as a results of the following external factors:

1. expected recovery of industrial economies from the recession;
2. reconctruction of the war-torn Gulf states;
3. improved image of Malaysian-made goods; and
4. better ASEAN trading arrangements.

The optimistic outlook based on the growth prospect in the export markets is reflective of the findings by Madsen (1989) who established that Danish exporters' export performance is positively associated with managerial perception of export market attractiveness. High export sales are associated with firms exporting to markets with high growth and little competition.

As the Malaysian domestic market is relatively small, like Denmark, it is hardly surprising that most of the responding firms rate unexpected events and recovery in other nations' economy as potential initiators of firm's export expansion.

While reason number 2 may be described as unprecedented event, the remaining reasons suggest that close cooperation between the government and the industry are crucial in overcoming trade barriers.

In view of the current developments in the world economy, Malaysian manufacturers' export capability and competitiveness will be tested to the limit. Given the state of marketing management and the task assigned to the manufacturing sector to head the nation's export-led industrialisation, it is therefore, timely to conduct a comprehensive assessment, at the micro level, of the experience of Malaysian manufacturers in their export ventures.

### **3.6 Summary**

The legacy of the British era has contributed to the economic dynamism in the social restructuring of the Malaysian economy, and ultimately on ownership of manufacturing establishment. The manufacturing sector has a dual structure characterised by differences in business size, state of technology, market outlet, and style of management. It has, on one hand, a modern sector comprising predominantly large foreign-owned and joint-venture firms. They employ professional managers and use sophisticated technology. On the other hand, there are large number of small to medium-sized firms which are wholly controlled by local entrepreneurs. These firms generally employ conventional methods of production with minimum quality control facilities. They lack marketing skills and are less involved in exporting.

Based on the limited evidence of the export behaviour Malaysian firms, it is clear that the factors that inhibit their export expansion are similar to those of firms in other nations. Among the factors that have frequently cited as contributing to Malaysian manufacturing firms' export competitiveness include investment in R & D and production technology, product design and quality, price competitiveness, quick response time and regular contact with buyers. These factors have also been established to have been associated with the successful exporters in the advanced industrialised countries as well as in the newly industrialising nations.

Nevertheless there is a gap in the Malaysian export literature. To the researcher's knowledge, the studies conducted to date fall short of identifying the characteristics of successful exporters and the factors associated with these firms. For example the FMM Annual survey (1992) did include the manager's perceptions of the prospects of export sales in the forthcoming years. The analysis is confined to descriptive statistics only. The variables identified as contributing to a firm's competitiveness were not linked through statistical testing with measures of export performance.

While acknowledging the fact that large-sized firms are responsible for a larger

percentage of Malaysian manufactured exports, it is not known if their export activities have actually lived up to the companies targets. In addition, do firms' export experience, ownership and the types of product exported explain differences in export performance? Researchers argue that a firm's strategic orientation rather than its demographic characteristics explain export performance. These questions have not been adequately addressed.

The next chapter discusses the research framework and hypotheses that would answer some of the issues raised in this chapter.

## CHAPTER 4

### RESEARCH FRAMEWORK AND HYPOTHESES

#### **Introduction**

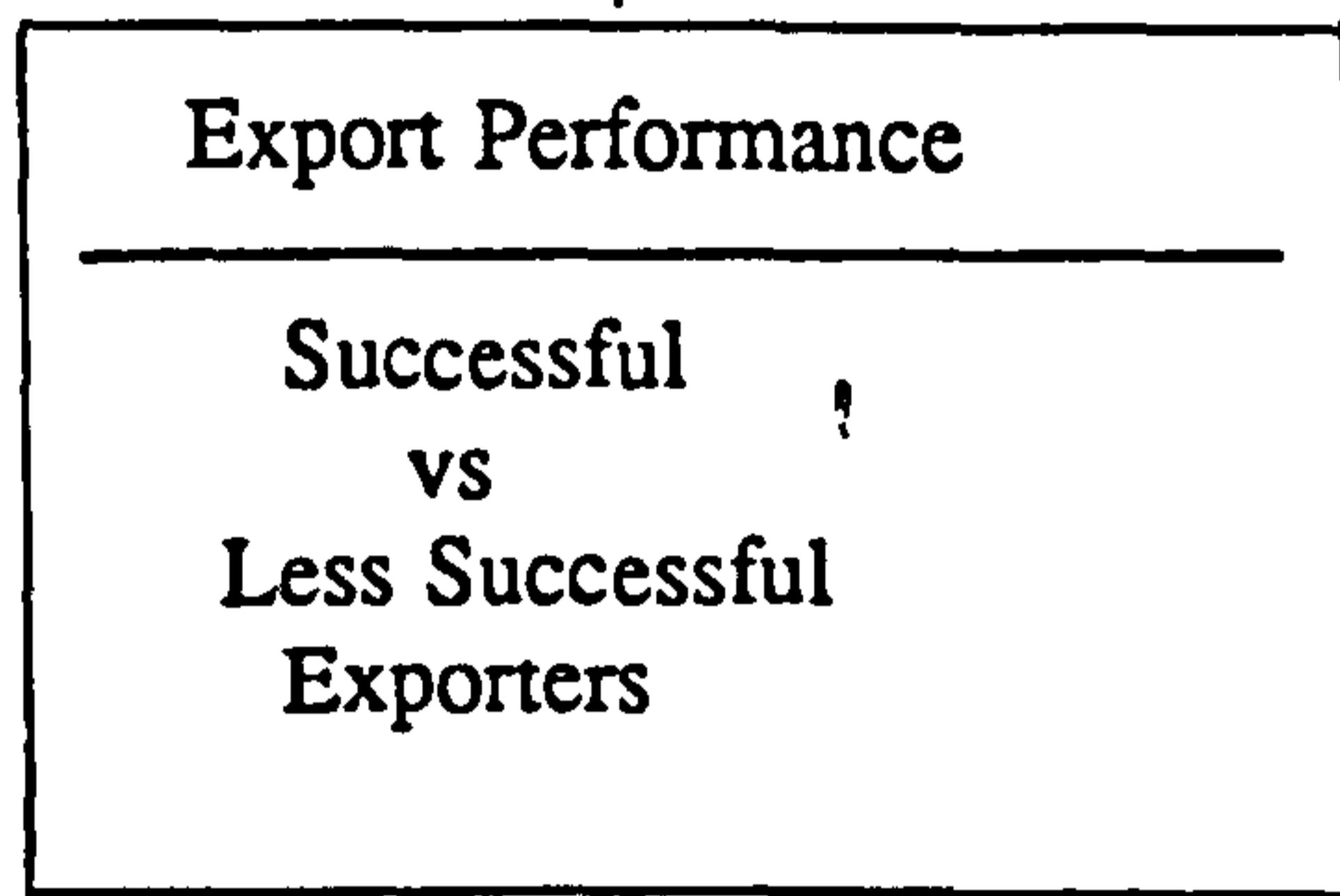
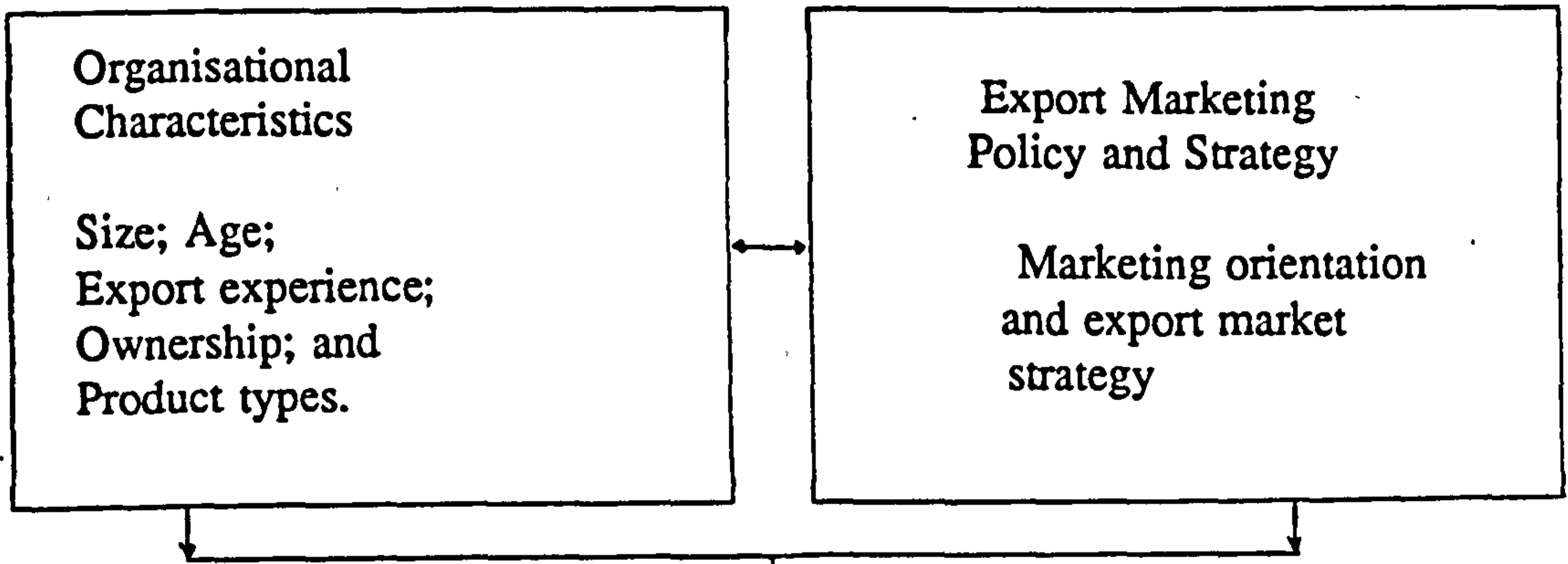
This chapter presents the research framework designed to determine the characteristics of successful and less successful exporters, and the factors that differentiate the two groups of firms. The review of export literature revealed that firms' export behaviour and performance is the result of a complex interaction of a variety of internal and external factors. A categorization of variables is necessary so that a systematic analysis may be performed. A simplified version of the research framework adopted in this study is depicted in Exhibit 4.1.

The framework is divided into two parts. The first is focused on identifying the characteristics of successful and less successful exporters. The relevant research question that is addressed in this part is "what factors contribute to the differences in firms' export performance?".

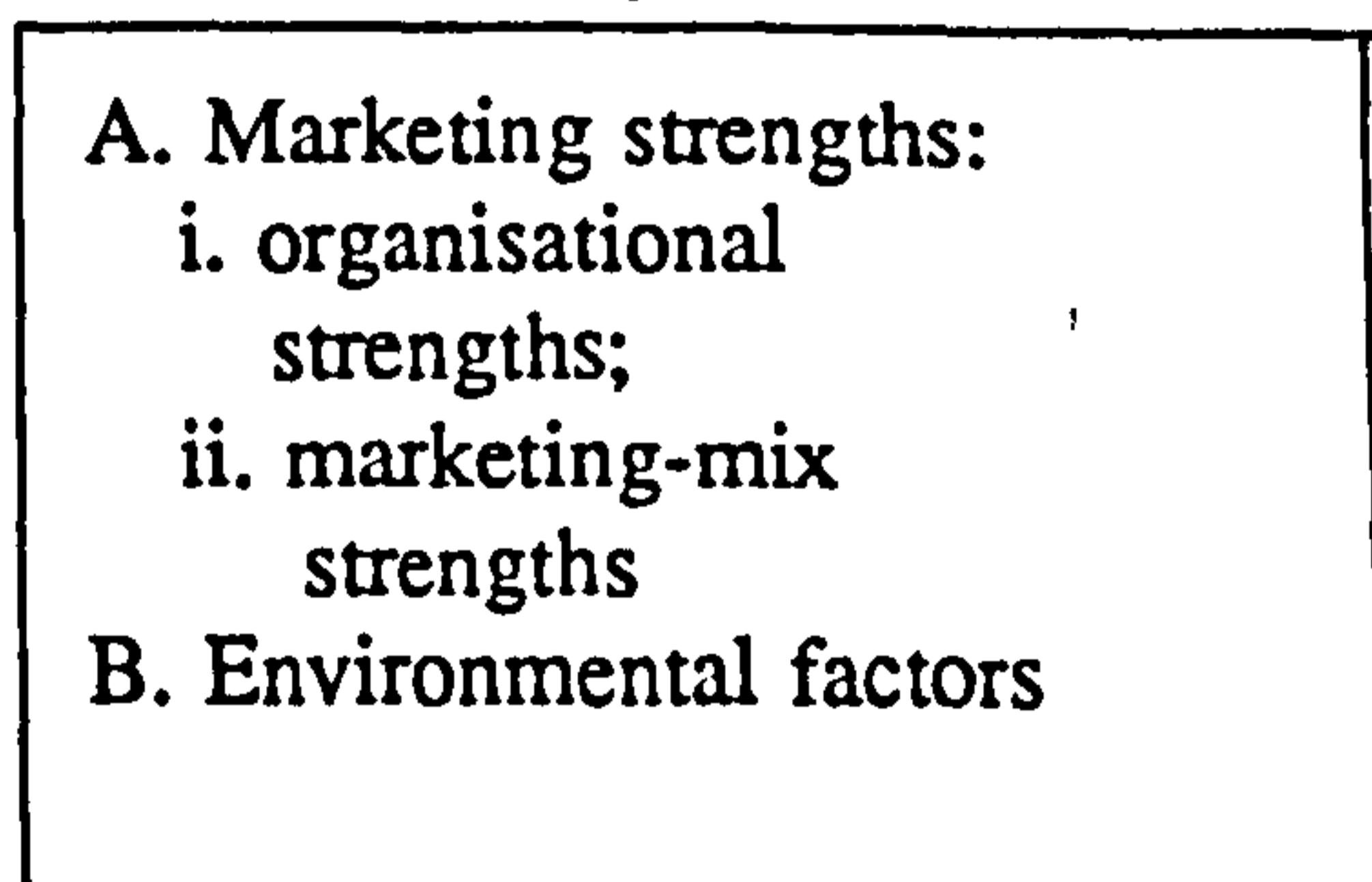
In the second part, this study investigates if the better - export performing firms (designated as successful exporters) can be distinguished from their counterparts (designated as less successful exporters) on their a. marketing strengths; and b. perceptions of the market environmental factors.

Exhibit 4.1: Research Framework

Part 1:



Part 2:





The underlying assumption of this framework is that firms' export performance is the result of either the interaction effect or individual effect of organisational and export marketing policy variables. In addition, successful exporters are posited to exhibit certain marketing behaviour as an indicator of better export marketing management. Successful exporters are also expected to have different perceptions of the market environmental factors impinging on their export operations, compared to less successful exporters.

Conceptually the proposed research framework will be similar to the dominant approach in export performance research which has its foundation in the discipline of marketing (Kamath et al., 1987). Methodologically, this study is different from previous research in the sense that the population under investigation includes firms of varying sizes, experience, ownership, types of product exported and from a cross section of the manufacturing sector.

The classification of firms as successful and less successful exporters is not based on the responding firms responses to export performance indicators or some other predetermined indicators. The possible interaction or absence of interaction between the organisational and export marketing policy variables in explaining the firms' export performance are investigated, and used to classify the responding firms into successful or less successful exporters.

The chapter is divided into two parts.

- Part 1 - presents the hypotheses on the relationship between organisational and export marketing policy variables, and export performance.
- Part 2 - presents the hypotheses on the factors associated with successful and less successful exporters.

## **4.1 Part One - Organisational Variables, Export Marketing Policy, and Export Performance**

The focus of this study is to establish the profile of successful and less successful exporters. Subsequently to determine the factors that are associated with the two groups of firms. The first task then is to identify the characteristics of firms that may be classified as successful exporters and less successful exporters. To achieve this objective, this study will first investigate the factors contributing to the variations in firms' export performance. As shown in Exhibit 4.1 this study hypothesized that firms' export performance could be attributed to 1. organizational variables; and 2. export marketing policy variables.

### **4.1.1 Organisational variables**

Organisational variables that have been identified as being associated with explaining firms' export behaviour and performance and which are included in this research framework, are listed in the top box on the left hand side of Exhibit 4.1.

The importance of organisational characteristics is deep rooted in the discipline of economics. It is almost a truism in economics that firms with greater resources enjoy economies of scale and are in a better position to exploit opportunities in the domestic and overseas markets. The characteristics of a firm such as its size, age, export experience and ownership, reflect the resources available for its deployment to achieve its objective. The importance of organisational characteristics also permeates the marketing literature which stresses that all marketing decisions must take into consideration a company's resources and experience (Piercy, 1982; Albaum et al., 1989; Baker and Hart, 1989; Young et al., 1989)

#### **4.1.1.1 Size**

Firms of varying sizes are involved in servicing international markets. It is generally

held that a firm's resources vary directly with its size. The larger the size of the firm, the higher is the level of technical, managerial, financial and marketing economies of scale it enjoys, and the better position it is to exploit the opportunities available in the overseas markets (Madsen, 1987; Ford and Leoniduo, 1991). However firms of varying sizes are involved in servicing the world's markets and the small and medium-sized firms, for example in Italy, are found to dominate the nation's export sector (Bonaccorsi, 1992). This supports the argument that firms irrespective of their size have an equal chance of being successful in their export venture (Kamath et al., 1987).

#### **4.1.1.2 Age and years of exporting**

These two variables are intertwined. Knowledge accumulated through business experience is dependent on the number of years the firm has been in operation. Inherent in the export development/stage models is the assumption that there is a linear relationship between a firm's age and its territorial expansion. As a firm moves through its life cycle, it is expected to have accumulated experience, increased its knowledge stock and fostered strong working relationships with importers and buyers in the overseas markets. Strategic applications of business experience are thought to boost confidence, help excellence in managing organisational resources, increase productivity and ultimately contribute to performance. As such the older the firm, the greater are the chances that it will explore opportunities beyond the national boundary.

On the other hand, an inverse relationship could also occur. When the entry barrier is high in the domestic market or the domestic market is too small, the newly established firms have no alternative but to explore the opportunities in export markets (Ursic and Czinkota, 1984).

As regards the situation in developing nations, evidence seems to suggest that established firms either locally owned or foreign owned, are more inclined to service

the protected home domestic market (Dominguez and Sequeira, 1993; Baharuddin, 1989). Consequently the policy makers are forced to devise policies which encourage foreign investment in order that export oriented manufacturing activities may be promoted. As such the influence of business experience (as measured by the year of operation in a particular country) must be considered in the light of the firm's ownership structure and size.

#### **4.1.1.3 Ownership**

It has been widely documented that firms of different national origins behave differently. It is generally acknowledged that firms from advanced industrialised nations are more superior in their marketing technology compared to indigenous firms ( de la Torre, 1972; Aosa 1992; Hosni 1991). Firms from developing nations are handicapped by the fact that they are inexperienced and small in size (Lall, 1991) which in turn affects their marketing capabilities (Ford et. al., 1987). As highlighted in the previous chapter, the foreign firms operating in Malaysia are acknowledged to be better managed than firms that are locally owned (Sin Jee, 1973; Hoffman and Siew Ee, 1980) and generally held to be superior in performance.

However, the differences in export marketing practices and performance between firms originating from different nations are not only confined to developed versus developing nations, but also among firms in the industrialised and other industrialising nations (BOTB, 1979; ; Wortzel and Wortzel, 1981; Levy, 1988; Wong, Saunders and Doyle, 1986; Meissner, 1986; Schlegelmilch, 1986; Samli, 1987).

Doyle, Saunders, and Wong (1992) stressed the point that achieving international success has nothing to do with ownership but effective application of the business principles of identifying the target market and delivering the desired products or services at the right price.

#### **4.1.1.4 Types of product exported**

As widely acknowledged in the literature, the marketing strategy varies across the types of product involved. For instance, firms in the consumer product market tend to utilize promotion techniques on a larger scale compared to firms marketing industrial and resource-based commodities. Firms exporting different types of product are expected to exhibit different export marketing behaviour.

Although there appears to be conflicting evidence on the relationship between the above organisational variables (size, age, and export experience) and export performance, the mainstream view is that firms commanding greater resources in terms of assets, business and export experience, have greater chances of achieving better export performance. When this view is extended to describe the situation in developing nations, the issue of ownership cannot be overstated. Firms' export performance is also expected to be influenced by the types of product exported. In the light of the above argument, this study will take into consideration the combined effect of each of the organisational variables in explaining the variations in firms' export performance. The following hypothesis is proposed:

#### **Hypothesis 1:**

**The variations in a firm's export performance could be attributed to the combined effects of its size, age, export experience, ownership and the types of product exported.**

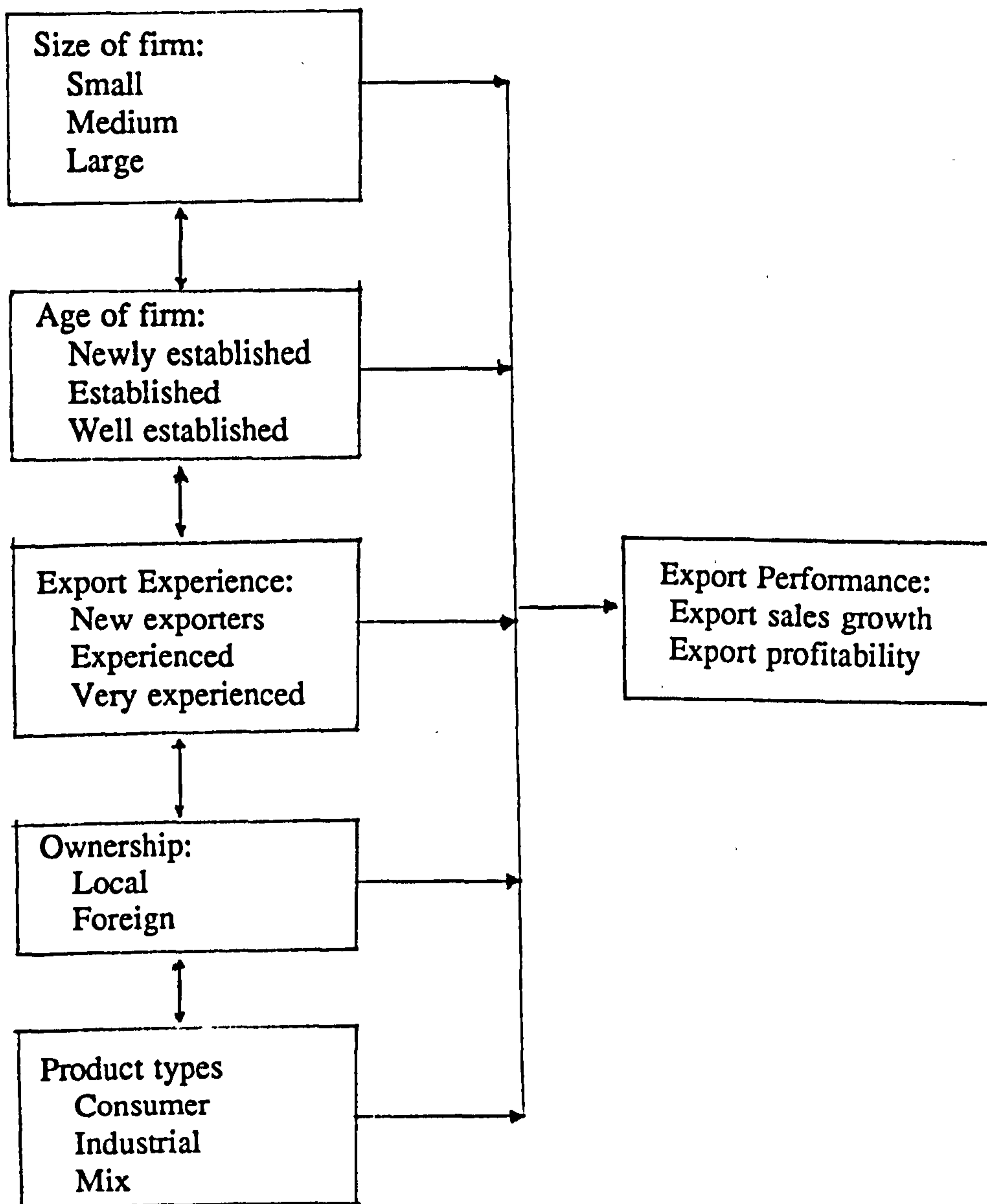
Deriving from the overall hypothesis are the following specific hypotheses:

- H1.1**            **A firm's size and age explain the variations in export performance.**
- H1.2**            **A firm's size and export experience explain the variations in export performance.**
- H1.3**            **A firm's size and ownership explain the variations in export performance.**
- H1.4**            **A firm's size and the types of product exported explain the variations in export performance.**

- H1.5** A firm's age and export experience explain the variations in export performance.
- H1.6** A firm's age and ownership explain the variations in export performance.
- H1.7** A firm's age and the types of product exported explain the variations in export performance.
- H1.8** A firm's export experience and ownership explain the variations in export performance.
- H1.9** A firm's export experience and the types of product exported explain the variations in export performance.
- H1.10** A firm's ownership and the types of product exported explain the variations in export performance.

The relationship between organisational variables and export performance which is depicted in the top left hand box of Exhibit 4.1 is expanded and presented in Exhibit 4.2.

Exhibit 4.2: Organisational variables and export performance.



## **4.1.2 Export marketing policy.**

The second box on the top right hand side of Exhibit 4.1 lists the variables classified as export marketing policy - marketing orientation and market strategy. Firms' behaviour in the market place is guided by their operating philosophy and strategy. The adoption of marketing orientation and the chosen number of export markets served are strategic in nature because they influence the level of marketing efforts, allocation of resources within the organisation and managing marketing activities (Piercy, 1982; Young et. al 1989; Albaum et. al., 1989).

### **4.1.2.1 Marketing orientation**

The evolution of marketing thought has identified three major operating philosophies of business organisations - production, selling and marketing. A production orientation is reflected by management's view that success is achieved through producing goods of optimum quality and cost. A sales orientation is one that emphasises effectiveness in selling and promotion as the route to success. A marketing orientation reflects the view that business success stems from identifying and anticipating changing customers' needs and wants, and developing goods that match these better than the competition.

Marketing literature on the needs to avoid the pitfalls associated with the production and selling orientation are abound (O'Shaughnessy, 1984; Houston, 1986; Baker et al., 1986). Parasuraman (1981) described the degree of marketing orientation of an organisation as the extent to which it has embraced the corporate philosophy of customer satisfaction known as the marketing concept. The marketing concept is the philosophy that the consumers interest is the starting point from which all planning of an organisation strategy takes place.

Baker (1984) defines the marketing concept in terms of the following three basic elements:



- a. a consumer orientation by which is meant the belief that the consumer should be the centre of all the organisation's thinking and activity;
- b. an orientation which seeks to coordinate and integrate all the organisation's efforts toward common goals; and
- c. a profit orientation by which the company seeks to achieve its goals through maximising customer satisfaction rather maximising sales.

Passiveness in exporting is thought to be reflected in a prevailing concentration on production and selling and a general lack of marketing orientation. The adoption of a marketing orientation is associated with aggressiveness in exporting and has been prescribed by numerous authors as the major prerequisite to improving export performance (Meidan, 1975; Baker, 1979; Baker and Abou-Zeid, 1982; Hooley and Newcomb, 1983; Johansson and Nonaka, 1983; Baker et al. 1986; Hooley and Jobber, 1986; Baker and Hart 1989; Brown and Cook, 1990; Amr Kheir, 1990; Wong, Saunders, and Doyle, 1988; 1990).

The call for firms operating in Malaysia to adopt a marketing concept is even embodied in Malaysia's Fifth Five-Year Plan. In line with this argument this study will investigate the influence of a firm's operating philosophy (marketing versus selling orientation) on export performance.

#### **4.1.2.2 Market strategy**

Another element of export marketing policy is the number of countries the exporting firms serve. In export marketing, a firm is posited to confront two strategic alternatives - to adopt a market concentration or market diversification strategy (BETRO, 1976; Piercy, 1982; Albaum et al., 1989; Young et al., 1989).

The central theme of most prescriptions for export success is that a firm should concentrate effort and resources on the needs of selective markets rather than spreading their efforts over many markets (Hooley and Newcomb, 1983; Baker, 1987;

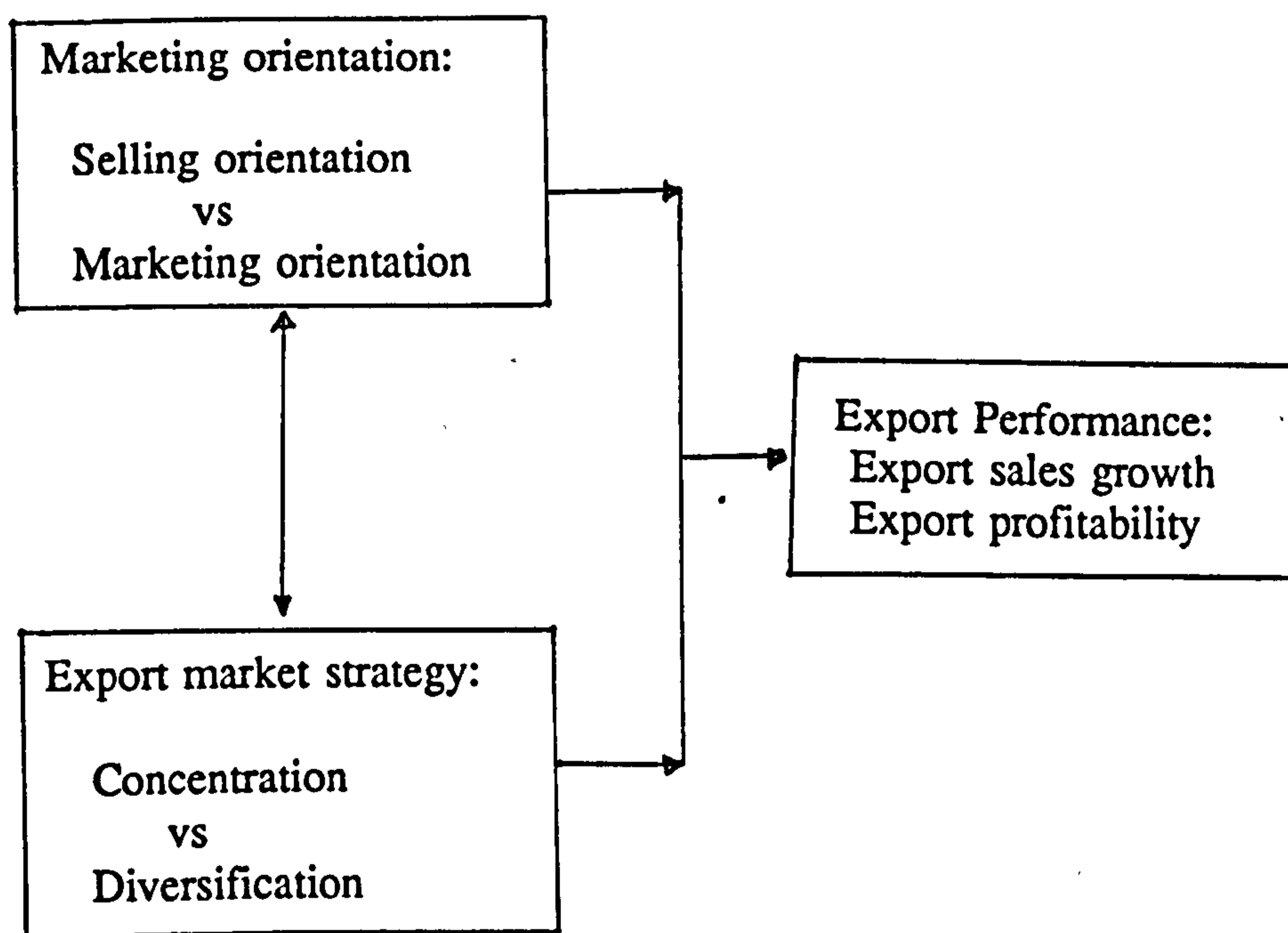
Turnbull, 1987). Empirical evidence however suggests that a market diversification strategy leads to better export performance (Piercy, 1981; Cooper and Kleinschmidt, 1985; Axinn, 1988; Lee and Yang, 1990; Louten, Ouwerkerk and Bakker, 1991). In the light of this controversy, this study will determine if pursuing specific export market strategies contributes to the differences in export performance.

As shown in Exhibit 4.1, the study will determine if firms' export marketing policy variables interact to explain the variations in export performance. The relationship is depicted in Exhibit 4.3 and the following hypothesis will be tested:

**Hypothesis 2.0:**

**The variations in a firm's export performance could be attributed to the combined effects of its market strategy and marketing orientation.**

**Exhibit 4.3 : Export Marketing Policy Variables and Export Performance.**



### **4.1.3 Organisational variables, export marketing policy variables and export performance.**

In addition, this study will also investigate the combined effect of each variable in the two major sets of variables to determine if they influence the differences in export performance. In other words, are firms' export performance the result of the combined influence of the firm's characteristics as well as its export marketing policy? The following hypothesis will be tested:

#### **Hypothesis 3:**

**The variations in firm's export performance could be attributed to the combined effects of organisational characteristics and export marketing policy.**

Deriving from the above primary hypothesis are the following specific hypotheses:

- H3.1**            **A firm's size and marketing orientation explain the variations in export performance.**
- H3.2**            **A firm's age and marketing orientation explain the variations in export performance.**
- H3.3**            **A firm's export experience and marketing orientation explain the variations in export performance.**
- H3.4**            **A firm's ownership and marketing orientation explain the variations in export performance.**
- H3.5**            **A firm's types of product exported and marketing orientation explain the variations in export performance.**

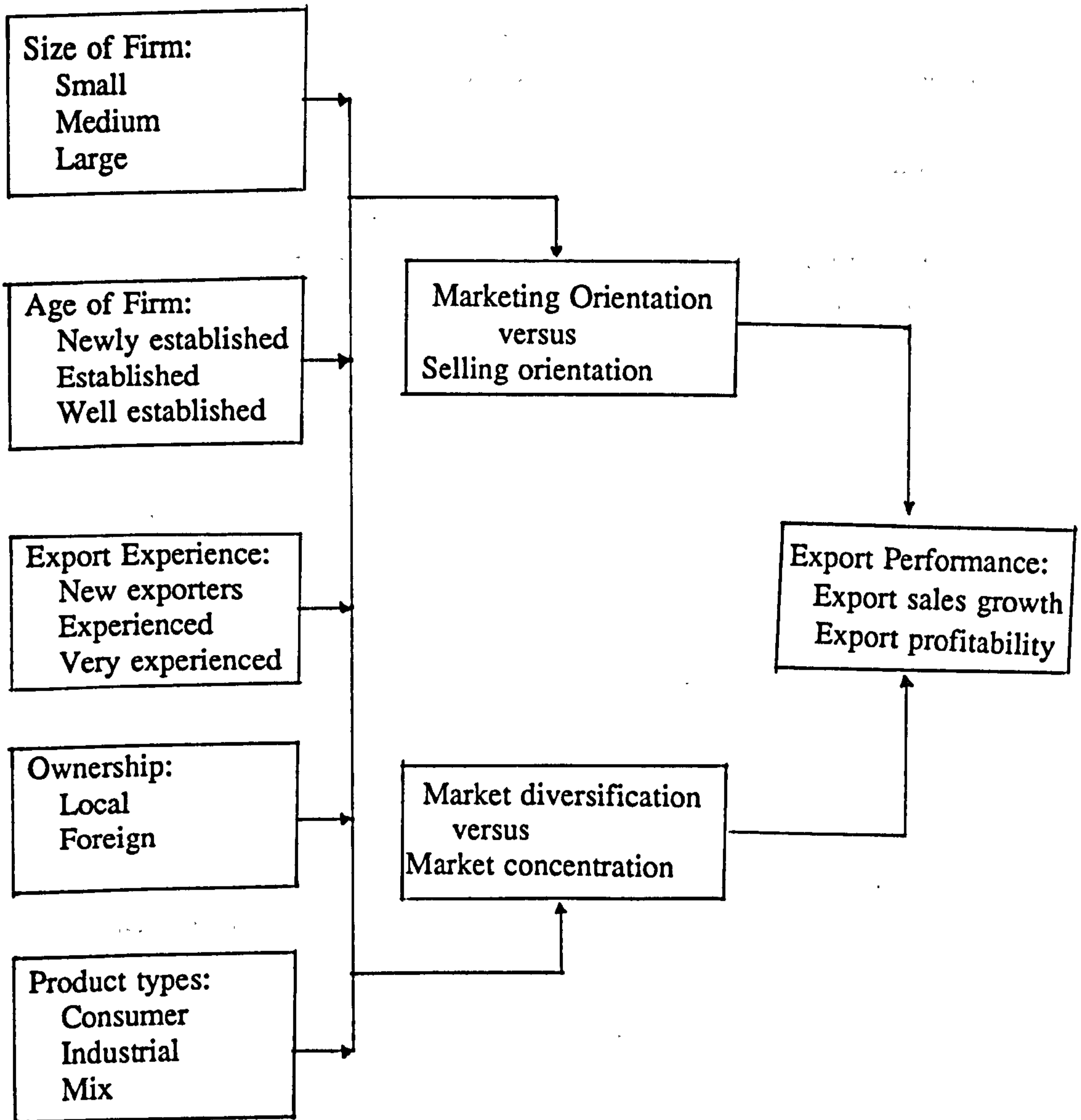
The relationships between these variables and export performance are depicted in Exhibit 4.4 .

On the interaction between organisational variables and export market strategy variables on a firm's export performance, the following specific hypotheses will be tested:

- H3.6**            **A firm's size and market strategy explain the variations in export performance.**
- H3.7**            **A firm's age and market strategy explain the variations in export performance.**
- H3.8**            **A firm's export experience and market strategy explain the variations in export performance.**
- H3.9**            **A firm's ownership and market strategy explain the variations in export performance.**
- H3.10**          **A firm's types of product and market strategy explain the variations in export performance.**

The relationship between these variables and export performance are depicted in Exhibit 4.4.

Exhibit 4.4 : Organisational and export marketing policy variables and export performance.



In the event that there is an absence of interaction effects, each of the variables specified in the research framework may therefore be individually responsible for the variations in firms' export performance. In this connection the following hypotheses will be tested:

- H4.1**            **A firm's size explains the variations in export performance.**
- H4.2**            **A firm's age explains the variations in export performance.**
- H4.3**            **A firm's export experience explains the variation in export performance.**
- H4.4**            **A firm's ownership explains the variations in export performance.**
- H4.5**            **A firm's types of product exported explains the variations in export performance.**
- H4.6**            **A firm's market strategy explains the variations in export performance.**
- H4.7**            **A firm's marketing orientation explains the variations in export performance.**

The first part of this research framework is designed to determine the factors influencing the variations in firm's export performance. The results of will provide an answer to the first research question, "what are the characteristics of successful exporting firms?" and will set the stage for the next phase of the research framework. Before discussing the factors hypothesised to separate successful from less successful exporters, it is necessary to define the measures of firms' export performance.

## **4.2 Measures of export performance**

As depicted in Exhibit 4.1, the first part of the research framework is designed to investigate the factors associated with export performance. It is therefore imperative that the indicators of export performance be defined. This section examines the strengths and weaknesses of some of the commonly used indicators of export performance. This evaluation will provide a basis for the choice of a particular indicator or a combination of indicators which will be used in this study.

Numerous measures have been used by different researchers as indicators of export performance. The literature tends to show a strong inclination toward the usage of the following three basic measures:

- a. export sales ratio;
- b. export sales growth; and
- c. export sales profitability.

#### **4.2.1 Export sales ratio**

The export sales ratio is the proportion of overseas sales to a firm's total sales. It is also referred to as a percentage of export sales or export intensity. The use of this criterion is based on the assumption that firms whose export sales ratio is high are considered to exhibit a better export performance than firms whose export sales ratio is low.

Being relatively easy to collect, export sales ratio is widely used as a dependent variable in most studies on export behaviour and performance. Kleinschmidt (1982) noted that 15 out of 25 studies use export sales ratio as a measure of export performance. Madsen (1987) reviewed 17 studies on export performance and noted that 11 of these use export sales ratio as an indicator of export performance. Subsequent studies on firms' export performance published in the ensuing years showed that export sales ratio is still a widely used criterion variable to indicate export performance (examples Axinn, 1988; Jaffe, Nebzhal, and Pasternak, 1988; Sriram, Neelankavil, and Moore 1989; Lee and Yang, 1990).

The weakness of this indicator is that it is a static measure. It does not indicate the competitiveness or otherwise, of the firm in exploiting opportunities in the market place (Hunt, Froggat and Hovell, 1967). According to McGuinness and Little (1981) "As a measure of foreign performance, sales intensity is at best only a rough gauge.

Some problems with it can be illustrated by the following examples:

- a firm doing an inadequate export job with a new product having a very large foreign market might appear to be superior performance to another firm with a large market share of relatively small foreign market.
- a firm pushing a new product hard to yield a high growth rate overseas might appear to be a weaker performer to another firm with higher overseas sales and a declining growth rate." pp.115.

In operationalising export sales ratio as a measure of export performance, researchers differ on the scale used. Cavusgil (1984) and Sriram, Neelankavil, and Moore (1989) use ordinal scale but McGuinness and Little (1981), Cooper and Kleinschmidt (1985), and Axinn (1988) solicit actual data. On the other hand, Kirpalani and Macintosh (1980) express export sales ratio relative to domestic competitors measured on a five-point Likert scale. Madsen (1989) compares a firm's domestic sales performance with that of its export performance on a seven-point scale.

Another variation in operationalising this measure is the time frame over which the measure is considered. Cooper and Kleinschmidt (1985) solicit a firm's export sales ratio over the last three years. Fenwick and Amine (1979) and Lee and Yang (1990) use a four year period of export performance figures.

#### **4.2.2 Export sales growth**

Export sales growth indicates the trend in export sales. This measure assumes that firms whose exports increase at a high rate should be deemed better performers than firms whose exports show little or no increase. The strength of this measure is that it is an objective measure which permits comparison not only at firm level but also at industrial and national level. As such it is useful to government and policy makers.

However, the major weakness of this measure is that the export performance may be overstated or understated. When the computation of growth rate is based on reported



monetary value during a period of rapid price escalation or currency depreciation, the export performance will be somewhat overstated. The opposite, that is export performance may be understated, could also occur when the firm is reaping the benefits of economies of scale and pronounced experience curve effects, which could result in declining costs and prices. Another factor which has the potential of rendering this measure less meaningful is that of the market condition - a firm can increase its export business simply because the market is growing rather than through its own competitive prowess. As such researchers do not exclusively rely on export monetary sales growth as evidence of export success. This measure is often used to complement other measures, especially export sales ratio.

The manner in which information on export sales growth is solicited is similar to that of export sales ratio. There is variation in the time frame over which the performance is measured as well. Cooper and Kleinschmidt (1985) and Schlegelmilch and Ross (1987) use a three year period; Kirpalani and Macintosh (1980) use a firm's export growth over five years. Madsen (1987) on the other hand uses a two year period and compares export growth with that of the domestic growth.

#### **4.2.3 Export sales profitability**

Profitability can be measured by dividing pre-tax profits by net assets. The higher the profitability level, the better the firm is managed. It is an objective measure of export success and may be considered the most accurate and relevant measure of company performance. The objectivity of this measure, however is questionable due to variations in accounting practices adopted by exporting firms. Bilkey (1982) has suggested that relative measures of export performance would be more reliable than traditionally used absolute measures of export performance. Besides the problem associated with the accounting practices, management is often guided by their subjective perceptions rather than by perfect, objective knowledge about the world in decision-making process.

Schlegelmilch and Ross (1987) fear that an inclusion of questions soliciting actual profit figures would affect the response rate. This argument is not without its evidence as a pilot test of questionnaires by Holzmuller and Kasper, (1992) and Madsen (1989) confirmed that many respondents neither could nor would respond to questions about absolute values. Few companies prepare a separate profit and loss account for exports (Tookey, 1964; ITI Research, 1975).

In view of the above reasons, researchers operationalise this indicator of export performance by using the perceptual measure. Bilkey (1982; 1985) compare the relative percentage profitability of selling the product in the home and overseas markets. Koh and Robicheaux (1988) adopt a similar scale. In contrast, Schlegelmilch and Ross (1987) measure the perceived profitability in the domestic and export market on a five-point Likert scale ranging from "negative" to "high", "average", "considerable", and "high". Madsen (1987) and Yang and Lee (1990) use a 7-point scale. The latter expanded the measure to include the relative profitability compared to that of the industry's export profitability and actual rate.

While the above mentioned studies compare relative export profitability to that of profitability in the domestic market, Becker and Lenberg (1990) operationalise this measure by comparing the relative export profit between two time periods (that is 1984 vs 1980) on a 9-point scale.

#### **4.2.4 Other measures**

In addition to the above three, there are other measures of export performance. Fenwick and Amine (1979) operationalise export performance by asking the respondents to assess their satisfaction with recent export decisions measured on a 10-point scale. Sriram, Neelankavil, and Moore (1989) on the other hand request the respondents to assess the success of their export efforts, presumably using dichotomous scale.

Much wider variations in operationalising this subjective measure are evident among governmental agencies in assessing and honouring firms for their export excellence. These include measures such as "a break-through in a particularly difficult market" as in U.K. Queen's Award"; "holding off strong foreign competition in overseas markets" as in Canada Export Award; and "percentage of local content" as in Malaysia Export Excellence Award.

#### **4.2.5 General Observations**

From the above review, there is a lack of general agreement regarding the measurement of export performance. In most cases, subjective measures are used. The validation studies have suggested that self-assessment is consistent with measures based upon internal or published information (Des and Robinson, 1984; Venkatraman and Rumanujam, 1986; Wong and Saunders, 1993).

In studies where researchers use multiple performance measures, the following is observed:

1. export sales ratio is more closely associated with organisational and management characteristics (Madsen, 1987;1989). The findings confirm the observations of an earlier study by Cooper and Kleinschmidt (1985).
2. variation in export sales growth, on the other hand, is almost exclusively explained by export marketing policy (Cooper and Kleinschmidt, 1985; Madsen, 1987; 1989).
3. variance in export profitability is primarily explained by the export marketing policy variable group but also to some extent by a firm's characteristics (Madsen, 1987;1989).

The use of multiple measures of export performance has been recommended by the above authors and Buckley et al. (1990) so that a complete picture may emerge about the impact of independent variables on dependent variables.

In an attempt to provide a more comprehensive view of export performance, this study will include both dynamic measures of performance - export sales growth and export profitability. Subjective rather than objective measures of performance are adopted in this study. The respondents are asked to evaluate if their firms' export performance met their expectations on a 5-point scale ranging from "far above expectation" to "far below expectation".

#### **4.3 Part Two - Factors Associated with Successful and Less Successful Exporting Firms**

The second part of this research framework is to provide an answer to the following research question:

"Do successful exporters differ from less successful exporters with respect to the sources of marketing strengths?"

The objective is to identify factors associated with successful exporters which may be described as indicators of better export management. As this study is based on the contribution of the marketing discipline to firms' export performance, it is therefore posited that there exist distinct marketing strengths associated with successful compared to less successful exporters.

As marketing decisions are influenced by environmental factors, the second part of the proposed research framework also incorporates issues which are external to the firms. The additional research question to be addressed here is:

"Do successful exporters differ from less successful exporters as regards their perceptions of the environmental factors?"

The rest of the chapter is now devoted to discussions on the sources of marketing strengths and market environment factors under investigation, and the development of specific hypotheses to be tested.

### **4.3.1 Sources of marketing strengths**

A firm's survival is dependent on its competitiveness. Buckley, Pass and Prescott (1988, pp.176) quote two definitions of competitiveness. First, the one put forward by the Select Committee of the House of Lords on Overseas Trade, which states that:

"A firm is competitive if it can produce products and services of superior quality and lower costs than its domestic and international competitors. Competitiveness is synonymous with a firm's long-run profit performance and its ability to compensate its employees and provide superior returns to its owners".

Another definition which was taken from the European Management Forum, defines competitiveness as:

"... the immediate and future ability of, and opportunities for, entrepreneurs to design, produce and market goods world-wide whose price and non-price qualities form a more attractive package than those of foreign and domestic competitors".

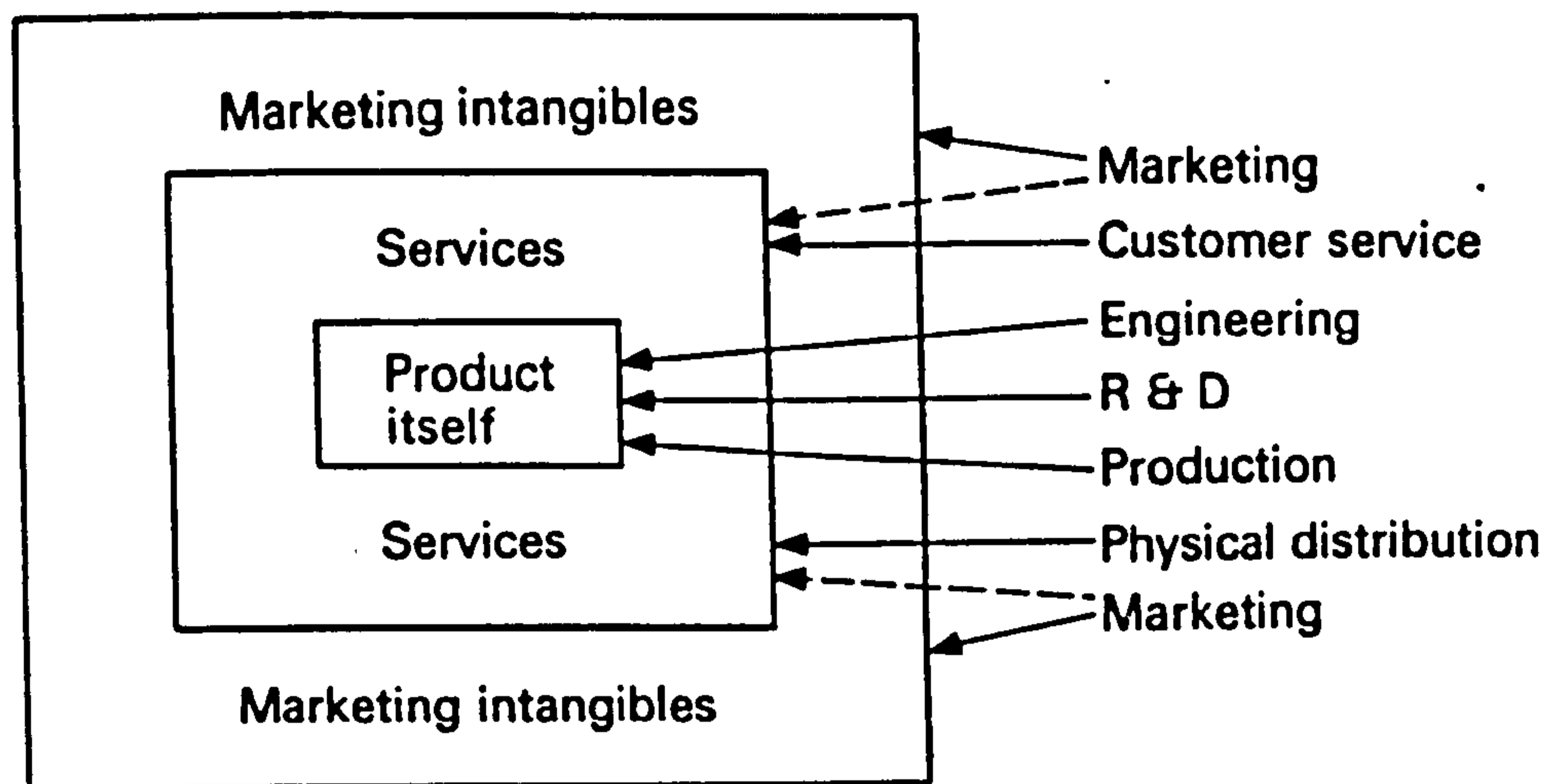
The above definitions of a firm's competitiveness evolve around the function of marketing within the firm. It is the task of marketing to discover what the customers want and direct the firm's resources toward satisfying the customers' needs profitably (Levitt, 1960; Drucker, 1973; Baker, 1979; McCarthy and Perrault, 1984; Brown, 1987). A firm's competitiveness therefore rests on its marketing strengths. Baker et al. (1986) identified three categories of marketing factors: attitudinal, strategic and tactical factors. Internationally competitive firms are those that recognise the role of marketing vis-a-vis other functions in the organisation, and define its specific objectives and strategies for achieving those objectives. They effectively blend the 4 Ps (product, price, place, and promotion) with the help of marketing research and other support activities to favourably distinguish their product from those of their competitors in the eyes of their customers or end-users. The argument is shared by other writers (Levitt, 1980; Piercy, 1982; Luck and Farrell, 1985; Kotler, Fahey and Jatusripitak, 1985; Ohmae, 1989; Doyle, Saunders, and Wong, 1992).

Porter, in his book *Competitive Advantage* (1985), describes a firm's marketing strengths in terms of competitive advantage. Porter asserts that a firm may possess two types of competitive advantage - low relative cost (its ability to perform the activities in its value chain at lower cost) and differentiation (performing in a unique way relative to its competitors). The ultimate value that a firm creates is what buyers are willing to pay for what the firm provides, which includes the physical product as well as any other services or benefits. Porter's value chain recognizes that a firm's activities can be broken down into categories: firm infrastructure, human resource management, technology development, procurement, inbound logistics, marketing and sales, and service. These activities are connected through linkages - the way one activity is performed frequently affects the cost or effectiveness of other activities. The firm's value chain is embedded within a larger stream of activities termed the value system; the connections here (such as with suppliers) also become essential to competitive advantage.

Porter's argument therefore extends the sources of a firm's marketing strengths beyond the traditional 4Ps. As argued by Piercy (1982, pp. 112) "... perhaps the most important practical point to be emphasised is that being competitive in exports is not simply a question of being cheaper. In fact competitiveness depends on *price* - in the full sense of cost to the customer, including discounts, currency effects, insurance, freight, credit and the like - and the many *non-price* factors connected with the product and how it is marketed - which have value to the customer and which influence his decisions." These factors are highlighted in Exhibit 4.5 .

The many non-price factors are further expanded by a group of researchers associated with the Industrial Marketing and Purchasing Group (Hakansson, 1982; Ford, 1990) which advocates that the linkages in the marketing system between suppliers, intermediaries and facilitators are important in successfully servicing international markets. Export success, as suggested by Turnbull (1987), hinges upon a firm's efforts in establishing relationships with intermediaries and facilitators in the marketplace.

Exhibit 4.5: Factors in non-price competitiveness



Source: Piercy, N. (1982), pp. 113.

In the context of this study, the sources of marketing strengths are therefore extended to cover a much wider scope than the traditional 4Ps. As such the variables are classified into two major categories namely organisational and marketing-mix strengths. The organisational strengths are comprised of variables representing the support services necessary for effective formulation of the marketing-mix. The components of marketing, the 4Ps, make up the other category.

#### 4.4 Organisational strengths

The most critical requirement for the success of any export marketing programme is top management commitment (Simpson and Kujawa, 1974; Bilkey, 1978; Madsen, 1987). Such commitment may be reflected in the allocation of resources necessary to execute tasks associated with exporting and sustaining a firm's international competitiveness.

A firm's organisational strengths in this study include the establishment of a separate

department to handle export business, the preparation of a written marketing plan, the commitment to information search, and the management strengths. In addition, the contribution of outside parties such as the government, the distributors, and foreign associates are also explored.

#### **4.4.1 Export organisation**

The management of a firm's export business must be properly organised to ensure that resources are effectively deployed to enable the company to respond appropriately to competitive challenges. The organisation of export activities could be performed within the existing marketing department or as a separate export marketing department. The advantage of the latter is that export operations are conducted by personnel knowledgeable of, and with sole responsibility for, export businesses. Their undivided attention would place a firm in a better position to systematically explore export opportunities. Based on previous studies, the existence of an export department is associated with successful exporters (Kirpalani and MacIntosh, 1980; Bilkey, 1982; Diamantopoulos and Inglis, 1988; Koh and Robicheaux, 1988). It is therefore proposed that:

#### **Hypothesis 5.1:**

**Successful exporters are more likely to have a formal export organisation structure than less successful exporters.**

#### **4.4.2 Marketing plan**

The theory of marketing management asserts that marketing planning is of central importance. The benefits of planning include input into marketing strategy development, objective setting, control system and integration of business functions (Chakravarthy and Permultter, 1985; Kotler, 1988; McDonald, 1989;1992).

The need for planning is particularly great when a firm is involved in exporting. The



opportunities and risks are likely to differ from one market to another. The preparation of a marketing plan can reduce uncertainties and enable managers to evaluate the potentials and limitations associated with particular export markets.

The consensus view is that planning activity is desirable and that successful exporters are more planning oriented (Cunningham and Spigel, 1971; Meidan, 1975; Cavusgil, 1984b; Kaynak and Kothari, 1984; Ursic and Czinkota, 1984; Cooper and Kleinschmidt, 1985; Madsen, 1989). In the light of these findings, the following hypothesis will be tested:

**Hypothesis 5.2:**

**Successful exporters are more likely to prepare a formal written marketing plan than less successful exporters.**

#### **4.4.3 Information search commitment**

Information is crucial in preparing a marketing plan. A manager's sound business decisions depend on availability of reliable information. Reliable information about the markets and other influential environmental forces shaping the demand for the company's products are necessary for planning, implementing, and controlling marketing programmes.

The competitive nature of today's business environment requires that foreign markets be investigated systematically. Information is the necessary ingredient for successful marketing (Christopher, McDonald and Wills, 1980). At the international level, the strategic importance of gathering information necessary to support business decisions has been widely reported (Johanson and Vahlne, 1977; Deshpande and Zaltman, 1982; Johansson and Nonaka, 1983; Johansson and Nonaka, 1987; Kohli and Jaworski, 1990).

The importance attached to information can be seen from the fact that almost every nation has set up a special agency to assist exporters in acquiring the desired information about export markets (Douglas and Craig, 1983; Cavusgil, 1985; Seringhaus, 1987; Barrett and Wilkinson, 1988; Wheeler, 1990). The use of market research impinges positively on export performance (ITI Research, 1979; Baker and Abou-Zeid, 1982; Burton and Schlegelmilch, 1987; Gemuden, 1991). The users of export market research served more export markets than non-users (Diamantopoulos, Schlegelmilch and Allpress, 1990; Hart, Webb and Jones, 1992). The authors suggest that exporters should make use of a wide range of information sources to improve their chances of being successful in their export activities.

It is possible to build a business by relying on acquired knowledge and experience of managers. Few executives however, have such intimate knowledge and awareness of countries overseas. Firms can overcome such limitations by establishing an in-house marketing intelligence and/or solicit information from a number of public sources. As such the following hypotheses will be tested:

**Hypothesis 5.3:**

**Successful exporters are more likely to have an in-house market research facility than less successful exporters.**

**Hypothesis 5.4:**

**Successful exporters differ from less successful exporters in terms of the frequency of seeking information from:**

- a. government sources:**
  - i. Malaysian Export Promotion Centre (MEXPO);**
  - ii. Malaysian Foreign Trade Commissioners office.**
- b. foreign sources:**
  - i. Foreign embassies and consulates based in Malaysia;**
  - ii. International agencies based in Malaysia (e.g. Jetro)**
- c. business associations:**

- i. **Chambers of commerce/or trade associations;**
- ii. **Federation of Malaysian Manufacturers (FMM).**
- d. **other sources:**
  - i. **Business publications;**
  - ii. **Export training seminars.**

#### **4.4.4 Management strengths**

The development of a marketing strategy encompasses making decisions related to the 4Ps. An essential feature of this decision making process is the firm's general orientation towards other issues supporting the decisions related to the 4Ps. The supporting activities among others include R & D which are necessary in maintaining and upgrading of product's quality. Since a product's quality often begins at the source of the supply line, the relationship with the suppliers of inputs is equally crucial in the firm's marketing activities (Porter, 1985;1990).

Additionally, a firm's ability to respond quickly to requirements of an overseas market will be much easier if it is managed by managers who are cognizant of the socio-cultural factors influencing exchanges in the market place (Turnbull, 1981;1987; Ford, 1990)

For the purpose of this study, these factors are operationalised as management strengths. The inclusion of these groups of variables is corroborated from studies which established that successful exporters are managed by internationally oriented managers (Dichtl, Koeglmayr and Mueller, 1990; Schlegelmilch and Ross, 1987); are committed to R & D activities (Ong and Pearson, 1982; Cooper and Kleinshmidt, 1985; Levy, 1988; Schlegelmilch and Diamantopoulos, 1989); and they emphasised quality as the basis of building competitive advantage (Porter, 1980; 1985; Johansson and Nonaka, 1983). The following hypothesis is proposed:

### **Hypothesis 5.5:**

**Successful exporters differ from less successful exporters with regard to the importance of the following items describing the management strengths:**

- a. good relations with suppliers;**
- b. understanding of international business culture;**
- c. commitment to quality improvement programme; and**
- d. in-house R & D activities**

#### **4.4.5 External support**

Besides internal factors, external factors may also contribute to firms' international competitiveness. In this study the impact of government assistance and support provided by intermediaries will be investigated. Because international trade is essential to national economy, many governments, including Malaysia, provide facilities to enhance exporters' competitiveness. While the impact of public policy measures, that is assistance provided by the government agencies, has produced mixed results (Seringhouse, 1987; Diamantopoulos, Schlegelmilch and Katy Tse, 1992; Ariff, 1983; Siew Ee, Hirata and Yew Wah, 1987), most of the studies carried out in developing nations point to the fact that support for exporters is crucial in upgrading exporters competitiveness (Nicholls et al., 1989; Fonfara and Collins, 1990).

In addition, exporters can also solicit support from their distributors. The exporting firms interaction with foreign distributors in providing superior utility for the consumer have a far reaching impact on a firm's export performance (Wortzel and Wortzel, 1981; Ford et. al., 1987; Levy 1988; Rosson and Ford, 1987; Sriram, Neelankavil and Moore, 1989; Ford, 1990). The relationship between an export and its foreign distributors is an important aspect of export management.

In the light of the importance of external support in enhancing a firm's marketing strengths, the following hypothesis will be tested:

**Hypothesis 5.6:**

**Successful exporters differ from less successful exporters with regard to the importance of the following types of external support:**

**a. government support:**

- i. financial assistance under export credit refinancing scheme;**
- ii. R & D activities carried out by government agencies (e.g SIRIM, PORIM etc).**

**b. distributors commitment and strengths in:**

- i. providing market information;**
- ii. marketing networks overseas;**
- iii. dealing with bureaucracy.**

**4.4.6 Assistance from foreign equity partner**

Malaysia welcomes foreign investors. The presence of foreign manufacturing firms is deemed necessary to speed up the industrialisation process and facilitate the transfer of technology. It is widely acknowledged that foreign firms operating in a developing country are superior in their marketing management vis-a-vis domestic firms (de la Torre, 1972; Sin Jee, 1973; Hosni, 1991; Aosa, 1992). Nevertheless it could be argued that the degree of support will differ and hence its influence on a firm's competitiveness. In the light of this argument, the study will test the following hypothesis:

**Hypothesis 5.7:**

**Among foreign firms, successful exporters differ from less successful exporters with regard to the level of assistance received from their foreign equity partner in in the following areas:**

- a. production technology;**

- b. product development;**
- c. market information;**
- d. ready captive market;**
- e. R & D activities by affiliate firms.**

## **4.5 Marketing-mix strengths**

### **4.5.1 Product strengths**

In its broadest sense, a product may be viewed as anything that satisfies a person's want or needs. It is a combination of qualities, processes and capabilities (goods, services, and/or ideas) which a buyer expects will deliver satisfaction (Lovelock, 1979; Enis, 1981; Levitt, 1980; Porter, 1985).

The role of product in determining a firm's success is a cardinal principle of marketing. Moreover, the product or service occupies a central role in the development of marketing strategy, because it is the tangible and intangible evidence of the organisation to which the customer responds.

According to Baker and Hart (1989, pp.93) "... the many factors which comprise product policy (differentiation, design, performance, reliability, technological advancement, superior manufacturing, new product development, product modification, diversification, etc.) are an interdependent way of gaining competitive advantage and achieving success."

Export researchers have investigated various elements describing product strengths. It has been established that firms which export quality products (Cavusgil and Kaynak, 1982; Sriram, Neelankavil, and Moore, 1989 ) and those products that possess unique attributes (Cavusgil and Kaynak, 1982; McGuinness and Little, 1981; Madsen, 1989) achieve better export performance. The findings by Beamish and

Munro (1985) contradict earlier findings by Kirpalani and MacIntosh (1980) who found negative association between export performance and width of product lines and product complimentariness. Madsen (1989) however, found that quality, uniqueness and complimentariness of the products are associated with export performance.

Another product related issue is the level of modifications undertaken by the exporters. The debate over the merits of standardisation versus adaptation has spanned the international marketing literature over the past decade (Buzzel, 1968; Sorenson and Wiechmann, 1975; Hill and Still, 1984). According to Quelch and Hoff (1986) the question facing the manufacturer is the extent of standardisation required to ensure overseas customers' acceptance of the product. While Cooper and Kleinschmidt (1985), Kleinschmidt and Cooper (1988) and Madsen (1989) established that product adaptation is associated with successful exporters, Fenwick and Amine (1979) Cavusgil and Kaynak (1982), Beamish and Munro (1986), Koh and Robicheaux (1988) found no association. Hooley and Newcomb (1983) identified the reluctance of British exporters to adapt their product offering and marketing mix as one of the reasons for their poor export performance.

In the light of the above contrasting evidence, this study will test two hypotheses related to product strengths. Hypothesis 5.8 will cover elements of product-mix while hypothesis 5.9 will cover product modification.

#### **Hypothesis 5.8:**

**Successful exporters differ from less successful exporters with regard to the importance of the following items describing product-mix:**

- a. product uniqueness;**
- b. consistent product quality;**
- c. high product quality;**
- d. wide product range.**

### **Hypothesis 5.9:**

**Successful exporters differ from less successful exporters with regard to the level of modifications made to the following product characteristics:**

- a. size of packaging;**
- b. branding/labelling;**
- c. colour of packaging;**
- d. packaging materials;**
- e. raw materials used;**
- f. style/design/other features.**

### **4.5.2 Price strengths**

Price is the value which is given by the customer in exchange for an organisation's product. Pricing policy therefore, is concerned with decisions which are designed to encourage product acceptance by the organisation's target markets. To facilitate exchange and product acceptance, the product must be offered at the right price (McCarthy and Perault, 1984; Kotler, 1988; Baker and Hart, 1989).

Pricing is a complex issue in exporting. It reflects the whole amalgam of quality, strategies and capability in managing international currency movement and political implications. Price also reflects the national image of exporting nations ( Khanna, 1986; Papandopoulos et al., 1987).

In export research, various aspects of price have been investigated. Kirpalani and MacIntosh (1980) noted that successful exporters have specific policies concerning prices, discounts, and credits relative to competition. Cooper and Kleinschmidt (1985) found that successful exporters do not perceive themselves as having a price advantage but Sriram, Neelankavil and Moore (1989) found that price competitiveness is significantly associated with export success. Koh and Robicheaux (1988) could not establish any significant association between export currency strategy, method of export pricing determination, and export price quotation, with the



perceived level of export profitability. The general view is that price as a component of the marketing-mix only marginally affects export performance (Madsen, 1987; 1989).

Pricing flexibility (as indicated by a firm's willingness to modify terms and methods of payment) however, can be a powerful marketing tool particularly when exporting to a difficult market (Becker and Lenberg, 1990; Kirpalani and Robinson (1990). Thus supporting Piercy's (1982, pp. 113) argument that "... price may be the main competitive advantage open to an exporter in some circumstances, regardless of the theoretical attractions of competing on product quality and the like." Nevertheless, the generally held view is that competing on price factor alone would not guarantee export success. The success of the Japanese has been attributed to their skills in managing price elements in combination with other marketing-mix, product-mix in particular (Johannson and Nonaka, 1983; Williamson, 1991).

Based on evidence that internationally competitive firms compete on non-price factors, Malaysian exporters have constantly been reminded to abandon the idea of competing on the basis of price-cost advantage alone. Nevertheless given the state of managerial competency in Malaysia, many criticisms have been directed at the cost-inefficiencies of the manufacturing sector. This study holds the view that managing cost is an essential part of the pricing management and is a significant contributor to a firm's price competitiveness, besides the relative value of the Malaysian ringgit in the international market. This study tests the following hypothesis:

**Hypothesis 5.10:**

**Successful exporters differ from less successful exporters with regard to the importance of the following items describing price strengths:**

- a. price competitiveness;**
- b. low production costs;**
- c. tight cost control;**
- d. relative value of Malaysian ringgit.**

### **4.5.3 Distribution strengths**

The third major element in the marketing mix is the distribution, more popularly known as the place. The role of distribution is to provide time and place utility to the tangible or intangible product. The availability of the product at the right price and at the right place further facilitates the exchange process (McCarthy and Perault, 1984; Kotler, 1988).

In export marketing, as in domestic marketing, the design of export channel structure, the selection of channel members, and the management of relationships with foreign distributors are crucial distribution decisions which can influence a firm's export performance (Rosson and Ford, 1982; Gilligan and Hird, 1986; Rosson and Reid, 1987; BOTB, 1987; Young et al., 1989; Albaum et al., 1990).

This study will investigate two aspects of distribution strengths, namely distribution policy and export channel structure.

#### **4.5.3.1 Distribution policy**

One of the marketing tasks associated with distribution is the selection of channel members which are capable of implementing the company's marketing strategies in the marketplace. This is particularly important as it involves a long-term commitment and investment necessary to foster desirable and mutually beneficial relationships (Turnbull, 1987; Young et al., 1989; Tuncalp, 1990; Williamson, 1991).

Another task which is equally important and is within the control of the management is to honour the company's commitment in servicing the requirements of the market. Priority placed on export orders and hence delivering the goods as scheduled are crucial in enhancing a firm's image and competitiveness (Leoniduo, 1988; Brown and Cook, 1990). Hence the following hypothesis will be tested:

### **Hypothesis 5.11:**

**Successful exporters differ from less successful exporters with regard to the importance of the following items describing distribution policy:**

- a. reliability of delivery;**
- b. existence of policy on selection and expected performance of distributors.**

### **4.5.3.2 Export channels**

Channels of distribution may be defined as an organised network of institutions which perform the functions of moving the products from the manufacturer to the customer in the target markets. These institutions play an important role in the marketing of manufacturers' goods. They provide a vital link between the manufacturer and the final consumer in the market place (Young et al., 1989).

A channel may be short and direct, between producer and end-user, or it may be considerably longer and have one or more intermediaries between the producer and the end-user. In exporting, a firm has a number of alternative export channels which could be used to facilitate the flow of its goods from the factory site to the target market.

The choice of a particular export channel depends on the foreign market opportunity, the firm's resources and the types of product exported. Bilkey's (1982) research shows that compared to more direct exporting methods, Wisconsin's firms earned lower exporting profits in three out of five foreign markets when overseas distributors were used. Cunningham and Spigel's (1971) study on winners of the Queen's Award to Industry for exporting, showed that agents and distributors played a key role in the manufacturer's success. Koh and Robicheaux (1988) found that the most profitable channel for exporting industrial goods is direct exporting to final end-users. Becker and Lenberg (1990) found that relying on exclusive distributors is associated with success in exporting to the Latin American market.

In the context of this study, the exporters are posited to employ multiple export channels. As such the importance of both direct and indirect channels is investigated and the following hypothesis is to be tested:

**Hypothesis 5.12:**

**Successful exporters differ from less successful exporters with regard to the importance of the following direct and indirect export channels:**

**a. direct exporting to:**

- i. distributors in importing nation**
- ii. major retailers in importing nation**
- iii. affiliate companies overseas**

**b. indirect exporting through:**

- i. Malaysian trading companies**
- ii. Singaporean trading companies**
- iii. European trading companies based in Malaysia**
- iv. European trading companies based in Singapore**
- v. Japanese trading companies based in Malaysia**
- vi. Japanese trading companies based in Singapore**

#### **4.5.4 Promotion strengths**

The commitment to service a particular market must be supported by activities which will ensure the smooth flow of information among parties involved, particularly the channel members, the ultimate consumers, and the exporters. This could be achieved through promotional efforts. Promotion as a marketing-mix deals with communication. Communication is vital in maintaining the company's presence in a particular export market and is perhaps one of the most important export marketing activities (Albaum et. al, 1989).

Maintaining close contact with the market through regular visits and other promotional efforts has been established to contribute to export success (Kirpalani and MacIntosh, 1980; Cavusgil and Kaynak, 1982; Bilkey, 1982; Cooper and Kleinschmidt, 1985; Johansson and Nonaka, 1987; Khan, 1988; Koh and Robicheaux, 1988; Kirpalani and Robinson, 1989; Schlegelmilch, Diamantopoulos and Petersen, 1990).

In communicating with the buyers and potential buyers in export markets, the exporters are assumed to use a number of promotional tools albeit of varying degrees of importance. As such the following hypothesis will be tested.

#### **Hypothesis 5.13:**

**Successful exporters differ from less successful exporters with regard to the importance of the following promotional tools:**

- a. trade fairs and exhibition**
- b. advertising in trade journals**
- c. joint efforts with distributors**
- d. promotional programmes organized by trade association**
- e. regular visits to overseas markets**

#### **4.6 Market environment**

A firm's export involvement is mediated by market factors operating in the domestic market as well as international markets. The domestic market environmental factors such as the potentials in the domestic economy, government policy, and the competitive situation may either inhibit or motivate a firm to engage in export activity (Terpstra, 1987; Baker and Hart, 1989). Successful exporting firms closely monitor and adjust their strategies to fit with the environment (Kotler, Fahey, Jatusripitak, 1985). Ford et al. (1987) indentified the challenges facing exporters from developing countries in their home market:

"Problems of government and infrastructure - foreign exchange allocation ... inadequacy of export assistance; lack of efficient infrastructure ... legislation preventing the importation of vital raw materials ... lack of well-managed support industries ... the non-existence of a substantial or stable home market as a base of company's operations ... and corruption and bureaucracy" pp.76-78 .

In export markets, Ford et al. (1987) identified the following challenges facing developing nations' exporters:

"... inadequacies in knowledge of market requirements or product and production technologies ... operate under the cloud of the poor reputation of their country ... and are subject to tariffs and quotas as well as a huge variety of nontariff barriers ..." pp.78-79.

In this connection, this study investigates if market environmental factors separate the successful exporters from their counterparts which are less successful. The following research propositions will be tested:

**Hypothesis H5.14:**

**Successful exporters differ from less successful exporters with regard to their perceptions of the potential in the domestic market.**

**Hypothesis H5.15:**

**Successful exporters differ from less successful exporters with regard to their perceptions of the potential in the export market.**

**Hypothesis H5.16:**

**Successful exporters differ from less successful exporters with regard to their perceptions of the state of infrastructure in the domestic market:**

- a. supply of quality raw materials**
- b. services provided by the service sector e.g shipping, insurance etc.**
- c. supply of skilled and qualified manpower**

- d. fiscal incentives and export financing services provided by the government agencies**
- e. technical support services provided by government agencies**

**Hypothesis H5.17:**

**Successful exporters differ from less successful exporters with regard to their assessment of the level of competition encountered in the domestic market from:**

- a. local firms**
- b. foreign-owned firms**
- c. imported products**

**Hypothesis H5.18:**

**Successful exporters differ from less successful exporters with regard to their assessment of the level of competition encountered in the export markets from:**

- a. other ASEAN nations' exporters**
- b. exporters from other developing nations**
- c. Malaysian exporters**
- d. local firms in importing nations**

**Hypothesis H5.19**

**Successful exporters differ from less successful exporters with regard to their perceptions of the level of the following barriers encountered in the export markets:**

- a. tariffs barrier in export markets**
- b. non-tariff barriers in export markets**
- c. negative publicity launched by business and/or pressure groups in export markets**
- d. consumer bias as the product carries "Made in Malaysia" label**
- e. professional buyers' bias against "Made in Malaysia" products.**

## **4.7 Summary**

This chapter presents the hypotheses to be tested in this study. The research framework adopted in this study is divided into two parts. The first part is concerned with identifying the characteristics of the successful and the less successful exporters. This study hypothesises that the variations in export performance (measured by export sales growth and export profitability) can be attributed to the influence of organisational and export marketing policy variables, either individually interactively. The firms that achieve higher export performance than their counterparts with a difference that is statistically significant at  $p < 0.05$  or better, will be designated as successful exporters. The second part of the research framework attempts to establish the factors associated with successful exporters. This study hypothesises that successful exporters differ from less successful exporters with respect to their marketing strengths and their perceptions of the market environmental factors.

The research design that will guide data collection and provide information that will enable the research to test the hypotheses presented in this chapter will be discussed in the next chapter.



## CHAPTER 5

### RESEARCH DESIGN

#### **Introduction**

The previous chapter highlighted the purpose of this study and the research propositions to be tested. This chapter will discuss the methodological aspects which will assist in the testing of the hypotheses.

Section 5.1 - provides an overview and the selected research design;

Section 5.2 - focuses on data collection strategy;

Section 5.3 - discusses sampling;

Section 5.4 - highlights the selection of case study companies;

Section 5.5 - describes the administration of fieldworks;

Section 5.6 - evaluates the response rate to mail survey.

## **5.1 Research Design**

The research design is the plan of action devised to execute the research project. According to Churchill (1987, pp.71). " a research design is simply the framework or plan for a study used as a guide in collecting and analyzing data. It is a blueprint that is followed in completing a study". Research design ensures that the study is relevant to the problem and employs economical procedures. It serves as a bridge between the research objectives and what is to be done to realize those objectives (Luck and Rubin, 1987).

Based on the extent of control the researcher has over the situation under investigation, research designs can be broadly categorized into two main categories. They are experimental design and non-experimental design. The experimental design is concerned with controlling and manipulating the independent variable so that its causal relationship with the dependent variable may be established. The experimental design is associated with research in the biological and physical sciences.

The non-experimental design is different from the experimental design on the grounds that the researcher does not intervene and manipulate the variables under study. It is more appropriate to the social science research where the researcher is not in any position to intrude and manipulate variables related to the organisation. The non-experimental research design can be divided into three major categories, namely survey research, qualitative research, and case study research.

The survey research is often used to gather information from a large number of respondents representative of the population. The results are then used to describe a phenomenon about the population. Survey research can be done cross-sectionally or longitudinally. Cross-sectional design usually involves a large number of respondents studied at a particular point of time. Longitudinal design in turn focus on a smaller number of cases over a long period of time.

Qualitative research is concerned with understanding how a particular phenomenon happens. The study typically involves a small number of cases which are not necessarily representative of the larger population.

Case study research is quite similar to qualitative research where the number of sample involved is very small. It is an in-depth, detailed analysis of a small number of subjects basically for descriptive purposes.

### **5.1.1 The Chosen Research Design**

The choice of research design depends on the type of information desired, the availability of resources, the degree of control the researcher has over the selection and assignments of subjects, and the ability to manipulate the independent variables (Balian, 1982; Sproull, 1988). As this study falls within the realm of social science, the obvious design would be the non-experimental research design.

Between the three types of non-experimental design, a combination of survey and case study appears to be the most appropriate choice. The favouring of these two designs is based on the argument that the type of information required is quite extensive and involves firms across the nation.

A pure qualitative research is less appropriate because the study requires the research to synthesize a large number of variables. Quantitative data would facilitate comparison and testing of the research propositions (Hart, 1987). To complement the findings from mail survey, the case study is used in order to highlight some of the salient points about exporting from Malaysia. This study falls into the category of cross-sectional type. Longitudinal study which has been suggested by many previous researchers in this field (Madsen, 1987; 1989; Aaby and Slater, 1989) is considered not feasible as this design demands greater resources in terms of finance, time, and established data base.

## **5.2 Data collection strategy**

Nachmias and Nachmias (1981) have classified data collection methods into three categories: observational methods, surveys, and unobtrusive measures. The data collection method considered most appropriate in order to achieve the objective of this study is the survey method.

Observational methods are suitable where the phenomena can be observed, relevant events occur within reasonable time, and past events are irrelevant. Unobtrusive measures refer to any method of data collection that directly removes the researcher from the interactions, events, or behaviour being investigated (Nachmias and Nachmias, 1981).

In this research, many of our variables could not be observed and that the use of unobtrusive methods would not have allowed the researcher to probe for additional information which may have enriched the findings of this study.

### **5.2.1 Types of survey**

The administration of a survey can be done through personal interview, telephone interview, and mail survey. Each of these modes has advantages and disadvantages associated with it (Bailey, 1978; Nachmias and Nachmias, 1981; Jobber 1986; Hodgkinson, 1990; de Chernatony, 1989; Malhotra, 1991). The choice should be dictated by the data required, and also time and monetary constraints. Peterson (1982) and Chisnall (1986) proposed that the use of more than one mode should be considered where possible.

For the purpose of this research, all the three methods of administering the survey research were used, albeit in varying degree. The mail survey was used to collect data from nation-wide respondents identified as manufacturer-exporters. The personal interview was used mainly to develop case studies. The telephone interview was used

to complement the personal interview when circumstances called for such action.

### **5.2.2 Questionnaire design**

The questionnaire design permits gathering of the necessary data to enable segregation of respondents and answer the research questions. The development of the survey instrument could be divided into three phases:

#### **Phase 1:**

A thorough review of the literature to determine the appropriate concepts to be included, and the design of the research framework which served to guide the desired information and specify the relationships to be investigated.

#### **Phase 2 :**

Initial construction of the survey questionnaire. The export marketing literature and previous empirical studies plus the researcher's own experience formed the major sources of generating the survey questions. The questionnaire design was presented in the Dept. of Marketing's Ph.D Seminar and Workshop held on 15/10/1991. The purpose of this presentation was to check on the operationalisation of the three major sets of variables; the clarity of questions; and the appropriateness of the proposed scales.

#### **Phase 3 : Pre-test of revised survey questionnaire.**

Prior to returning to Malaysia, discussions were held with a few post-graduate students from Malaysia on the structure and contents of the survey questionnaires. On arriving in Malaysia, a pretest was conducted to test the questionnaire. After being reviewed by five export marketing executives from the manufacturing sector and officials from the Malaysian Export Promotion Centre (MEXPO), minor adjustments were made to the structure of the survey questionnaire.

The type of survey questionnaire used in this study may be described as highly

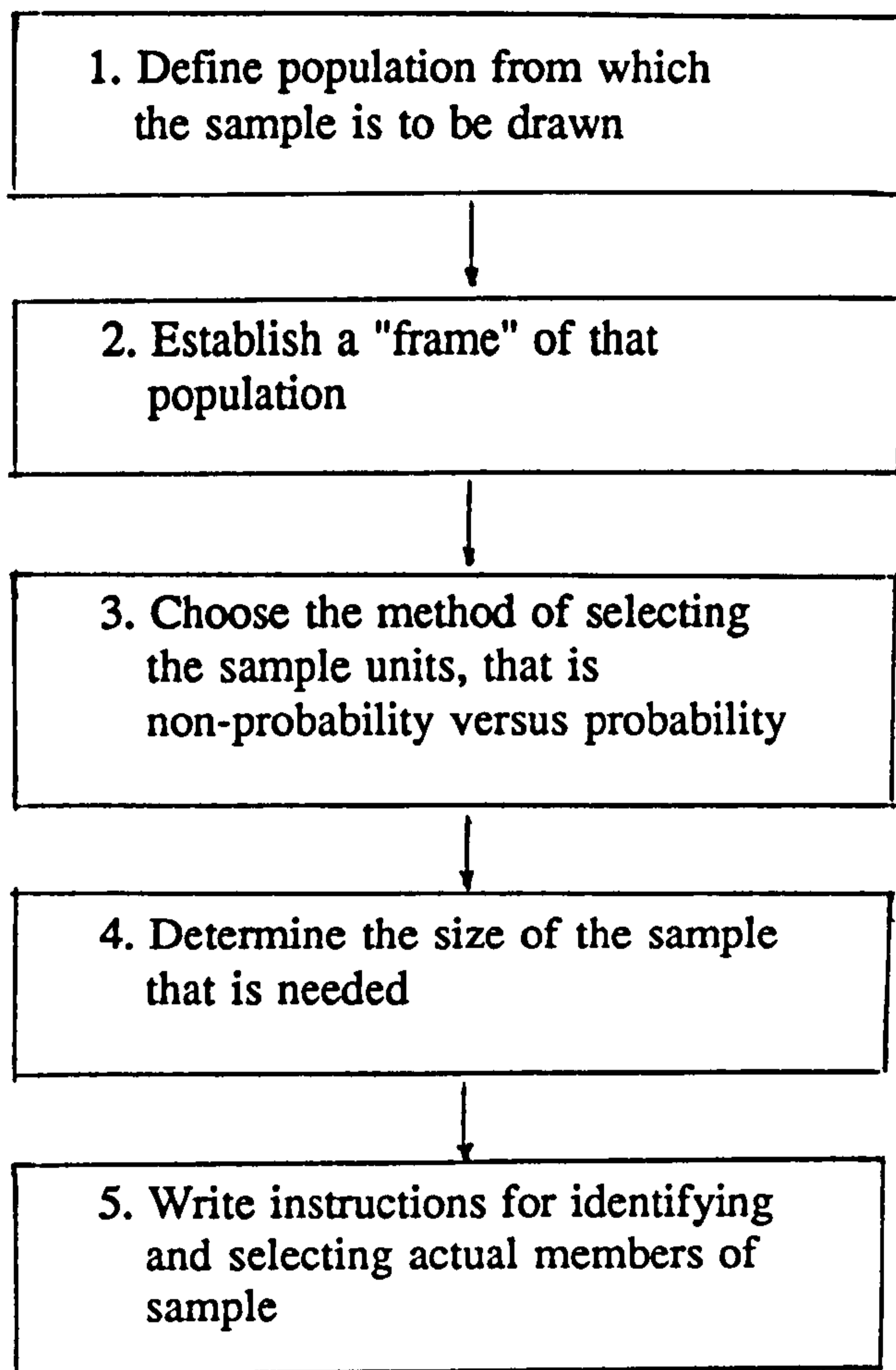
structured. Even though Bahasa Malaysia is the national language, English is the medium of communication in the commercial sector. As such there was no need to translate the survey questionnaire into Bahasa Malaysia, Malaysia's national language. A copy of the survey questionnaire is reproduced in Appendix 5.1 .

Another issue in questionnaire design is the scaling. There is some difference of opinion among researchers regarding the advantages of odd versus even-numbered scales. It was pointed out that even-numbered scales such as four or six points has the advantage of forcing the respondents to either agree or disagree to some extent with a particular issue. An odd-numbered scale, on the other hand, allows an ambivalent or indifference response (Moser and Kalton, 1976). The scale chosen for the questions was mainly a five-point odd-numbered scale with the highest being coded as 5 and lowest coded as 1.

### **5.3 Sampling**

Sampling is necessary because often it is impossible, impractical, or extremely expensive to collect data from all the potential units of analysis encompassed in the research problem. The sampling process may be as a series of steps which is depicted in Exhibit 5.1 . The target population of this study is the manufacturing firms operating in Malaysia. The source of information about the target population is The FMM (Federation of Malaysian Manufacturers) Directory 1992. The choice of this directory is based on the reason that it is the most comprehensive directory of manufacturing firms operating in Malaysia. The sampling frame is comprised of firms which have been involved in exporting for a minimum period of at least three years. In selecting the potential respondents the following steps were taken. First, manufacturing-exporting firms were identified by the information they supplied on their export markets. Second, efforts were made to determine if those that did not declare their export markets are also exporting. Third, based on the above steps taken, a total of 835 firms were identified as manufacturer-exporter.

**Exhibit 5.1: An overview of steps in sample planning.**



Source: Luck, A. K. and Rubin, C. B. (1987), *Marketing Research*, 7th ed., Simon & Schuster:Englewood Cliffs, NJ. pp. 212.

The number of employees was used as a basis of sampling. Following a guideline provided by Malaysian Industrial Development Authority (MIDA), firms employing 75 or less number of employees were categorized as small-sized firms. Approximately 28 percent of the sampling frame fall into the category of small-sized firms. As there is no official measure to classify firms into the medium-sized category, an arbitrary cut-off point of 76 - 250 employees was used, and approximately 36 percent of the respondents fall into this category. The remaining

35 percent of firms which employ more than 250 employees were classified as large-sized firms (refer to Table 5.1, column 2).

The essential requirement of any sample is that it be as representative as possible of the population from which it is drawn. This study uses the probability design. In this design, there are four common designs of probability samples (simple random sampling, systematic sampling, stratified sampling, and cluster sampling). The stratified sampling is used this study. The idea is to ensure that different groups of a population are adequately represented in the sample.

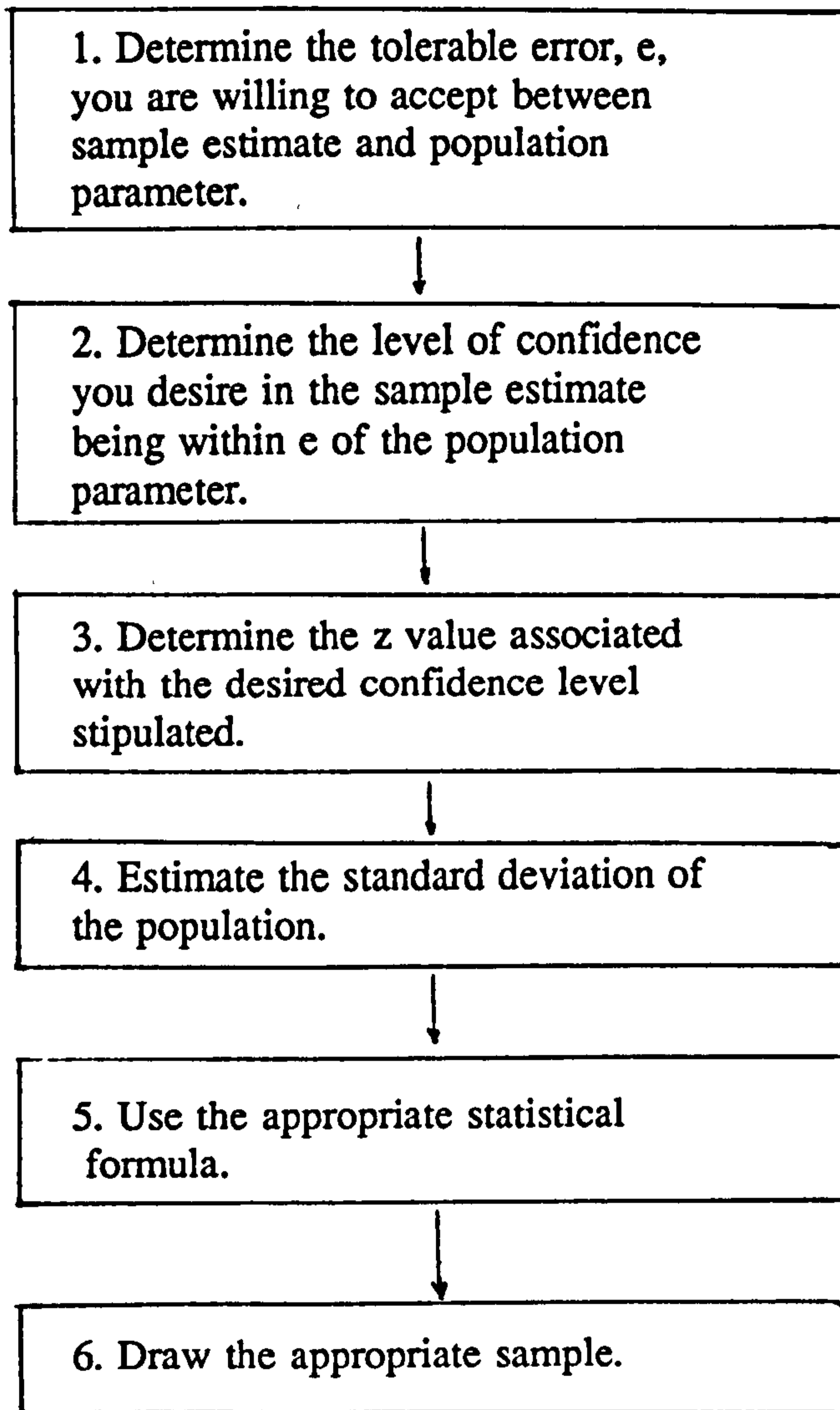
Table 5.1: Characteristics of Firms by Size.

Size	Number of Employees	Number of Firms	Standard Deviation	Proportional Sample
Small	75 or less	236	16.54	38
Medium	76 to 250	299	49.43	48
Large	251 and above	293	593.98	48
Unknown		7		
Total		835	134	

It is important for the researcher to specify the method used in selecting a sample because the sampling method is critical to the validity of inferences made from a sample to a population. The fourth step is deciding the appropriate sample size. The researcher should be guided by the desire to establish the number of firms in the sample in which (1) neither so few are selected as to render the risk of sampling error intolerably large, nor (2) too many units are included, which would raise the cost of the study to make it inefficient (Luck and Rubin, 1987). A compromise must be strike between obtaining data with greater precision and that of lower research costs. The steps involved are summarised in Exhibit 5.2.



**Exhibit 5.2: General procedure for determining sampling size.**



Source: Luck, A. K. and Rubin, C. B. (1987), Marketing Research, 7th ed., Simon & Schuster:Englewood Cliffs, NJ. pp. 212.

As stated above the essential requirement of any sample is that it be as representative as possible of the population from which it is drawn. A proportional stratified

sampling is used to ensure that different size groups of a population are adequately represented in the sample. To achieve this we have to have some idea of the standard deviation in the population and must also decide how big a standard error can be tolerated.

Based on randomly selected sample of 50 firms in each size group, the standard deviation is computed and is shown in column 4 of Table 5.1 . In this study, the standard error + or - 1.96 is used so that we can expect 95 percent confidence that the actual mean will lie within the estimated range of confidence interval.

To arrive at the total number of respondents and the number of respondents within each size group that would be representative of the population, the computation based on the following formula is used.

$$n = \frac{\sum_{i=1}^L N_i \sigma_i^2}{ND + \frac{1}{N} \sum_{i=1}^L N_i \sigma_i^2} \quad \text{and} \quad D = \frac{B^2}{z^2}$$

where:

$N$ =Population;  $N^i$ =size of the  $i$ th stratum;  $n$ =sample

$\sigma_i^2$ = the variance

$B$ = the bound on error of estimation

$z$ = the value of the standard normal random variable corresponding to a confidence interval (  $1 - \alpha$  )

Given  $B = 55$

$$N_1 = 236; s_1 = 16.544;$$

$$N_2 = 299; s_2 = 49.425; \text{ and}$$

$$N_3 = 293; s_3 = 593.980$$

$$D = B^2 / z^2 = (55)^2 / (1.96)^2 = 3025 / 3.8416 = 784.43$$

$$\begin{aligned}
& (236)(16.544)^2 + (299)(49.425)^2 + (293)(593.98)^2 \\
n = & \frac{\quad}{(828)(787.43) + 1/828((236)(16.544)^2 + (299)(49.425)^2 + (293)(593.98)^2)} \\
& \frac{104,167,346.885}{651,992.04 + 125,805.97} \\
= & 134
\end{aligned}$$

The result shows that approximately 134 respondents would be the appropriate total sample size. To arrive at the proportional sample for each respective size group, the following formula is applied:

$$n = n (N_i / N)$$

$$\text{For small-sized firms} = 134 (236/828) = 38$$

$$\text{For medium-sized firms} = 134 (299/828) = 48$$

$$\text{For large-sized firms} = 134 (293/828) = 48$$

The breakdown by size group shows that for small-sized firms, a sample of 38 firms is representative of the group. Among the medium-sized and the large-sized firms, a sample of 48 firms would be sufficient to represent the respective size groups. This information is presented in column 5 of Table 5.1 .

In anticipation of the low response rate to mail survey as evidenced from previous research in Malaysia, as well as in other developing as well as developed nations, it was decided to mail the survey questionnaires to all the 835 firms in the sampling frame.

#### **5.4 The selection of case studies and the interview process.**

The main purpose of case study is to highlight the salient points and experience in export marketing which would not be available through mail survey. The structured survey questionnaire was used to guide the interview. The companies identified for case studies were those that have won an export award administered by the Ministry of International Trade and Industry (MITI). A total of fifteen companies identified by Malaysian Export Promotion Centre (MEXPO), a division in the MITI, were approached. Initial contacts with the firms were made by phone and the purpose of the interview was explained. The outcome was dissappointing. The problems encountered were not unexpected as similar problems of conducting personal interview in Malaysia have been encountered by previous researchers. Siew Ee, Hirata, and Yew Wah (1987, pp. 57) noted that "... some firms refused to disclose their information whereas some others have filled in three-fourths of the questionnaire but decided later not to hand it to us". Jesudason (1989) experienced similar difficulties.

A change in the selection of the potential companies for case studies was made. The guidelines were that the case companies must reflect different ownership pattern, known to be exporting, and if possible be at different level of export development. Last but not least, was their willingness to be interviewed. Personal contacts and all possible leads were used to get companies to cooperate. The approach proved useful as 5 companies consented to be personally interviewed. The average interview lasted between 2 to 3 hours. In order not to be interrupted by the demand of the work schedule, and in most instances at the request of the interviewees, the interviews were conducted away from the interviewees' office. None of the interviews were tape-recorded.

The characteristics of case study companies and the discussions on each case are presented in Chapter 8.

## **5.5 Administration of field works.**

Data collection process was implemented during the months of May to July 1992. The mail survey and the interview were conducted concurrently. The mail survey was administered at the School of Management, Universiti Sains Malaysia in Penang. The first wave was mailed out on the 11th. May 1992. This was followed by a second wave which was mailed out on the 26th. May 1992. The cut-off date was the 30th. of June. Thus data collection period via mail survey was approximately seven weeks.

In order to obtain the highest possible response rate of the completed questionnaires, several steps were taken:

- a. A self-addressed and stamped reply envelope was enclosed with each survey questionnaire.
- b. A cover letter bearing the Universiti Sains Malaysia's letter head signed by the researcher accompanied each questionnaire. The letter (reproduced in Appendix 5.1 ) explained the nature and purpose of the research, as well as assuring strict confidentiality of the response to the survey questionnaires.
- c. The survey questionnaire was personally addressed to an individual in charge of business enquiries listed in the directory. The title of the individual in charge of handling business enquiries ranged from a company director to marketing manager.
- d. As an inducement the respondents were promised a copy of the report when ready. They were asked to write their name and address at the end of the survey questionnaires or attache a copy of their business card.
- e. Due to limited resources, follow-up phone calls to solicit cooperation from the respondents were confined to those manufacturing firms located in Penang and the Klang Valley, the two major industrial and commercial centres in Malaysia.

## **5.6 Response rate to mail survey**

At the end of the cut-off date 257 questionnaires were returned. Accounting for the 40 partially incomplete returns and 27 firms that had only been in the first and second year of their export involvement, the total usable response was 190. This equivalent to 22.8 percent response rate. This response rate is considered highly satisfactory, since responding to mail questionnaires has not been a widely accepted practice among business firms in this part of the world. This was confirmed by an officer from Malaysia's Ministry of International Trade and Industry who was then pursuing his MBA at the Strathclyde Business School.

The response rate is higher compared to previous research, for example, the 1991 FMM Survey on Performance, Problems and Prospects of the Manufacturing Sector which was conducted the year before achieved useful returns of 140. No information was provided as to the effective response rate but it is estimated to be around 14 percent. Mei Ling (1992) conducted a survey (drop-in/personal interview) of the service sector during the months of October to December 1989 and achieved 12.25% useful response rate.

The essential requirement of any sample is that it be as representative as possible of the population from which it is drawn. As mentioned under Section 5.3 - Sampling, the firm's size as measured by the number of employees was used to determine the proportional sample that would be representative of firms classified into three size groups - small, medium and large. Table 5.2 shows the comparison of the distribution of the responding firms categorised by size (number of employees). Column 1 shows the number of firms in each size category and column 2 shows the number of firms responding to the survey. As shown in column 3, the number of the small-sized firms responding to the survey is equivalent to the target sample size. The response from the medium- and large-sized firms far exceeded the desired sample size. The information suggests that the responding firms are representative of the population.

**Table 5.2: Analysis of response by firm's size.**

<b>Size</b>	<b>Mail Out</b>	<b>Responded</b>	<b>Target sample</b>
Small	236 (28.3%)	38 (20.0%)	38
Medium	299 (35.8%)	79 (41.5%)	48
Large	293 (35.1%)	72 (37.8%)	48
Unknown	7 ( 0.8%)	1 ( 0.6%)	-
<b>Total</b>	<b>835 (100.0%)</b>	<b>190 (22.8%)</b>	<b>134</b>

To determine the effects of non-response bias, the method suggested by Armstrong and Overton (1977) was used. The responding firms were divided into early and late responding groups. Sixty seven percent of the questionnaires were received well before the remaining thirty three percent and two groups were formed based on this criteria. The two groups were compared on four demographic variables namely size, age, export experience and percentage of foreign equity participation. As the data is measured on a ratio scale, the t-tests were used. The results revealed no significant differences between the early and late responses, suggesting that a non-response bias is not a significant factor. The results of t-test is reproduced in Appendix 5.2

### **5.7 Summary**

This chapter describes the plan of action in collecting the information that will provide answers to research questions raised in earlier chapters. A combination of mail survey and case study methods were chosen. A mail survey was used to collect data from a nation-wide sample. A case study method complemented the mail survey and was used to highlight the experience and export activities of selected companies. The respondents were manufacturing firms which are listed in the 1992 FMM Directory.

Survey questionnaires were mailed to 835 firms and 22.8 percent useful returns were received. The responding firms are representative of the population. Non-response bias was checked by analysing the characteristics of the early and late responses and the result shows that there is no significant difference between the responding and the non-responding firms. Five companies consented to share their export experience and be used as case studies.



## CHAPTER 6

### THE SURVEY FINDINGS

#### **Introduction**

This chapter presents the survey findings. The discussions focus on the characteristics of 190 firms that responded to the mail survey and the establishment of successful and less successful exporters. The findings are presented in 2 parts.

#### **Part 1:**

Section 6.1 - presents a descriptive analysis of the demographic and structural characteristics of the responding firms.

Section 6.2 - highlights the responding firms' export marketing policy. The topics covered are their major export markets, the number of markets served and their marketing orientation.

The interrelationship between the firms' characteristics and their export marketing policy are explored.

Section 6.3 - presents the responding firms' evaluation of their export performance, as measured by export sales growth and profitability, during the three year period (1989-91).

#### **Part 2:**

The determination of the factors contributing to the variations in the firms' export performance and the identification of successful and less successful exporters are the issues investigated in the second part of the chapter.

Section 6.4 - highlights the classification of the independent variables (organisational and export marketing policy variables) hypothesised to

influence the dependent variables (export sales growth and profitability).

**Section 6.5 -** describes the statistical methods used to establish the relationship between the independent and dependent variables.

**Section 6.6 -** presents the results of the statistical analysis, hypotheses testing and the identification of successful and less successful exporters.

**Section 6.7 -** discusses the findings of this study in the light of evidence from previous research.

## 6.1 Organisational characteristics of the respondents

In the previous chapter under section 5.6, we have highlighted the breakdown of the responding firms by size (as measured by the number of employees). The ensuing discussions will focus on other characteristics which may be used to describe the respondents.

### 6.1.1 Industry category

The 190 respondents represent firms from a cross section of the manufacturing sector, and are classified into nine major sectors. The highest percentage of respondents (32.6%) is represented by firms from the chemical and chemical products category. This is followed by manufacturers of metal products (13.7%); wood and wood products (11.6%); and non-metallic mineral products (10.5%) respectively.

Table 6.1: Classification of respondents by industry category.

Industry Category	Total (Percent)
Food and Beverage	16 ( 8.4%)
Textile and Apparell	10 ( 5.3%)
Wood and Wood Products	22 (11.6%)
Chemical and Chemical Products	62 (32.6%)
Non-metallic & Mineral Products	20 (10.5%)
Manufacturers of Metal	26 (13.7%)
Electronic and Electrical Products	17 ( 8.9%)
Other Manufactures	17 ( 8.9%)
Total	190 (100%)

There appears to be under representation from two industries which are responsible for approximately two-thirds of Malaysian exports - the electrical and electronic products and textile and apparell industry. The low response rate is somewhat expected as the majority of firms in the electrical and electronic products industry are foreign-owned and the Malaysian operation is basically an assembly unit.

The low response from firms in the textile and apparell industry could in turn be attributed to the nature of their operation. Most of these firms are contract manufacturers and substantial business is derived from the benefits of quota allocated to Malaysia. The role of marketing (which is the focus of this study) could be insignificant and the firms in this industry may assume that this study is not particularly relevant to their organisations.

The under representation of firms classified in the industry category is not of great concern as this study does not intend to be industry specific. Rather it study seeks to establish the universal export success factors across the entire manufacturing sector.

### **6.1.2 Age and export experience**

Tables 6.2 and 6.3 display the distribution of firms based on the approximate year of establishment (age) and year of export involvement (export experience) respectively.

The average number of years the participating firms have been in operation is approximately 18 years. The spread reflects the stages of industrialisation discussed in Chapter 3. Manufacturing activity is a recent phenomenon. As shown in Table 6.2 approximately 73.7% of the respondents were established during the last 20 years. This corresponds to the period when there was a shift in the industrialisation programme with emphasis on the development of the manufacturing sector.

The distribution of the respondents based on the years involved in exporting tend to reflect Malaysia's export-oriented industrialisation policy embodied in the Fifth Malaysian Plan (1986-1990) and the launching of Industrial Master Plan (1985). As shown in Table 6.3, approximately 35% of the respondents are comprised of firms that have started exporting during the last five years and another one-third indicated that they began exporting between 6 to 10 years ago.

**Table 6.2: Percentage of respondents classified according to year of establishment.**

Years Established	Total (%)
1 - 5 (1987-1991)	27 (14.2%)
6 - 10 (1986-1982)	41 (21.6%)
11 - 15 (1981-1977)	34 (17.9%)
16 - 20 (1976-1972)	38 (20.0%)
21 > (1971 or earlier)	50 (26.3%)
<b>Total</b>	<b>190 (100%)</b>

**Table 6.3: Percentage of respondents classified according to year of export involvement.**

Year Began Exporting	Total (%)
1 - 5 (1987-1991)	67 (35.3%)
6 - 10 (1986-1982)	63 (33.2%)
11 - 15 (1981-1977)	22 (11.8%)
16 - 20 (1976-1972)	21 (11.1%)
21 > (1971 or earlier)	17 (8.9%)
<b>Total</b>	<b>190 (100%)</b>

### 6.1.3 Ownership

Table 6.4 presents the equity structure of the responding firms. Out of 190 firms, 84 (44.2%) are locally-owned manufacturing firms and another 10 firms may be included in the same category as the percentage of foreign equity is less than 30 percent. Firms with substantial foreign equity participation ranging from 31 percent to 50 percent make up approximately 22 percent of the respondents. Together with firms which have majority foreign equity participation, approximately half of the respondents are firms with substantial foreign equity participation.

**Table 6.4: Respondents classified according to percentage of foreign equity participation**

Percent of Foreign Equity	Total (%)
0	84 (44.2%)
1 - 30	10 (5.3%)
31 - 50	41 (21.5%)
51 and above	55 (29.0%)
<b>Total</b>	<b>190 (100%)</b>

#### **6.1.4 Types of product exported**

Table 6.5 shows the distribution of the respondents by the types of product exported. Exporters of consumer products make up approximately 38 percent of the respondents. The next largest group is the exporters of industrial products. Approximately 26 percent of the respondents export a mixture of consumer and industrial products.

**Table 6.5: Types of product exported.**

Types of product	Total (%)
Consumer	71 (38.2%)
Industrial	66 (35.5%)
Mix (Consumer & Industrial)	49 (26.3%)
<b>Total</b>	<b>186 (100%)</b>

Note: 4 respondents did not provide information on the types of product exported.

### 6.1.5 Interrelationship between organisational characteristics

The interrelationship between variables describing the firms' characteristics are presented in Table 6.6 . The results of the correlation analysis show that the significant associations exist between firms' size and export experience as well as ownership. Firms that employ a larger number of employees have more export experience (years involved in exporting) and also have a higher percentage of foreign equity participation. The higher the percentage of foreign equity participation, the longer is the firm's export experience. The positive association between export experience and years in operation (age) is also established.

Table 6.6: Relationship between organisational characteristics - Pearson Correlations

Organisa- tional characteristics	Size	Age	Export experience	Ownership
Size	-	-	-	-
Age	0.0950	-	-	-
Export experience	0.2745***	0.6548***	-	-
Ownership	0.1490*	-0.0489	0.1310*	-

Significant levels: \*\*\*p<0.001; \*p<0.05

The interrelationship between these organisational characteristics are reflective of the characteristics of the manufacturing firms in Malaysia highlighted in Chapter 3. The larger firms are predominantly joint ventures or foreign-owned firms and are more

involved in exporting because of the nature and purpose of their establishments.

In section 6.1.4 the responding firms were classified according to the types of product exported. To determine if there is significant difference between the three groups of firms in terms of size, age, export experience and percentage of foreign equity participation, a oneway anova was performed.

The results presented in Table 6.7 show that on average, firms exporting a mixture of consumer and industrial products employed a larger number of employees compared to those firms exporting solely consumer or industrial products. They are also older and have more export experience. The exporters of industrial products have a higher level of foreign equity participation. The non-significant F-values indicate that the three groups of firms classified according to the types of products exported are not significantly different in terms of size, age, export experience, and percentage of foreign equity participation.

**Table 6.7 :** Types of product exported and organisational variables - results of oneway anova

Organisational variables	Group's Mean			F- value	F-prob.
	Consumer n=71	Industrial n=66	Mix n=49		
Size	338	352	477	0.7108	0.4926
Age	16.8	17.4	18.8	0.2994	0.7416
Export experience	10.0	10.1	11.5	0.5752	0.5651
Ownership	29.9	37.9	32.8	1.0660	0.3465



## **6.2 Export markets and marketing policy**

The responding firms may also be described according to their export marketing policy. In this study, a firm's export marketing policy is comprised of its market strategy (concentration versus diversification) and marketing policy (marketing orientation versus selling orientation). Before discussing these two factors, it would be appropriate to highlight the responding firms' major export markets.

### **6.2.1 Major export markets**

The major export markets of the responding firms is displayed in Table 5.8 . Approximately 34 percent of the respondents identified ASEAN nations as their major export market. Among the five nations, Singapore is cited as the number one market by 49 out of 62 firms which is equivalent to approximately 27 per cent of the respondents. The next most important region is the Far East (comprising of Japan, Hong Kong, Korea, and China) which is rated as the major export market by approximately 18 per cent of the respondents. This is followed by the EC and the North American markets respectively.

Out of 34 nations mentioned as the major export market, 6 nations were identified as the major export market by 63 per cent of the respondents. Singapore, a major trading centre in the Asian region and Malaysia's traditional trading partner, is the major export market for 27 per cent of the respondents. This is followed by the United States (12%); Japan (9%); Australia (6%); Hong Kong (5%); and United Kingdom (4%). The other 28 nations are cited as the major export market by the remaining 38% of the respondents.

The fact that Singapore, United States, Japan and Europe are named by more than 60 per cent of the respondents suggests that the characteristics of the responding firms in the sample are indicative of the nature of Malaysia's manufactured goods' exporters. The high degree of concentration in terms of export destination is also

reflected in the number of export markets served.

Table 6.8: The major export markets.

Countries	No. of Firms (%)
ASEAN Nations	62 (33.5%)
Singapore	49 (26.5%)
Others	13 ( 7.0%)
FAR EAST	34 (18.3%)
Japan	16 ( 8.6%)
Hong Kong	10 ( 5.4%)
Others	8 ( 4.3%)
EUROPE	33 (17.7%)
United Kingdom	8 ( 4.3%)
Netherlands	7 ( 3.7%)
Germany	3 ( 1.6%)
Others	15 ( 8.1%)
NORTH AMERICA	26 (14.0%)
United States	22 (12.4%)
Canada	3 ( 1.6%)
Australia	10 ( 5.9%)
Indian Subcontinent	7 ( 3.8%)
West Asia	8 ( 4.3%)
Others	5 ( 2.7%)
<b>Total</b>	<b>185 (100%)</b>

Note: 5 respondents did not provide information on their major export market.

### 6.2.2 Market strategy - concentration versus diversification

With regards to the number of markets exported to, the survey findings show that the number range from one to fifty and the average is eight countries.

**Table 6.9: Number of export markets**

Number of countries	Total Firms (%)
1 - 4	55 (29.3%)
5 - 8	69 (36.7%)
9 - 12	32 (17.0%)
13 - 16	13 ( 6.9%)
17 - 20	7 ( 3.7%)
20 and above	11 ( 6.4%)
<b>Total</b>	<b>187 (100%)</b>

Note: 3 respondents did not provide information on the number of export markets.

As shown in Table 6.9, there is obviously a high degree of market concentration with almost 29 percent of the respondents exporting to between 1 to four markets and another 37 percent exporting to between five to eight markets.

### **6.2.3 Marketing orientation - selling versus marketing orientation**

The classification of the responding firms into selling and marketing orientation are based on their responses to three items listed in Table 6.10 . These items which are used to classify the respondents into two groups as firms characterised as exhibiting a selling or marketing orientation policy is based on the definition of marketing orientation by Baker (1984) discussed in Chapter 4 (section 4.1.2.1)

Statement number 1 (strong coordination among functions in production, marketing and finance) receives the highest mean rating of 4.10 which is equivalent to very important on a 5-point scale. The distribution of the responses shows that approximately 80 percent of the respondents rated this item as being extremely and very important in their organisation.

The mean ratings for statement number 2 (clearly defined target market) is somewhat

lower. Only 60 percent rated this item as being extremely and very important and the mean ratings of 3.65 suggests that the respondents as a whole rated this item somewhere between important to very important.

**Table 6.10: Distribution of responses to items measuring firms' marketing orientation**

Statements	Scale <sup>1</sup>					Mean Ratings
	5	4	3	2	1	
1. Strong coordination among functions in production, marketing and finance.	66 (34.7)	86 (45.3)	30 (15.8)	6 (3.2)	2 (1.1)	4.10
2. Clearly defined target market.	34 (17.9)	81 (42.6)	55 (28.9)	14 (7.4)	6 (3.2)	3.65
3. Emphasis on profits rather than sales volume.	6 (3.2)	51 (26.8)	91 (47.9)	34 (17.9)	8 (4.2)	3.07

Notes:

<sup>1</sup> Evaluated on a 5-point scale ranging from Extremely Important (coded 5); Very Important (coded 4); Important (coded 3); Least Important (coded 2); and to Not At All Important (coded 1)

N=190; Figures in parentheses are percentage of observations.

Of the three statements, the third statement receives the lowest mean rating which stood at 3.07. This means that "emphasis on profits rather than sales volume" is important. The distribution of responses shows that only approximately 30 percent of the respondents rated this item as being very and extremely important. Using the summated score of 12.0 and above as a cut-off points to classify firms as exhibiting a marketing orientation, approximately 41 percent (n=74) falls into this category. Approximately 59 percent (n=116) may be classified as firms exhibiting a selling orientation.

## 6.2.4 Interrelationships between organisational characteristics and export marketing policy

Table 6.11 shows the Pearson correlation coefficients on the relationship between the number of export markets and the firms' characteristics. The results show that firms that export to a larger number of markets are more likely to employ a larger number of employees, older, and have been involved longer in exporting. There is no significant relationship between the percentage of foreign equity and the number of markets served. There is also no significance difference in the average number of markets served by exports classified according to the products exported (refer to Table 6.12)

Table 6.11 : Relationship between organisational variables and number of export markets - Pearson Correlations

Organisational variables	Size	Age	Export experience	Ownership
Number of export markets	0.1878**	0.1625*	0.3419***	0.0107

Significant levels: \*\*\* $p < 0.001$ ; \*\* $p < 0.01$ ; and \* $p < 0.05$

Table 6.12 : Types of product exported and number of markets served - results of oneway anova

Organisational variables	Group's Mean			F- value	F-prob.
	Consumer n=71	Industrial n=66	Mix n=49		
Number of export markets	9	8	10	0.5763	0.5630

To determine if firms exhibiting a marketing orientation policy differ from their counterparts with respect to their size, age, export experience, percentage of foreign equity participation and number of markets served, t-tests were performed. The results presented in Table 6.13 show that the two groups of firms differ only on the level of export experience (statistically significant at  $p < 0.05$  or better). As indicated by the average number of years involved in exporting, firms exhibiting a marketing orientation policy have significantly higher level of export experience (12 versus 9) compared to their counterparts exhibiting a selling orientation policy.

The insignificant result of chi-square test (refer to Table 6.14 ) also shows that the incidence of firm's marketing policy is not related to the types of products exported.

Table 6.13: Firm's marketing policy and organisational variables - results of t-test

Organisational variables	Marketing Policy orientation		t-value	2-tail prob.
	Marketing orientation (n=74)	Selling (n=116)		
Size	501	300	-1.73	0.087
Age	20.0	16.2	-1.62	0.109
Export experience	12.4	9.1	-2.51	0.013*
Ownership	35.6	31.7	-0.65	0.516
Number of export market	9.5	8.0	-1.27	0.204

Significant level: \* $p < 0.05$

**Table 6.14: Types of product exported and firm's marketing policy - result of chi-square test**

Comparison variables	Consumer Industrial Mix			Chi-square value (df)	Signif. level
	n=71	n=66	n=49		
Marketing policy:					
Marketing orientation	65.8	56.1	65.3	1.6517 (2)	0.4379
Selling orientation	34.2	43.9	34.7		

**Table 6.15: Export Performance.**

Export Performance Measures	Scale <sup>1</sup>					Mean
	5	4	3	2	1	
Export sales growth	4 (2.1)	45 (23.7)	84 (44.2)	47 (24.7)	10 (5.3)	2.93
Export profitability	2 (1.1)	34 (17.9)	97 (51.1)	45 (23.7)	12 (6.3)	2.84

Notes:

<sup>1</sup> Export sales growth; and export profitability (achieved during 1989 - 1991) are measured on 5-point scale (5=far above expectation; 4=moderately above expectation; 3=as expected; 2=moderately below expectation; and 1=far below expectation).

Figures in parentheses are percentages of observations.

## 6.4 Export Performance

The respondents evaluation of their firm's export performance over the last three years are summarised in Table 6.14 . The findings show that majority of the

respondents rated their firm's export performance as "as expected" . While approximately 25% of the respondents rated their export sales growth as being "moderately above" and "far above" expectation, only 19% rated their firm's export profitability on the same scale.

The overall mean for both measures of export performance suggests that respondents, on average, were neither satisfied nor dissatisfied with their firms export performance. What explains the variations in export performance? This is the focus of the next part of the chapter.



## **Part 2: Establishing the characteristics of successful and less successful exporters**

This second part of the chapter highlights the results of the statistical analysis aimed at identifying the characteristics of successful and less successful exporters. As mentioned in Chapter 4, the classification of the responding firms into successful and less successful exporters is not based on the responses to the two performance measures or some other predetermined indicators. The sources of variations in the two performance measures will first be investigated.

The better export performing firms are indicated by the higher mean value compared to the mean value registered by their counterparts. When the difference is statistically significant at  $p < 0.05$  or better, it will be used to classify the responding firms into successful and less successful exporters.

First, the dependent and independent variables are described. The statistical techniques used in analysing the relationship between the dependent and independent variables are explained. This is followed by the results of the statistical analysis and hypotheses testing. The findings of this study will be compared to previous empirical evidence. The chapter ends with the description of the characteristics of successful exporters.

### **6.4 Dependent and independent variables**

The dependent variables in this study are firms' export sales growth and export profitability. They are measured on a 5-point interval scale. The respondents' evaluation of their firms' export performance the three year period (1989-91) were highlighted in the previous section. The independent variables are comprised of firms' characteristics referred to as organisational variables, and export marketing policy variables. The former variables which were solicited on a ratio scale are accordingly

reclassified so that the participating firms may be grouped into meaningful categories. The basis of classifying the responding firms, and the number of firms in each category, are shown in Table 6.16 .

As regards to export marketing policy variables, the basis of classifying firms into either exhibiting a marketing orientation or a selling orientation has been discussed in Section 6.2.3 (pp.192). Firms' export market strategy is operationalised by the number of export markets served. As mentioned in Chapter 4 (pp.116), exporting firms are posited to confront two strategic alternatives - to adopt a market concentration or market diversification strategy. The BETRO Trust Committee (1976) has suggested that the ideal number of export markets is between five and ten for established exporters; for new exporters it is proposed that concentration on five or six export markets provides a route to success. As this study involves new as well as experienced exporters, it was decided that those firms that exported to 8 markets and less are classified as firms adopting a market concentration strategy. Those firms exporting to 9 or more markets are classified as firms adopting a market diversification strategy. Incidentally, it was determined that the average number of markets served by the responding firms was also eight. The distribution of the responding firms into their respective export market strategies are shown in Table 6.16 .

#### **6.4.1 Data analysis techniques**

Data analysis refers to the search for meaning in the collected information. The desired information in this case is which organisational and export marketing policy variables, either interactively or individually, are responsible for the variations in firms' export performance. Based on the characteristics of the data and the objectives of the research, it was decided that the appropriate statistical tool would be a two-way analysis of variance. The steps involved in analyzing the data are shown in Exhibit 6.2. The exhibit describes the process of analysing the data in relation to the first part of the research framework.

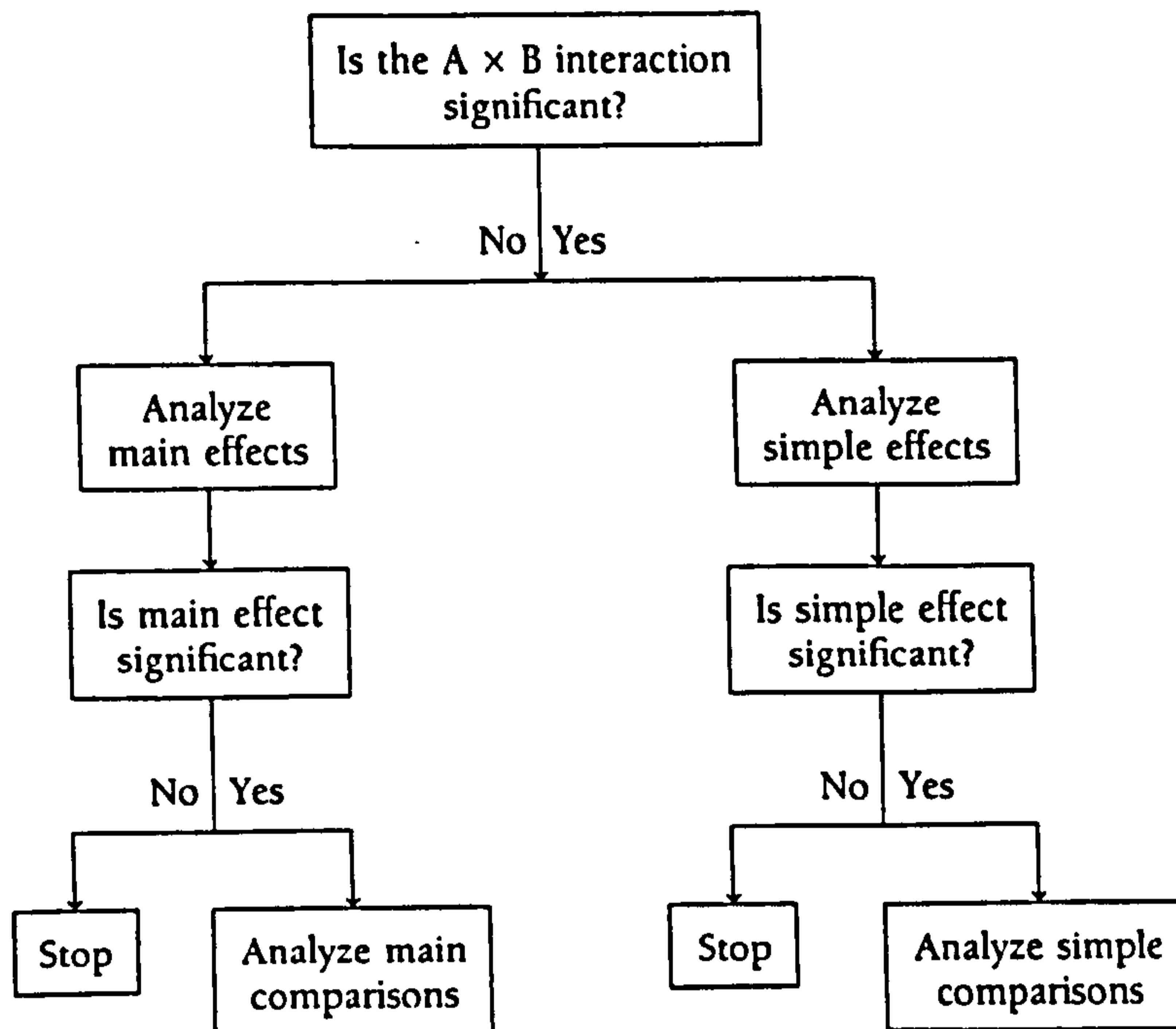
Table 6.16: Summary of independent variables (N=190).

<b>1. Size*</b>	<b>Number of employees</b>	
Small	75 and below	38 (20.1%)
Medium	76 to 250	79 (41.8%)
Large	251 and above	72 (38.1%)
<b>2. Age</b>	<b>Years of operation</b>	
Newly established	5 and below	27 (14.2%)
Established	6 to 10	41 (21.6%)
Well established	11 and above	122 (64.2%)
<b>3. Export experience</b>	<b>Years of exporting</b>	
New exporters	5 and below	67 (35.7%)
Experience	6 to 10	63 (33.1%)
Very experience	11 and above	60 (31.6%)
<b>4. Ownership</b>	<b>Percent of foreign equity</b>	
Local	30 percent and less	94 (49.5%)
Foreign	31 percent and above	96 (50.5%)
<b>5. Types of product*</b>		
Consumer		71 (38.2%)
Industrial		66 (35.5%)
Mixture		49 (26.3%)
<b>6. Export market strategy*</b>	<b>Number of markets served</b>	
Market concentration	8 markets or less	124 (66.3%)
Market diversification	9 markets or more	63 (33.7%)
<b>7. Market orientation</b>		
Marketing orientation	Refer discussion in section 6.2.3 ,pp. 145	74 (61.1%)
Selling orientation		116 (38.9%)

Note: \* 1 respondent did provide information on number of employees; 4 respondents did provide information on product types exported; and 3 respondents did provide information on number of markets served.

The first step in the analysis is to evaluate the significance of the interaction effects of independent variables specified in the research framework, in explaining the variation in export performance, the dependent variable. Two variables are analysed at a time.

Exhibit 6.2: Steps in data analysis



Source: Keppel, G., and Zedeck, S. (1989), *Data Analysis for Research Designs: Analysis of Variance and Multiple Regression/Correlation Approaches*, W.H. Freeman and Co.: New York, pp. 232.

Should the interaction effects be statistically significant at  $p < 0.05$  or better, the results indicate that the simple effects of a variable say A are not the same at all levels of variable B. The reverse could also be true. The next step is to analyse the simple effects,

that is to investigate into the level at which the significant variation in export performance occurs.

This step is indicated at the top of the right-hand "branch" of the decision tree. The process is referred to as the elaboration process. The objective of the analysis is to establish statistically the exact pattern of differences responsible for the significant interaction. At this level, oneway anova is used when the comparison involved three or more groups of firms and the t-test is used when the comparison involved only two groups of firms. In the case of the former test, should F-value be significant, the Fisher's Least Significance Difference (LSD) is used to determine the group that is responsible for the differences.

If the interaction effect is absent, the option is to follow the next "branch" of the decision tree which is situated on the left-hand side. The significant main effect means that the variables under investigation may be individually responsible for the variations in the dependent variable. Then variable A and variable B should be analysed separately. In the absence of main effect, neither variable explain the variations in firms' export performance.

The results of the statistical analysis will be presented in the following order:

1. presentation of the results of the interaction effects of:

- a) organizational variables on export performance;
- b) export marketing policy variables on export performance; and
- c) organizational variables and export marketing policy variables on export performance.

2. in the event of the presence of the interaction effect between the variables specified in the research framework, the results of the analysis of the simple effects (that is the process of determining at what level there is significant difference in export performance) will be presented.

3. should there be no interaction effect but the main effect is statistically significant, the results of the test comparing the difference in export performance between groups in that particular variable will be presented.

## **6.5 The results of statistical analysis**

The results of two-way anova to determine the interaction effects between the dependent variables are presented in the following sections.

### **6.5.1 Organisational variables and export performance**

Table 6.17 presents the summary results of analysis to determine if firms' export performance is the result of the interaction between organisational variables. The full results of two-way anova on the interaction effects of organisational variables on export performance are reproduced in Appendix 6.1 .

The results show that:

- neither interaction nor main effect is detected on the influence of organisational variables on firms' export sales growth and profitability.

The results suggest that organisational variables either individually or in combination with other organisational variables do not significantly influence the variation in both measures of export performance - export sales growth and export profitability.

As such, hypotheses H1.1 to H1.10 which suggest that organisational variables interact to explain the variations in export performance are rejected. The results are summarised in Exhibit 6.2 .

Table 6.17: The results of two-way anova - organisational variables and export performance.

	Size	Age	Export Experience	Ownership	Product Types
Size	-				
Age	n.i n.m	-			
Export Experience	n.i n.m	n.i n.m	-		
Ownership	n.i n.m	n.i n.m	n.i n.m	-	
Product types	n.i n.m	n.i n.m	n.i n.m	n.i n.m	-

Notes: no interaction effect; and n.m = no main effect.

**Exhibit 6.2: Summary results of hypotheses testing: interaction effects of organisational variables on export performance.**

No.	Research Hypotheses	Export Performance
1.1	A firm's size and age explain the variations in export performance	not significant
1.2	A firm's size and export experience explain the variations in export performance	not significant
1.3	A firm's size and ownership explain the variations in export performance	not significant
1.4	A firm's size and types of product exported explain the variations in export performance	not significant
1.5	A firm's age and export experience explain the variations in export performance	not significant
1.6	A firm's age and ownership explain the variations in export performance	not significant
1.7	A firm's age and types of product exported explain the variations in export performance	not significant
1.8	A firm's export experience and ownership explain the variations in export performance	not significant
1.9	A firm's export experience and types of product exported explain the variations in export performance	not significant
1.10	A firm's ownership and types of product exported explain the variations in export performance	not significant



## 6.5.2 Export marketing policy variables and export performance

Hypothesis H2.0 proposed that the differences in firms' export performance could be attributed to interaction effects of export marketing policy variables, namely marketing orientation and market strategy. The results of two-way anova and the cell means are reproduced in Appendix 6.2 .

Table 6.18: The results of two-way anova - Export Marketing Policy and Export Performance.

Market Strategy (MS)	
Marketing Orientation (MO)	main effect- MS (gro, pro) <sup>1</sup>

Notes:<sup>1</sup> gro=export sales growth; pro=export profitability.

The result summarised in Table 6.18 shows that:

- no interaction effect is present, but the main effect which is statistically significant (at  $p < 0.05$  or better) shows that MARKET STRATEGY (MARKET CONCENTRATION versus MARKET DIVERSIFICATION) variable is influential in contributing to the variation in both measures of export performance - EXPORT SALES GROWTH AND PROFITABILITY.

The analysis show that the two export marketing policy variables do not interact to influence firms' export performance. The results of the analysis indicate that of the

two variables, only market strategy variable appears to be influential in explaining the variations in firms' export sales growth and profitability.

Based on the results, hypothesis H2.0 is therefore rejected. The export market strategy variable does not interact with the marketing orientation variable to explain the variations in export performance. The result is summarised in Exhibit 6.3 .

**Exhibit 6.3: Summary of results of hypothesis testing: interaction between export marketing policy variables on export performance.**

No.	Research hypothesis	Export Performance
2.0	A firm's marketing orientation and market strategy explains the variations in export performance	not significant

### **6.5.3 Organisational variables, export marketing policy variables and export performance**

The summary results of the analysis presented in Table 6.19 are concerned with the interaction effects of organisational variables and export marketing policy variables. The details are reproduced in Appendix 6.3 .

The results show that:

- **MARKETING ORIENTATION** variable interacts with **SIZE** and **OWNERSHIP** variables to explain the variations in **EXPORT SALES GROWTH**; as regards to the remaining organisational characteristics (age, export experience, and product types) neither significant

interaction nor main effect is established;

- neither significant interaction nor main effect is found on the influence of organisational and export marketing policy variables in explaining the variations in EXPORT PROFITABILITY
  
- there is no significant interaction effect between organisational variables (size, age, export experience, ownership, and product types) and market strategy (market concentration vs market diversification) variable in explaining the variations in EXPORT SALES GROWTH and PROFITABILITY. However, the results show that there is significant main effect and the variable MARKET STRATEGY (MARKET CONCENTRATION versus MARKETING DIVERSIFICATION) is influential in explaining the variations in both measures of export performance, EXPORT SALES GROWTH AND PROFITABILITY.

The results suggest that in evaluating firms export sales growth, the influence of a firm's size and ownership must not be considered in isolation. A firm's marketing orientation must be taken into account as well. As such hypotheses H3.1 and H3.4 are therefore true - a marketing orientation variable interacts with size and ownership variables to explain the variations in export performance as measured by export sales growth.

The results suggest that hypotheses H3.2, H3.3 and H3.5 are to be rejected. A firm's marketing orientation does not interact with age, export experience and product types to explain the variation in firm's export sales growth.

**Table 6.19: The results of two-way anova - organisational variables, export marketing policy variables, and export performance.**

	Marketing orientation (MO)	Market strategy (MS)
Size	Interaction (gro) <sup>1</sup> n.i; n.m	main effect - MS (gro, pro) <sup>2</sup>
Age	n.i; n.m	main effect - MS (gro, pro) <sup>2</sup>
Export experience	n.i; n.m	main effect - MS (gro, pro) <sup>2</sup>
Ownership	Interaction (gro) <sup>1</sup> n.i; n.m	main effect - MS (gro, pro) <sup>2</sup>
Product types	n.i; n.m	main effect - MS (gro, pro) <sup>2</sup>

**Notes:**

n.i = no interaction; n.m = no main effect;

<sup>1</sup> gro=export sales growth.

<sup>2</sup> gro=export sales growth; pro=export profitability.

Additionally marketing orientation and organisational variables either interactively or individually do not explain the variations in firms' export profitability. On the influence of organisational variables and market strategy variables, it was established that the latter is sufficient to explain the variations in firms' export sales growth and profitability. Hypotheses H3.6 to H3.10 are therefore rejected, export market strategy variable does not interact with any of the organisational variables (size, age, export experience, ownership and product type in explaining the variations in firms' export performance. The results of hypotheses testing are summarised in Exhibit 6.4.

**Exhibit 6.4: Summary of hypotheses testing: interaction effects of organisational and export marketing policy variables on export performance.**

No	Research Hypotheses	Export Performance
3.1	A firm's size and marketing orientation explain the variations in export performance	significant - Export sales growth
3.2	A firm's age and marketing orientation explain the variations in export performance	not significant
3.3	A firm's export experience and marketing orientation explain the variations in export performance	not significant
3.4	A firm's ownership and marketing orientation explain the variations in export performance	significant - Export sales growth
3.5	A firm's types of product exported and marketing orientation explain the variations in export performance	not significant
3.6	A firm's size and market strategy explain the variations in export performance	not significant
3.7	A firm's age and market strategy explain the variations in export performance	not significant
3.8	A firm's export experience and market strategy explain the variations in export performance	not significant
3.9	A firm's ownership and market strategy explain the variations in export performance	not significant
3.10	A firm's types of product exported and market strategy explain the variations in export performance	not significant

## **6.6 Analysing the simple effect**

The results of the first step in the data analysis are summarised as follows:

- a. the variations in firms' export sales growth are explained by:
  - i. the interaction between size and marketing orientation variables;
  - ii. the interaction between ownership and marketing orientation variables;  
and
  - iii. the export market strategy variable.
- b. the variations in firms' export profitability are explained solely by the export market strategy variable.

As shown in Exhibit 6.1, when an interaction effect is detected, the next step is to analyse the simple effects. The idea behind this is to determine which groups of firms are significantly different in their export performance. This is achieved by controlling one variable at a time and testing the influence of the other variable on firms' export performance. Based on earlier results, the analysis of the simple effects will be performed on the interaction between size and marketing orientation; and the interaction between ownership and marketing orientation.

In addition, the results of the first step in the data analysis also revealed that export market strategy variable is individually responsible for the variations in both measures of export performance. In this case, the next step in the data analysis is to follow the "no" route. This involves establishing if the main comparison is statistically significant.

### **6.6.1 Size, marketing orientation and export sales growth**

The result of two-way anova of the interaction between variable size and variable marketing orientation which is statistically significant at  $p < 0.05$  or better, is reproduced in Table 6.20. This significant interaction means that the simple effects of firms' size are not the same at all levels of firms' marketing orientation, and the

simple effects of firms' marketing orientation are not the same at all levels of firms' size.

**Table 6.20: Result of two-way anova: size and marketing orientation on export sales growth.**

Sources of Variation	Degrees of freedom	F	Sig. of F
<b>Main effects:</b>	<b>3</b>	<b>2.640</b>	<b>0.051</b>
Size	2	3.451	0.034
Marketing orientation	1	0.314	0.576
<b>Interaction effects</b>	<b>2</b>	<b>3.767</b>	<b>0.025</b>
<b>Explained</b>	<b>5</b>	<b>3.091</b>	<b>0.011</b>

Table 6.21 shows the categories of firms' size and marketing orientation and their respective mean values. Overall, as indicated by grand mean the large-sized firms achieve better export performance compared to the small- and medium-sized firms (refer column 4). Between firms exhibiting a selling orientation and marketing orientation, the latter appear to record marginally higher mean values than the former (refer row 5).

However within each respective group, there is a difference in the level of export performance. Among firms exhibiting a selling orientation (refer column 2), the pattern of mean values is similar to that of the grand mean, wherein the large-sized firms recorded the highest mean value followed by the small- and medium-sized firms. The ranking order of the mean value is somewhat different for firms exhibiting a marketing orientation. The medium-sized firms registered a higher mean value compared to the small-sized firms (refer column 3).

**Table 6.21: Export sales growth<sup>1</sup> - cell means**

Marketing orientation:	Selling orientation	Marketing orientation	Grand mean
Size: Small	2.94 (31)	2.29 ( 7)	2.82 (38)
Medium	2.61 (49)	3.03 (30)	2.77 (79)
Large	3.17 (36)	3.11 (36)	3.13 (72)
Grand Mean	2.87(116)	3.00 (73)	2.92(189)

Notes:

<sup>1</sup> Export sales growth are measured on 5-point scale (5=Far Above Expectation; 4=Moderately Above Expectation; 3=As Expected; 2=Moderately Below Expectation; and 1=Far Below Expectation)

Figures in parenthesis are number of firms.

From the perspective of size, the difference in export performance appears to be rather marginal. Among the small- and large-sized firms, those exhibiting a selling orientation policy appear to perform better than their counterparts exhibiting a marketing orientation (refer rows 2 and 4 respectively). The opposite situation applies to the medium-sized firms (refer row 3). At what level is the difference in export performance statistically significant?

#### **6.6.1.1 Controlling for marketing orientation variable**

In investigating the influence of firms' size in explaining the variation in export sales growth, a statistical test oneway anova was used because the analysis involved comparing three groups of firms. In the process, the marketing orientation variable is controlled.



Table 6.22: Results of oneway anova

	Group's Mean <sup>1</sup>	F Ratio	F Probab.	Groups which are significantly different.
<b>Selling orientation firms:</b>				
		4.3839	0.0147 <sup>c</sup>	L vs M
Small (S)	2.94			
Medium (M)	2.61			
Large (L)	3.17			
<b>Marketing orientation firms:</b>				
		2.8372	0.0653	
Small (S)	2.29			
Medium (M)	3.03			
Large (L)	3.11			

Notes:

<sup>1</sup> Export sales growth measured on a 5-point scale (5=far above expectation; 4=moderately above expectation; 3=as expected; 2=moderately below expectation; and 1=far below expectation)

Significant level: <sup>c</sup>p<0.05

The results presented in Table 6.22 show that:

- there is significant difference in export sales growth among firms exhibiting a selling orientation policy arising from the differences in their firm's size (significant at p<0.05 or better). The LSD multiple comparison procedure shows that the difference in export sales growth is statistically significant between the large-sized firms and the medium-sized firms. The mean value registered by the large-sized firms is significantly higher than that registered by the medium-sized firms (3.17 versus 2.94).

- the difference in export sales growth among firms exhibiting a marketing orientation policy is not statistically significant at  $p < 0.05$  or better. Therefore the differences in firms' size do not explain the variation in export sales growth among firms exhibiting a marketing orientation policy.

Based on the above analysis, one profile of the successful and the less successful exporters has been established. Among firms exhibiting a selling orientation policy, the large-sized firms are designated as successful exporters and the medium-sized firms are designated as less successful exporters.

#### 6.6.1.2 Controlling for size variable

The next question is "do firms that exhibit a selling orientation achieve better export sales growth compared to firms that exhibit a marketing orientation policy?". As this analysis involves comparing two groups of firms, a t-test was used. Table 6.23 shows the results of t-test comparing the performance of firms exhibiting a selling orientation with that of marketing orientation and controlling for size variable.

Table 6.23: Results of t-test - controlling for size.

	Group's Mean <sup>1</sup>		t-value	2-tail probability
	Selling orientation	Marketing orientation		
Small	2.94	2.29	1.93	0.062
Medium	2.61	3.03	-1.98	0.051
Large	3.17	3.11	0.29	0.773

Notes:

<sup>1</sup> Export sales growth measured on a 5-point scale (5=far above expectation; 4=moderately above expectation; 3=as expected; 2=moderately below expectation; and 1=far below expectation).

The results show that:

- the difference in export sales growth is not statistically significant at  $p < 0.05$  or better. The marketing orientation variable does not explain the difference in export sales growth in all the three sized groups of firms irrespective of whether they exhibit a selling orientation or a marketing orientation.

Based on these results, it is therefore concluded that no successful or less successful exporters could be established in this instance.

#### **6.6.2 Ownership, marketing orientation and export sales growth**

The result of two-way anova of the interaction between size and marketing orientation variables which is statistically significant at  $p < 0.05$  or better is reproduced in Table 6.24 . This significant interaction means that the simple effects of variable ownership are not the same at all levels of variable marketing orientation, and the simple effects of variable marketing orientation are not the same at all levels of variable ownership.

An examination of the pattern of mean values presented in Table 6.25 shows there is a marginal difference in the grand mean value between local and foreign firms (refer column 4). This is also true between firms classified as selling orientation firms and marketing orientation firms (refer row 4).

A comparison of the difference in the mean values between the respective groups revealed that there is a marginal difference between firms exhibiting a selling orientation and those exhibiting a marketing orientation among local firms. Among foreign firms however, those exhibiting a marketing orientation achieve better performance than those exhibiting a selling orientation.

**Table 6.24: Result of two-way anova: ownership and marketing orientation on export sales growth**

Sources of Variation	Degrees of freedom	F	Sig. of F
Main effects:	2	0.610	0.544
Ownership	1	1.020	0.889
Marketing orientation	1	1.189	0.277
Interaction effects	2	4.366	0.038
Explained	3	1.862	0.137

**Table 6.25: Export sales growth<sup>1</sup> - cell means**

Marketing orientation:	Selling orientation	Marketing orientation	Grand mean
Ownership: Local	2.97 (59)	2.83 (35)	2.91 (94)
Foreign	2.77 (57)	3.18 (39)	2.94 (96)
Grand Mean	2.87(116)	3.01 (74)	2.92(190)

Notes:

<sup>1</sup> Export sales growth are measured on 5-point scale (5=Far Above Expectation; 4=Moderately Above Expectation; 3=As Expected; 2=Moderately Below Expectation; and 1=Far Below Expectation)

Figures in parenthesis are number of firms.

### 6.6.2.1 Controlling for ownership variable

The analysis was carried out to determine if the variation in export sales growth could be attributed to the differences in marketing orientation among local and foreign firms. Table 6.26 shows the results of t-test comparing the performance of firms exhibiting a selling orientation with that of marketing orientation and controlling for ownership variable.

The results show that:

- the difference in export sales growth among local firms is not statistically significant at  $p < 0.05$  or better. The result suggests that firm's marketing orientation does not explain the variation in export sales growth;
- Among foreign firms, the result shows that the difference in export sales growth is statistically significant at  $p < 0.05$  or better. As indicated by the mean values, foreign firms exhibiting a marketing orientation policy achieved higher export sales growth compared to firms exhibiting a selling orientation policy (3.18 versus 2.77).

Table 6.26 : Results of t-test - controlling for ownership variable

	Group's Mean <sup>1</sup>		t-value	2-tail probability
	Selling orientation	Marketing orientation		
Ownership: Local	2.97	2.83	0.73	0.465
Foreign	2.77	3.18	-2.24	0.027 <sup>*</sup>

Notes:

<sup>1</sup> Export sales growth measured on a 5-point scale (5=far above expectation; 4=moderately above expectation; 3=as expected; 2=moderately below expectation; and 1=far below expectation)

Significant level: <sup>\*</sup> $p < 0.05$

Based on the above results, the second profile of the successful and the less successful exporters is established. Among foreign firms, those exhibiting a marketing orientation policy are designated as successful exporters and their counterparts, which exhibit a selling orientation policy, are designated as less successful exporters.

### 6.6.2.2 Controlling for marketing orientation variable

Further analysis was performed to determine if the difference in export sales growth among firms that exhibit a selling and marketing orientation policy could be attributed to ownership variable.

Table 6.27: Results of t-test - controlling for marketing orientation.

	Group's Mean <sup>1</sup>		t-value	2-tail probability
	Local	Foreign		
<b>Marketing orientation:</b>				
Selling orientation	2.97	2.77	1.18	0.242
Marketing orientation	2.83	3.18	-1.76	0.082

Notes:

<sup>1</sup> Export sales growth measured on a 5-point scale (5=far above expectation; 4=moderately above expectation; 3=as expected; 2=moderately below expectation; and 1=far below expectation).

Table 6.27 shows the results of t-test comparing the performance of locally controlled firms with that of firms with foreign equity participation and controlling for variable marketing orientation.

The results show that:

- the difference in export sales growth among firms exhibiting a selling orientation is not statistically significant (at  $p < 0.05$  or better). This is also true among firms exhibiting a marketing orientation. The results suggest that ownership variable does not explain the variation in export sales growth irrespective of the firm's marketing orientation policy.

Based on these results, it is concluded that no successful and less successful exporters are established in this instance.

## **6.7 Analysing the main effect**

The results of the first step in the analysis shows that variables "age" and "export experience" do not significantly explain the variation in both measures of export performance, either individually or interactively with other variables. As such no further analysis will be performed. Hypotheses H4.2 and H4.3 are therefore rejected.

Hypotheses H4.1, H4.4, and H4.7 are also rejected as the variable "size", "ownership", and "marketing orientation" are found to interact and explain the variation in export sales growth.

Only variable "market strategy" is responsible for the main effects (statistically significant at  $p < 0.05$  or better) and it does not interact with any other variables. The analysis will now be carried out to determine which groups of firms, classified into market diversification and market concentration strategy, achieve better export sales growth and profitability.

### **6.7.1 Market strategy and export sales growth and profitability**

The results obtained from the first step in the data analysis show that among

organisational and export marketing policy variables, only market strategy variable can stand by itself and explains the variations in export sales growth and export profitability. Do firms adopting a market concentration strategy perform better than those firms adopting a market diversification strategy? As the analysis involves two groups of firms, a t-test was used.

The results presented in Table 6.28 show that there is significant difference in export performance among firms arising from the difference in their market strategy. Firms adopting a market diversification strategy achieve higher export performance in terms of growth and profitability compared to firms adopting a market concentration strategy. As such hypothesis H4.6 is true. A firm's export market strategy explains the variation in export performance.

Table 6.28: Results of t-test

	Group's Mean <sup>1</sup>		t-value	2-tail probab.
	Market Concentration	Market Diversification		
Export sales growth	2.78	3.22	-3.32	0.001 <sup>a</sup>
Export profitability	2.73	3.10	-2.90	0.004 <sup>b</sup>

Notes:

<sup>1</sup> Export sales growth; and profitability are measured on a 5-point scale (5=far above expectation; 4=moderately above expectation; 3=as expected; 2=moderately below expectation; and 1=far below expectation).

Significant levels: <sup>a</sup>p<0.001; <sup>b</sup>p<0.01

Based on the above results, the third profile of successful and less successful exporters is established. The results suggest that successful exporters are firms that adopt a market diversification strategy and less successful exporters are those that adopt a market concentration strategy.



The results of hypotheses testing for the main effects are summarised in Exhibit 6.5.

**Exhibit 6.5: Summary results of hypotheses testing: main effect of organisational and export marketing policy variables on export performance.**

No.	Research Hypotheses	Export Performance
4.1	A firm's size explains the variation in export performance	not significant
4.2	A firm's age explains the variation in export performance	not significant
4.3	A firm's export experience explains the variation in export performance	not significant
4.4	A firm's ownership explains the variation in export performance	not significant
4.5	A firm's types of product exported explains the variation in export performance	not significant
4.6	A firm's export market strategy explains the variation in export performance	significant - Export sales growth and profitability
4.7	A firm's marketing orientation explains the variation in export performance	not significant

## 6.8 Discussion on factors explaining variations in export performance

The results of the statistical analysis on data gathered via a mail survey, shows that the profiles of successful exporters are basically the large-sized firms. The influence of size in explaining the difference in export performance as measured by export

sales growth confirm that economies of scale are important in exporting. The findings of this study, therefore provided contrary argument to the suggestion by Kirpalani and Macintosh (1980) that "... regardless of size any given firm has a chance to compete successfully for international markets...". Tookey (1964), Madsen (1987), Gemunden (1991) Ford and Leoniduo (1991) all of whom suggested that large-sized firms have more chances of being successful in exporting are true in the case of Malaysia. The results also concur with studies involving firms in other developing nations (Karafakioglu, 1986; Douglas,1993).

However it must be borne in mind that direct comparison with other previous studies is rather difficult as most previous studies disregard the possible interaction between size and other variables under investigation. Furthermore the researchers differ in their classification of firms size. Nevertheless it would be appropriate to recall that a number of export performance studies found no association between size and export performance. Cavusgil (1984b) found that the power of factor size is weak in explaining export performance among Wisconsin's exporters. Similar results were obtained by Cooper and Kleinschmidt (1985), Amine and Cavusgil (1986), Axinn (1988) and Schlegelmilch, Diamantopolous and Peterson (1990).

The non-significant influence of firms' experience (business and export experience) in explaining export performance also contradicts the evidence from studies conducted in the western industrialised nations. Kirpalani and MacIntosh (1980) found that experience in international markets is significantly associated with export success. Other researchers also established similar positive relationship between export experience and export performance (Bilkey, 1982; Fenwick and Amine, 1979; Amine and Cavusgil, 1986; Sriram, Neelankavil and Moore, 1989). According to Madsen (1989) export experience is the most important explanatory variable contributing the differences in export sales of Danish exporters.

The insignificance of export experience could be explained by the argument that most exports from developing nations are the result of proactive buying behaviour of

buyers from importing nations (Wortzel and Wortzel, 1981; Ford et al., 1987). A firm's export experience is therefore immaterial. A firm's capacity (an indicator of size) to meet the requirements of overseas markets quantity-wise on a consistent basis, is undoubtedly a strong explanatory power in Malaysian firms' export performance.

Madsen's (1989) observation that firms' resources (one of them is size) do not exhibit a direct relationship with export performance but interacts with other variables find support in this study. The argument that firms' size interacts with other variables to explain export performance is evident when it was established that it interacts with marketing orientation variable to influence the variation in export sales growth. The analysis shows that there is significant difference among firms exhibiting a selling orientation policy, the large-sized firms perform better than the medium-sized firms.

This result is very much in line with an argument put forward by Kamath et. al., (1987) which suggest that any firm can be successful in exporting irrespective of its marketing orientation. However when ownership factor is taken into consideration a different picture emerges. The argument by Kamath et al (1987) that any firm can be successful irrespective of its marketing orientation, only finds support when it has relatively large resources. The virtue of being large alone does not guarantee better export performance. When the firm's marketing orientation is considered together with the ownership variable, Kamath et al (1987) contention is refuted. Among firms with foreign equity participation, there is a variation in export performance as measured by the export sales growth. The results show that those exhibiting a marketing orientation perform better than those exhibiting a selling orientation.

The result is in line with the argument by Baker (1987; 1989) that export success is dependent on the firm's marketing orientation. Such a suggestion is supported by numerous other researchers investigating the success of Japanese firms in markets (Johansson and Nonaka, 1983; Kotler, Fahey and Jatusripitak, 1985; Amr Kheir, 1990; Wong, Saunders and Doyle, 1990; Doyle, Saunders, and Wong, 1992).

The finding that firms adopting a market diversification strategy are more successful than firms adopting a market concentration strategy is in agreement with the findings by Piercy (1981), Cooper and Kleinschmidt (1985), Kleinschmidt and Cooper (1988), Axinn (1988) and Lee and Yang (1990). Firms exporting to worldwide markets achieve better export performance than those firms which export to a smaller number of export markets. The contrasting finding is on export profitability. This study shows that Malaysian exporters adopting a market diversification strategy achieve higher profitability compared to market concentration firms, but Lee and Yang (1990) found no significant difference when export performance was measured by profitability. Louten, Ouwerkerk and Bakker (1991) also found firms adopting a market diversification strategy achieve better export performance but is influenced by the types of product. In this study the types of product exported however, failed to explain the variations in export performance either individually or in combination with other variables.

The insignificance of variable "product types" in explaining the variation in export performance is in agreement with the findings by Bilkey (1982), Langeard et al. (1976), Moser and Topritzhofer (1979), and McGuinness and Little (1981). These researchers have included the variable describing the types of market served (consumer or industrial) as an independent variable and found that this variable has no correlation with export performance.

## **6.9 Summary**

This chapter presents the survey findings. The 190 respondents represent firms from a cross section of the manufacturing sector. They vary in size, age, export experience and ownership structure. These manufacturing firms export consumer, industrial and a mixture of both products.

A total of thirty four nations has been mentioned as the major export market of the

responding firms. Nevertheless, six major export markets were mentioned by more than two-third of the respondents. This high degree of concentration is reflective of the direction of Malaysian exports at the national level. In line with this observation the classification of the respondents according to their export market strategy also revealed that the number of firms adopting a market concentration strategy substantially higher than firms adopting a market diversification strategy. The majority of the respondents also exhibit a selling orientation policy rather a marketing orientation policy.

The influence of organisational variables and export marketing variables in explaining the differences in export performance were analysed using a two-way anova. The results of the analysis show that firm size interacts with marketing orientation variable in explaining the difference in export sales growth. The difference in the export sales growth is also influenced by the interaction effect of ownership and marketing orientation variables.

The market strategy variable however does not interact with either the organisational or marketing orientation variables in explaining the differences in export performance. The market strategy variable is sufficient by itself to explain the variation in all the three measures of export performance.

Through the elaboration process, the characteristics of successful and less successful exporters could be described as follows:

1. For both measures of export performance, export sales growth and export profitability:
  - firms adopting a market diversification strategy are more successful than their counterparts adopting a market concentration strategy.
2. For export sales growth only:
  - among firms exhibiting a selling orientation policy, the large-sized

- firms are more successful than the medium-sized firms; and among foreign firms, those exhibiting a marketing orientation policy are more successful than their counterparts which exhibit a selling orientation policy.

The factors associated with successful exporters will be the focus of the next chapter.

# CHAPTER 7

## FACTORS ASSOCIATED WITH SUCCESSFUL EXPORTERS

### Introduction

This chapter builds on the results of the analysis presented in the previous chapter which revealed that there are three profiles of successful and less successful exporting firms. The focus of this chapter is on the second part of the research framework which seeks to answer the following research questions:

- i. do successful exporters differ from less successful exporters as regards to their marketing strengths? and
- ii. do successful exporters differ from less successful exporters as regards to their perception of the market environmental factors?

As proposed in Chapter 4 (Section 4.3.1) firms' sources of marketing strengths are classified into organisational strengths and marketing-mix strengths.

Under organisational strengths, successful exporters are posited to differ from less successful exporters with respect to:

- a. export organisation;
- b. marketing plan;
- c. commitment to information search;
- d. management strengths;
- e. external support; and
- f. assistance from foreign equity partner.

As regards to marketing-mix strengths, successful exporters are posited to differ from less successful exporters with respect to:

- a. product strengths (product-mix and modifications);

- b. price strengths;
- c. distribution strengths (distribution policy and export channel structures); and
- d. promotional strengths.

In addition the two groups of firms are also expected to show different perceptions on the following market environmental factors:

- a. the business potentials in the domestic and export markets;
- b. the state of infrastructure in the domestic economy;
- c. the intensity of competition in the domestic market;
- d. the intensity of competition in the export market; and
- e. export barriers.

A series of chi-square t-tests are used in determining the associations between the existence of an export department, the preparation of a written marketing plan and in-house market research with the three profiles of successful and less successful exporters as the response was solicited by a dichotomous scale. On the remaining variables (marketing strengths and market environmental factors) which are measured on a five-point scale, a series of t-tests were performed to determine if the difference in the mean values between the two groups of firms were statistically significant at  $p < 0.05$  or better.

The testing of the research hypotheses is conducted for each of the three characteristics of the successful and the less successful exporters identified in Chapter 6. The research hypothesis will be accepted if the test is significant at  $p < 0.05$  or better. The three profiles of the successful and the less successful exporters are presented in Exhibit 7.1.

The results of the statistical analysis, hypotheses testing and discussions are presented in three sections:

Section 7.1 - focuses on organisational strengths;



Section 7.2 - highlights the findings on marketing-mix strengths; and  
 Section 7.3 - presents the findings on market environmental factors.

Exhibit 7.1: The profiles of successful and less successful exporters.

Profiles of firms	Successful Exporters	Less Successful Exporters
1. Firms classified according to their export market strategy; N=187	Firms adopting a market diversification strategy (MD); n=124	Firms adopting a market concentration strategy (MC); n=63
2. Among firms exhibiting a selling orientation policy; N=85	Large-sized firms (L); n=36	Medium-sized firms (M); n=49
3. Among foreign firms (firms with foreign equity participation of > 30%); N=96	Firms exhibiting a marketing orientation policy (MO); n=39	Firms exhibiting a selling orientation policy (SO); n=57

## **7.1 Organisational strengths**

### **7.1.1 Export department**

Export activities may be undertaken by the existing marketing department or a separate department specialising in export business. This study tests hypothesis H5.1 which states that successful exporters are more likely to have a formal export department than less successful exporters.

Table 7.1 presents the results of cross tabulation between the existence of a separate export department and all of the three profiles of successful and less successful exporters.

The results of the chi-square tests show the existence of a separate export department is found to be associated (significant at  $p < 0.05$  or better) with 2 out of the 3 profiles of successful and less successful exporters. They are:

- i. among exporters classified according to their export market strategy; and
- ii. among firms characterised as exhibiting a selling orientation policy.

No significant association was established in the profile of exporters which is foreign-owned.

In the profile of exporters classified according to their export market strategy, the data shows that approximately 59 percent of firms adopting a market diversification strategy (successful exporters) have a separate export department to handle export business compared to only 26 percent of firms adopting a market concentration strategy (less successful exporters). Among exporters characterised as exhibiting a selling orientation policy, the existence of a separate export department is more likely to be associated with the large-sized firms (successful exporters) than the medium-sized firms (less successful exporters).

As such hypothesis H5.1 is true with respect to the above two profiles of exporters. In both cases, successful exporters are more likely to have a separate export department than less successful exporters.

Table 7.1: Cross-tabulation of the three profiles of successful and less successful exporters and the existence of export department

Comparison variables	Existence of Export Department		Chi-square value (df)	Significance
	Yes	No		
<b>1. Market Strategy:</b>			20.3538 (1)	0.0000***
Market Diversification (n=63)	59.4	40.6		
Market Concentration (n=124)	25.8	74.2		
<b>2. Firms exhibiting a selling orientation policy:</b>			5.7657 (1)	0.0163*
Large-sized firms (n=36)	47.2	52.8		
Medium-sized firms (n=49)	22.4	77.6		
<b>3. Foreign firms:</b>			1.9733 (1)	0.1601
Marketing orientation policy (n=39)	51.3	48.7		
Selling orientation policy (n=57)	36.8	63.2		

Significant levels: \*\*\*p<0.001; \*p<0.05

### **7.1.1.1 Discussion**

This finding is in agreement with Karafakioglu (1986) who studied the Turkish exporting firms and found that firms which exported a larger percentage of their production (classified as heavy exporters) are more likely to have a separate export department.

The evidence from Malaysia also corroborates with the findings from studies in United Kingdom( Tookey, 1964; Cunnigham and Spigel, 1971; Diamantapoulos and Inglis, 1988), and North America ( Kirpalani and MacIntosh, 1980; Bilkey, 1982; Koh and Robicheaux, 1988; and Koh, 1991) which established that better export performing firms are committed in their export venture as reflected in the existence of an official department within the organisation which is solely responsible for monitoring, planning and controlling their export operations.

What is apparent here is the fact that in both cases, successful exporters are the large-sized firms. This finding lends support to the generally held view that large-sized firms which allocate resources in organising and implementing their export activities, are more likely to be successful (Madsen, 1987). Additionally they are more likely to export a larger percentage of their output and to a larger number of markets. Thus contributing to the need for a separate export department to handle export business.

Madsen's finding that, among the Danish exporters, this variable is not significantly associated with export performance appear to be supported in this study as well. The incidence of an existence of a separate export department is insignificant among the foreign firms.

### **7.1.2 Marketing plan**

Planning is useful in helping managers to anticipate and respond appropriately to the factors influencing the demand for their product in the marketplace. It also reflects

the aspirations of the management and guides managerial activities towards achieving the organisational objectives. This study tests hypothesis H5.2 which suggests that successful exporters are more likely to prepare a formal written marketing plan than less successful exporters. Table 7.2 presents the results of the cross-tabulation on the preparation of a formal written marketing plan and the three profiles of successful and less successful exporters. The information shows that in all three profiles, the majority of successful exporters prepare a written marketing plan.

**Table 7.2: Cross-tabulation of the three profiles of successful and less successful exporters and written marketing plan**

Comparison variables	Written Marketing Plan		Chi-square value (df)	Significance
	Yes	No		
<b>1. Market Strategy:</b>				
Market Diversification (n=63)	54.7	45.3	4.8355 (1)	0.0279*
Market Concentration (n=124)	37.9	62.1		
<b>2. Firms exhibiting a selling orientation policy:</b>				
Large-sized firms (n=36)	55.5	44.4	3.6743 (1)	0.0553
Medium-sized firms (n=49)	34.7	65.3		
<b>3. Foreign firms:</b>				
Marketing orientation policy (n=39)	64.1	35.9	2.6119 (1)	0.1061
Selling orientation policy (n=57)	47.4	52.6		

Significant level: \*p<0.05

The results of chi-square test (significant at  $p < 0.05$  or better) show that the incidence of the preparation of a written marketing plan is associated only with the profile of exporters classified according to export market strategy. Approximately 55 percent of firms adopting a market diversification strategy (successful exporters) indicated that they prepare a formal written marketing plan compared to only 37 percent of firms adopting a market concentration strategy (less successful exporters).

The association is not statistically significant at  $p < 0.05$  or better, in the remaining two profiles of exporters.

Hypothesis H5.2 is therefore true only with respect to the profile of exporters classified according to export market strategy.

#### **7.1.2.1 Discussion**

The association between the commitment to prepare a formal written marketing plan and export success is in conformity with the previous finding from Canada. Cooper and Kleinschmidt (1985) found that world orientation firms (firms adopting a market diversification strategy) are more planning oriented than nearest neighbour orientations (firms adopting a market concentration strategy).

This finding also corroborates with other previous studies which included the element of planning as a determinant of export performance. Evidence from United Kingdom (Cunningham and Spigel, 1971; Amine and Cavusgil, 1986; Schlegelmilch, 1986); Europe (Khan 1978; Madsen, 1989); and North America (Kirpalani and MacIntosh, 1980) showed that successful exporters are more planning oriented than less successful exporters.

The fact that the preparation of a written marketing plan is associated with only one of the three profiles of the successful exporting firms seems to suggest that this

variable is not a significant contributor to export success. The evidence appear to support the contention by Kamath et al (1987) that ad hoc or plan exporting make no difference to performance. This situation is not surprising as Cavusgil (1984b) found no significant association between planning and export performance. Fenwick and Amine (1979) studied the export performance in the UK clothing industry and found that planning is not significantly associated with export performance.

### **7.1.3 Commitment to information search**

Information is crucial in preparing a marketing plan. The competitive nature of today's business environment requires that foreign markets be investigated systematically. This study investigates two possible approaches in information gathering - in-house research and soliciting information from external sources.

#### **7.1.3.1 In-house market research**

The task of gathering information may be organised within the organisation itself. This study tests hypothesis H5.3 which suggests that successful exporters are more likely to have an in-house market research facility than less successful exporters. The cross-tabulations and the results of chi-square tests on the existence of an in-house market research facility, and the three profiles of exporters are presented in Table 7.3.

The data shows that the majority of firms in all the three profiles do not have an in-house market research facility. The chi-square tests revealed that the existence of in-house market research is significantly associated with the profile of exporters classified according to their export market strategy (statistically significant at  $p < 0.05$  or better). Approximately 36 percent of the firms adopting a market diversification strategy (successful exporters) have an in-house market research facility compared to only approximately 15 percent of their counterparts adopting a market concentration

strategy (less successful exporters) having a similar set up.

Thus hypothesis H5.3 is only true with respect to the profile of exporters classified according to their export market strategy.

**Table 7.3: Cross-tabulation of the three profiles of successful and less successful exporters and in-house market research**

Comparison variables	In-house Market Research		Chi-square value (df)	Significance
	Yes	No		
<b>1. Market Strategy:</b>				
Market Diversification (n=63)	35.9	64.1	11.3593 (1)	0.0008***
Market Concentration (n=124)	14.5	85.5		
<b>2. Firms exhibiting a selling orientation policy:</b>				
Large-sized firms (n=36)	33.3	66.7	2.4988 (1)	0.1139
Medium-sized firms (n=49)	18.4	81.6		
<b>3. Foreign firms:</b>				
Marketing orientation policy (n=39)	28.2	71.8	0.6502 (1)	0.4200
Selling orientation policy (n=57)	21.1	78.9		

Significant level: \*\*\*p<0.001



### **7.1.3.2 Sources consulted for export information**

Information can also be acquired from external sources. In this study hypothesis H5.4 proposed that successful exporters differ from less successful exporters in terms of the frequency of seeking information from a. government sources; b. foreign sources; c. business associations; and d. other sources. Table 7.4 shows the pattern of mean values and the results of t-test on the frequency of consulting with the listed sources for export-related information.

The pattern of mean values suggests that on the whole both the successful and the less successful exporters exhibit a rather inactive information seeking behaviour. Of the eight sources, only "business publications" which is categorised under "other sources", register a mean value of above 3 (refer column 2). The results of t-tests show that the difference in the mean values are statistically significant (at  $p < 0.05$  or better) only in the profile of the exporters classified according to their export market strategy (refer column 2). The pattern of mean values shows that firms adopting a market diversification strategy (successful exporters) are significantly more active than firms adopting a market concentration strategy (less successful exporters) in soliciting export related information from all the following three sources:

- a. chambers of commerce/or trade associations;
- b. business publications; and
- c. export training seminars.

No significant difference in the mean values is established in the other two profiles of exporters. Among exporters characterised as exhibiting a selling orientation and among foreign-owned firms, successful exporters are not significantly different from less successful exporters with respect to the frequency they consulted forexport-related information from the sources listed. Hypothesis H5.4 is therefore true only in the profile of exporters classified according to their export market strategy and is only applicable to three of the eight sources of information.

**Table 7.4 :** Pattern of means and the results of t-test on sources consulted for export information.

Variables	Market Strategy MD vs MC	Selling Prientation Policy: L vs M	Foreign Firms: MO vs SO
<b>Government sources:</b>			
Malaysian Export Promotion Centre (MEXPO)	2.64 2.61 (t=-0.16)	2.64 2.43 (t=-0.80)	2.56 2.32 (t=-1.11)
Malaysian Foreign Trade Commissioners Office	2.61 2.47 (t=-0.84)	2.14 2.53 (t=1.74)	2.36 2.19 (t=-0.79)
<b>Foreign sources:</b>			
Foreign embassies & consulates based in Malaysia	2.42 2.31 (t=-0.68)	2.25 2.37 (t=0.53)	2.44 2.14 (t=-1.42)
International agencies located in Malaysia (e.g. Jetro)	1.91 1.97 (t=0.45)	1.81 1.94 (t=0.67)	2.08 1.84 (t=-1.33)
<b>Business associations:</b>			
Chambers of commerce/or Trade associations	2.44 2.10 (t=-2.37)*	2.39 2.31 (t=-0.38)	2.05 2.25 (t=0.98)
Federation of Malaysian Manufacturers (FMM)	2.78 2.94 (t=0.83)	3.19 2.82 (t=-1.45)	2.69 2.75 (t=0.25)
<b>Other sources:</b>			
Business publications	3.13 2.67 (t=-2.86)**	2.72 2.82 (t=0.44)	2.87 2.60 (t=-1.28)
Export training seminars	2.28 1.92 (t=-2.58)*	1.86 2.24 (t=1.79)	2.08 1.86 (t=-1.20)

**Notes:**

The responses are solicited on a 5-point scale ranging from Very Frequently (coded 5); Frequently (coded 4); Sometimes (coded 3); Hardly (coded 2); and Never (coded 1).

t = t-value for difference between means; significance levels \*\*p<0.01; \*p<0.05; 2-tail probability

### **7.1.3.2.1 Discussion**

The association between the establishment of an in-house market research facility and export success (as exhibited by firms adopting a market diversification strategy) concurs with evidence from Brazil (Christensen et al., 1987) which shows that successful exporters undertake market research by themselves. Dominguez and Sequeira (1993) also found similar information seeking-behaviour among the successful exporters from the CACM countries.

The evidence which shows that firms adopting a market diversification strategy are more committed in information search support the finding by Diamantapolous, Schlegelmilch and Allpress (1989) and Hart, Webb and Jones (1992) that the users of export market research serve more export market than non-users.

The findings on the significant association between the frequency of consulting with trade associations lend support to earlier evidence from Canada which shows that utilisation of information provided by industrial association is relatively high among the committed exporters (Brooks and Rosson, 1982). The finding of this study also corroborates the findings by Khan (1978) and Reid (1980) who noted business publications were heavily used by the committed exporters from Sweden and Canada respectively.

The allocation of resources in acquiring knowledge about export markets through attending export training seminars is a reflection of these firms' commitment to exporting. This finding corroborates the result of a study involving exporting firms from Peru in which Douglas (1993) noted that acquisition of export knowledge by attending export training is associated with the better export performing firms.

The fact that firms adopting a market diversification strategy are more likely to have a separate export department, prepare a written marketing plan and have an in-house

market research facility may also explain the reasons why they are found to be more active in seeking information from external sources. The specialisation of tasks enabled these firms to identify sources of information useful for export purposes.

Another possible interpretation of this finding is that export market expansion ought to be accompanied by a systematic collection of information rather than relying on experiential knowledge of managers.

The evidence from this study contradicts the earlier finding by Cooper and Kleinschmidt (1985) when they found that foreign market research efforts were not peculiar to the Canadian firms displaying either a world orientation (a market diversification strategy) or nearest neighbour orientation (a market concentration strategy).

The insignificant of government sources concurs with evidence from other developing nations. Christensen et. al., (1987) and Dominguez and Sequeira (1990) found that the usage of government sources is not peculiar to the successful exporters in Brazil and the CACM countries respectively. The foreign sources are also found to be insignificant and the reason could only be speculated that the information provided is too general in nature.

#### **7.1.4 Management Strengths**

The commitment of top management is one of the major factors in explaining firms' export behaviour and performance. This study investigates if successful exporters differ from less successful exporters with respect to the importance of four variables describing management strengths. The pattern of mean values and the results of t-test on these variables are presented in Table 7.5 .

The results of t-test shows that the importance of the four variables is statistically significant at  $p < 0.05$  or better in the profiles of exporters classified according to their

export market strategy (refer column 2) and foreign-owned firms (refer column 4).

While variables "understanding of international business culture" and "commitment to quality improvement programmes" are statistically significant in both profiles, the variable "in-house R & D activities" is peculiar to the profile of exporters classified according to their export market strategy only. On the other hand the variable "good relations with the suppliers" is peculiar to exporters which are foreign firms.

**Table 7.5: Pattern of means and the results of t-test on management strengths.**

Variables	Market Strategy MD vs MC	Selling Orientation Policy: L vs M	Foreign Firms: MO vs SO
Good relations with suppliers	4.09 3.86 t=-1.70	4.00 3.67 t=-1.66	4.23 3.82 t=-2.01*
Understanding of international business culture	3.81 3.45 t=-2.50*	3.44 3.16 t=-1.42	4.00 3.25 t=-3.92***
Commitment to quality improvement programmes	4.44 4.13 t=-2.40*	4.19 3.94 t=-1.32	4.64 4.02 t=-3.53***
In-house R & D department in Malaysia	3.55 2.90 t=-2.94	3.00 3.08 t=0.25	3.28 2.77 t=-1.69

**Notes:**

The responses are solicited on a 5-point scale ranging from Extremely Important (coded 5); Very Important (coded 4); Important (coded 3); Quite Important (coded 2); and Not At All Important (coded 1) except for item on R & D which are solicited To A Greater Extent (coded 5); Very Much (coded 4); Somewhat (coded 3); Not Much (coded 2); and Not At All (coded 1).

t = t-value for difference between means; significant levels \*\*\*p<0.001; \*\*p<0.01; \*p<0.05 - 2-tail probability.

An examination of the differences in the mean values shows that successful exporters (firms adopting a market diversification strategy; and foreign firms characterised as exhibiting a marketing orientation policy) rated the importance of these variables significantly higher than the ratings of less successful exporters (firms adopting a market concentration strategy; and foreign firms characterised as exhibiting a selling orientation policy).

No significant difference in the mean values is evident in the profile of exporters characterised as exhibiting a selling orientation. The large-sized firms (the successful exporters) and the medium-sized firms (the less successful exporters) are not significantly different in their ratings of the importance of variables describing management strengths as sources of marketing strengths.

As such, hypothesis H5.5 is true in the profile of exporters classified according to their export market strategy and those which are foreign-owned.

#### **7.1.4.1 Discussion**

The association between an understanding of international business culture and export success which is demonstrated by successful exporters (i. firms adopting a market diversification strategy; and ii. foreign firms exhibiting a marketing orientation) confirm the findings of previous studies which included the firm's management international orientation as a variable contributing to firm's export performance. Kirpalani and Macintosh (1980), Axinn (1988); Kirpalani and Robinson (1989), Sriram, Neelankavil, and Moore (1989), Koh (1990) and Becker and Lenberg (1990) proved that successful exporters from North American manufacturing firms are managed by internationally oriented staff. This is equally true of studies conducted involving firms in the United Kingdom (Cunningham and Spigel, 1971; Schlegelmich and Ross, 1987).

The commitment to quality improvement programmes as a critical success factor

confirms the widely held view that the success of many organisations in international markets is based on the company's obsession to build its competitive advantage on quality (Porter, 1980; 1985; Baker and Hart, 1989; Brown and Cook, 1990).

Evidence from developing nations also points in the same direction. Christensen et al. (1987) noted that the successful Brazilian exporters (that continue to export) had better structured quality control departments. Dominguez and Sequeira (1993) also found that the successful exporting firms from a Central American Common Market (CACM) - comprising of Costa Rica, El Salvador, Guatemala, Honduras and Panama - were more reliant on product design and quality improvement than on price, labour or raw material advantages.

Firms adopting a market diversification strategy indicated that they rely to a greater extent on R & D activities performed within the organisation in Malaysia compared to their counterparts which adopted a market concentration strategy. On the premise that the initiative to organise R & D activities within the organisation is a reflection of management, commitment and ultimately enhances firms' competitiveness, then this finding lends support to the view that R & D is essential to export success. The result is in line with the findings by Ong and Pearson (1982), Cooper and Kleinschmidt (1985) Levy (1988), Schlegelmilch and Diamantopoulos (1989) all whom established that commitment to R & D is positively associated with firms' export performance.

Nevertheless, it should be noted that a number of other studies revealed a different result. Kirpalani and Macintosh (1980) find that R & D intensity has a negative association with export performance, Khan (1978) and Hirsch (1971) do not find any correlation between R & D intensity and export performance.

The association between good relations with suppliers and export success highlights the importance of the knowledge and relationship with outside organisations which are vital in enhancing firms' export competitiveness (Porter, 1985;1990; Ford et. al., 1987; Ford, 1990).

### **7.1.5 External Support**

The varied tasks required to enhance firms' export competitiveness can also be derived from outside organisations. As discussed in Chapter 4 (section 4.4.5 pp.126), this study investigates if the successful exporters differ from the less successful exporters with respect to the importance of support from the government as well as their distributors. Table 7.6 presents the pattern of mean values and the results of t-test on the variables describing the types of support provided by these institutions.

Between the two sources of external support, only support from the distributors in terms of a. providing market information; and b. marketing networks overseas are found to be statistically significant (at  $p < 0.05$  or better). The difference in the mean values are significant in the profile of exporters classified according to their export market strategy and foreign-owned firms (refer columns 2 and 4 respectively).

The analysis show that successful exporters in both profiles (firms adopting a market diversification strategy and foreign firms characterised as exhibiting a marketing orientation policy) rated the importance of distributors commitment and strengths in providing market information and marketing networks overseas, significantly higher than less successful (firms adopting a market concentration strategy; and foreign firms characterised as exhibiting a selling orientation policy respectively).

No significant difference in the mean values is evident in the profile of exporters characterised as exhibiting a selling orientation. The large-sized firms (successful exporters) and the medium-sized firms (less successful exporters) are not significantly different in their ratings of the importance of variables describing external support as sources of marketing strengths.

The acceptance of hypothesis H5.6 is therefore confined to two of the three profiles of successful and less successful exporters and is true only with the distributors' support in terms of providing market information and marketing networks overseas.



**Table 7.6: Pattern of means and the results of t-test on external support.**

Variables	Market Strategy MD vs MC	Selling Orientation Policy: L vs M	Foreign Firms: MO vs SO
<b>Support from government:</b>			
Financial assistance under Export Credit Refinancing Schemes	3.09 2.80 t=-1.40	2.77 2.65 t=-0.43	2.85 2.50 t=-1.34
R & D by government agencies (e.g.SIRIM, PORIM)	2.42 2.15 t=-1.52	2.28 2.39 t=0.42	2.26 1.86 t=-1.87
<b>Distributors' commitment and strengths in:</b>			
a. providing market information	3.80 3.21 t=-3.21**	3.00 3.12 t=0.47	3.92 3.14 t=-3.28***
b. marketing networks overseas	3.75 3.03 t=-3.95***	3.14 2.84 t=-1.22	3.64 2.98 t=-2.64**
c. dealing with bureaucracy	2.97 2.69 t=-1.48	2.61 2.59 t=-0.08	2.95 2.54 t=-1.72

Notes:

The responses are solicited on a 5-point scale ranging from Extremely Important (coded 5); Very Important (coded 4); Important (coded 3); Quite Important (coded 2); and Not At All Important (coded 1) except for item on R & D which are solicited To A Greater Extent (coded 5); Very Much (coded 4); Somewhat (coded 3); Not Much (coded 2); and Not At All (coded 1).

t = t-value for difference between means; significant levels \*\*\*p<0.001; \*\*p<0.01; \*p<0.05 - 2-tail probability.

### 7.1.5.1 Discussion

Information and marketing networks are interdependent. The larger the marketing networks the better would be the market penetration and more information may be

acquired. The results confirm the argument that distributors and importers from the importing nations play a crucial role in developing countries exports (Ford et al., 1987; Wortzel and Wortzel, 1981). The finding of this study corroborates with evidence from other industrialising nations. Levy (1988) attributed the success of the Taiwanese footwear manufacturers from the support provided by a well-developed network of export traders which served as the information nerve centre. The success of the Thailand's canned food industries was also based on their ability to capitalise on the strengths of their agents in overseas market (Erskine, 1991).

The evidence also corroborates with the findings of studies involving firms from industrialised nations (Cunningham and Spigel, 1971; Khan, 1978; Ford and Rosson, 1982; Walters, 1983; Varaldo, 1987; Sriram, Neelankavil and Moore, 1989; Madsen, 1989; Tuncalp, 1990; and Williamson, 1991) which have shown that interaction between the exporters and channel members facilitate information exchanges vital for export performance.

The insignificance of government support in providing financial assistance through export credit refinancing schemes is not surprising as previous findings tend to cast doubt on the contribution of such assistance in enhancing export marketing competitiveness. Kirpalani and Macintosh (1980) and Sriram, Neelankavil and Moore (1989) found a negative relationship between external support and perceived export success. Similar conclusions were reached by researchers investigating firms from developing nations. Christensen et al. (1987) reported that the Brazilian government's credit and guarantee schemes are regarded important only by exporting firms which are less successful. Douglas (1993) in her investigation the Peruvian exporters noted that the usage of government incentives was negatively associated with performance.

As regards to R & D activities by government agencies, the finding is not surprising because such activities are predominantly directed at the primary commodities sector rather than the manufacturing sector.

The evidence from this study lends support to a body of literature which attests to exporters' dissatisfaction with governmental assistance in industrialised nations (Sullivan and Bauerschmidt, 1988; Seringhaus, 1986; Bodur and Cavusgil, 1985; Diamantopoulos, Schlegelmilch, and Katy Tse, 1992) as well as in industrialising and developing nations (Hoffman and Siew Ee, 1980; Ariff, 1983 ; Siew Ee, Hirata and Yew Wah, 1987; Ford et al., 1987).

#### **7.1.6 Assistance from a foreign equity partner**

The foreign firms in the profiles of exporters classified according to their export market strategy and those characterised as exhibiting a selling orientation were segregated. These firms were then subjected to separate analysis to determine if they differ with respect to the level of assistance received from their foreign equity partner. As firms in the third profile are foreign-owned no segregation is necessary and similar tests were done.

The pattern of mean values and the results of t-test are presented in Table 7.7. The pattern of means suggests that both successful and less successful exporters in the three profiles consider the level of assistance from their foreign equity partner as being quite important. The results of t-test show that the difference in the mean values is however not statistically significant. Hypothesis H5.7 is therefore rejected.

##### **7.1.6.1 Discussion**

The findings on the insignificant of inputs from foreign equity partners lends support to the finding by Amine and Cavusgil (1986) who found no association between the extent of assistance from foreign associates and export performance. The possible explanation could be that such assistance has become a routine managerial exercise that it is no longer regarded as being crucial in their export operation.

**Table 7.7: Pattern of group's means and the results of t-test on assistance from foreign equity partner.**

Variables	Market Strategy	Selling Orientation Policy:	Foreign Firms:
	MD vs MC	L vs M	MO vs SO
Production technology	3.61 3.84 t=0.87	3.96 3.32 t=-0.43	3.79 3.74 t=-0.29
Product development	3.39 3.59 t=0.69	3.65 3.14 t=-1.24	3.49 3.54 t=0.20
Market information	3.00 3.26 t=0.98	3.43 3.00 t=-1.11	3.00 3.26 t=0.97
Ready/captive market	2.82 2.98 t=0.55	3.17 2.73 t=-0.99	2.87 2.89 t=0.08
R & D by affiliate firms overseas	3.37 3.10 t=-0.92	3.04 3.14 t=0.23	3.44 3.07 t=1.32

**Notes:**

The responses are solicited on a 5-point scale ranging from Extremely Important (coded 5); Very Important (coded 4); Important (coded 3); Quite Important (coded 2); and Not At All Important (coded 1) except for item on R & D which are solicited To A Greater Extent (coded 5); Very Much (coded 4); Somewhat (coded 3); Not Much (coded 2); and Not At All (coded 1).

t = t-value for difference between means.

## **7.2 Marketing-mix Strengths.**

### **7.2.1 Product Strengths**

As highlighted in Chapter 4 (section 4.5.1,pp.144), two aspects of product strengths are investigated. The first aspect focuses on the elements which describe the product-mix and the second aspect looks at the extent of modifications made to six product attributes.

#### **7.2.1.1 Product-mix**

Product represents the tangible and intangible elements that the customer buys. In this study, hypothesis H5.8 suggests that the importance of four variables representing product-mix as sources of marketing strengths separate successful from less successful exporters. The pattern of mean values and the results of t-test on these variables are presented in Table 7.8.

The results of t-test show that the difference in the mean values of the following three variables describing the product-mix are statistically significant (at  $p < 0.05$  or better):

- a. product uniqueness;
- b. consistent product quality; and
- c. wide product range.

The three variables are significant in the profile of exporters which are foreign-owned (refer to column 4). An examination of the pattern of mean values shows that the importance of all the three product variables is rated significantly higher by the foreign firms characterised as exhibiting a marketing orientation policy (successful exporters) than that rated by their counterparts which exhibit a selling orientation policy (less successful exporters).

Table 7.8: Pattern of group's means and the results of t-test on product-mix.

Variables	Market Strategy MD vs MC	Selling Orientation Policy: L vs M	Foreign Firms: MO vs SO
Product uniqueness	3.17 3.01 t=-0.97	3.06 2.63 t=-1.86	3.54 2.90 t=-2.82**
Consistent product quality	4.47 4.27 t=-1.55	4.25 4.06 t=-0.95	4.72 4.04 t=-3.71***
High product quality	4.30 4.19 t=-0.79	4.17 3.94 t=-1.07	4.49 4.16 t=-1.79
Wide product range	3.38 2.74 t=-3.92***	3.00 2.55 t=-1.90	3.36 2.82 t=-2.45*

Notes:

The responses are solicited on a 5-point scale ranging from Extremely Important (coded 5); Very Important (coded 4); Important (coded 3); Quite Important (coded 2); and Not At All Important (coded 1).

t = t-value for difference between means; significant levels \*\*\*p<0.001; \*\*p<0.01; \*p<0.05 - 2-tail probability.

In the profile of exporters classified according to their export market strategy, only the variable "wide product range" is significant (refer column 2). Firms adopting a market diversification strategy (successful exporters) rated the importance of this variable significantly higher than firms adopting a market concentration strategy (less successful exporters).

There is no significant difference in the mean values in the profile of exporters which are characterised as exhibiting a selling orientation policy. The large-sized firms (successful exporters) are not significantly different from the medium-sized firms

(less successful exporters) with regards to their ratings of the importance of the four variables representing the product-mix as sources marketing strengths.

The results suggest that hypothesis H5.8 is only true in the profiles of exporters which are foreign-owned and exporters classified according to their export market strategy. As indicated by the pattern of the mean values, the importance of variables describing product-mix is peculiar to the successful exporters.

#### **7.2.1.1 Discussion**

The finding that offering of a wide product range differentiates successful and less successful exporters concur with the findings by Beamish and Munro (1986) Diamantopoulos and Inglis (1988) who established a significant association between multiple product lines and export profitability and intensity. The result also concurs with evidence from newly industrialising countries. Christensen et al (1987) and Jaffe, Nebenzhall and Pasternak (1988) found significant association between wide product lines and successful Brazilian and Israeli exporters respectively.

The insignificant association of this variable with the large-sized firms exhibiting a selling orientation) appears to support the finding by Kirpalani and MacIntosh (1980) who found that firms offering narrow product lines are more successful.

The importance of the ability to offer a product with unique attributes and consistent in quality is associated with foreign-owned firms which exhibit a marketing orientation. The evidence from this study therefore corroborates with previous evidence which shows that exporters which export products that possess unique attributes achieve better export performance including Cavusgil and Kaynak (1982), McGuinness and Little (1981). Evidence from a study involving Danish exporters (Madsen, 1989) found that besides quality, product uniqueness also has a strong impact on export performance.

As regards the importance of consistent product quality, direct comparison with previous studies is rather restricted as most researchers who have found product quality to be associated with successful exporting (Sriram, Neelankavil and Moore, 1989; Madsen, 1989; Brown and Cook, 1990; and Louten, Ouwerkerk and Bakker, 1991) make no distinction between consistency and high product quality. Only Cavusgil and Kaynak (1982) used the term consistent product quality and is found to be associated with successful exporters.

Nonetheless the result of this study supports the findings from Peru which established that the ability to produce consistent product quality was a key element in successful exporting (Daniels and Robles, 1982; Douglas, 1993). Dominguez and Sequeira (1993) who studied Latin American exporters found that successful exporters are those that the emphasise product-service quality.

The importance of high product quality as a measure of product strengths is not peculiar to any particular characteristics of successful exporters. The less successful exporters' view of the importance of high product quality is no different from that of the successful exporters. This finding suggests that a high product quality is necessary, but consistently producing quality product is crucial.

### **7.2.2 Product modifications**

The most important challenges facing exporters are: to what extent the firm's existing products are suitable for international markets, and if changes are required, what level of modifications would make the product acceptable to the target markets? Hypothesis H5.9 posited that the successful exporters differ from the less successful exporters with regard to the level of modifications made on six product attributes. The findings are presented in Table 7.9.



**Table 7.9: Pattern of group's means and the results of t-test on product modifications.**

Variables	Market Strategy	Selling Orientation Policy:	Foreign Firms:
	MD vs MC	L vs M	MO vs SO
Size of packaging	3.25 2.90 t=-1.64	3.14 2.84 t=-0.94	3.18 3.02 t=-0.55
Branding/labelling	3.02 2.68 t=-1.49	2.81 2.88 t=0.21	2.82 2.98 t=0.52
Colour of packaging	2.61 2.28 t=-1.61	2.69 2.41 t=-0.94	2.33 2.65 t=1.05
Packaging materials	2.86 2.69 t=-0.87	2.92 2.57 t=-1.17	3.00 2.68 t=-1.08
Raw materials used	2.58 2.78 t=0.90	2.56 2.57 t=0.05	2.51 2.37 t=-0.48
Styles/design/other features	3.14 2.78 t=-1.59	3.19 2.55 t=-2.03*	2.92 2.82 t=-0.32

**Notes:**

The responses are solicited on a 5-point scale ranging from Major (coded 5); Moderate (coded 4); Some (coded 3); Little (coded 2); and None (coded 1).

t = t-value for difference between means; significant level \*p<0.05 - 2-tail probability.

The pattern of mean values and the results of t-test presented in Table 7.10 revealed that the difference in the mean values is statistically significant at p<0.05 or better on only one product attribute, that is the product's "style/design/other features".

The significant difference is noted among exporters characterised as exhibiting a selling orientation policy (refer column 3). The pattern of mean values shows that the

large-sized firms (successful exporters) undertake significantly higher levels of modifications with respect to "style/design/other features" compared to the medium-sized firms (less successful exporters). There is no significant difference in the mean values in the profiles of exporters classified according to their export market strategy and exporters which are foreign-owned. In these profiles of exporters, successful exporters do not significantly differ from less successful exporters with respect to the level of modifications made to the six product attributes.

Hypothesis H5.9 is therefore only true in the profile of exporters which are characterised as exhibiting a selling orientation policy and with respect to only one item, that is "style/design/other features" .

#### **7.2.1.2.1 Discussion**

The finding which shows that the extent of product modification is associated with one profile of successful exporters seems to lend support to Cooper and Kleinschmidt (1985) and Madsen (1989) who found that product modification is peculiar to successful exporters.

Given the fact that the significant association is confined to only one profile of the successful exporters and involves only one product attribute, it can be safely assumed that product modifications are not a significant factor in differentiating successful and less successful exporters in Malaysia. Evidence from developing nations appears to show a similar trend. Douglas (1993) in her study of the Peruvian exporters noted the managers' appreciation for the needs of product adaptation but the variable was not found to be correlated to success. Evidence from Turkey also shows no significant relationship between the product policy (adaptation) and export volume (Karafakioglu, 1986).

The insignificant association between the level of product modifications with the successful exporters is also in agreement with Fenwick and Amine (1979) and Amine

and Cavusgil (1986) who investigated the impact of product adaptation on export performance of UK clothing firms, and found that export performance tends to be better when less adaptation is being practised. Beamish and Munro (1986) also found that Canadian small- and medium-sized firms achieved higher export profitability even though product modification is least attended to. In similar vein Koh and Robicheaux (1988) found no significant difference in the perceptions of export profitability arising from levels of product modifications. Madsen (1989) on the other hand found that among Danish exporters adaptation of product offer is associated with export growth but not with export sales and profitability.

### **7.2.2 Price Strengths**

Price is an important element of the marketing-mix. In exporting, price encompasses a wide range of subjects ranging from cost of production to international monetary issues. This study investigates four variables representing the price strengths of the firms. Hypothesis H5.10 proposed that successful exporters differ from less successful exporters with respect to the importance of these variables.

Table 7.10 shows the pattern of mean values and the results of the t-test on four variables describing the price-mix. The results show that the difference in the mean values of the four variables are statistically significant at  $p < 0.05$  or better in the profile of exporters which are characterised as foreign firms (refer column 4).

The importance of all the variables namely price competitiveness, low production costs, tight cost control, and relative value of Malaysian Ringgit, are rated significantly higher by the foreign firms characterised as exhibiting a marketing orientation policy, (successful exporters) than their counterparts characterised as exhibiting a selling orientation policy (less successful exporters).

No significant difference is established in the profile of exporters based on their export market strategy and among exporters characterised exhibiting a selling

orientation policy. Successful exporters do not differ significantly from less successful exporters with respect to the importance of variables describing price strengths as sources of marketing strengths. Hypothesis 5.9 is therefore true only with respect to profile of exporters which are foreign-owned. The importance of price strengths are peculiar to successful exporters (firms exhibiting a marketing orientation policy).

Table 7.10: Pattern of means and the results of t-test on price strengths.

Variables	Market Strategy		Selling Orientation Policy:		Foreign Firms:	
	MD	MC	L	M	MO	SO
Price competitiveness	3.94	3.80	3.75	3.71	4.13	3.48
	t=-0.99		t=-0.18		t=-3.40***	
Low production cost	3.77	3.69	3.58	3.31	4.05	3.40
	t=-0.45		t=-1.19		t=-3.16**	
Tight cost control	4.03	3.88	3.75	3.55	4.33	3.68
	t=-1.70		t=-0.93		t=-3.41***	
Relative value of Malaysian ringgit	3.78	3.55	3.50	3.59	3.85	3.19
	t=-1.48		t=0.38		t=-3.18**	

Notes:

The responses are solicited on a 5-point scale ranging from Extremely Important (coded 5); Very Important (coded 4); Important (coded 3); Quite Important (coded 2); and Not At All Important (coded 1).

t = t-value for difference between means; significant levels \*\*\*p<0.001; \*\*p<0.01; \*p<0.05 - 2-tail probability.

### 7.2.2.1 Discussion

The findings which show no significant difference between successful and less successful exporters on the importance of price strengths among exporters classified according to their export market strategy contradict the evidence provided by Cooper

and Kleinschmidt (1985) who established that the need for price advantage was peculiar to the less successful exporters.

However the insignificant association between the importance of price strength and export success (in two of the three profiles of exporters) concurs with the findings by Douglas (1993) which established that price is of little importance to the successful Peruvian exporters. The evidence also lends support to Thanch and Axinn (1991) and Louter et. al, (1991) who confirmed that successful North American and Dutch exporters respectively do not rate price as a factor for success.

That the importance of price strengths is peculiar to successful exporters which are foreign-owned concurs with Sriram, Neelankavil and Moore (1989) who found that price competitiveness is significantly associated with export success among exporters in North America. The significance of being cost-conscious also reflects the argument by Piercy (1982) and Porter (1980) that price competitiveness which stems from being cost-efficient is critical for export success.

Even though the importance of price strengths is associated with foreign firms exhibiting a marketing orientation policy, it does not mean they rely solely on price. As demonstrated by the overall results, the other three elements of the marketing-mix have also been found to be significantly associated with foreign firms exhibiting a marketing orientation. In a way the finding of this study reaffirmed the generally held view that price alone is not a sufficient contributor to export success (Johannson and Nonaka, 1983; Madsen, 1987; 1989; Baker and Hart, 1989; Williamson, 1991).

### **7.2.3 Distribution strengths**

The third element of the marketing-mix is distribution. In this study, distribution strengths are comprised of distribution policy and export channels.

### 7.2.3.1 Distribution policy

In exporting, one of the marketing tasks is to select channel members which are capable of contributing positively to the company's total export programmes. Another task which is equally important and within the control of the management is to honour the company's commitment in servicing export market requirements.

Hypothesis H5.11 proposed that successful exporters differ from less successful exporters with respect to the importance of variables describing firms' distribution policy - a. reliability of delivery; and b. existence of policy on selection and expected performance of distributors. The pattern of mean values and the results of t-test are shown in Table 7.11 .

Table 7.11: Pattern of means and the results of t-test on distribution policy

Variables	Market Strategy MD vs MC	Selling Orientation Policy: L vs M	Foreign Firms: MO vs SO
Reliability of delivery	4.54 3.96 t=-3.80***	3.92 3.96 t=0.20	4.59 3.77 t=-4.72***
Existence of policy on selection and expected performance level	3.19 2.89 t=-1.79	2.72 2.76 t=0.14	3.33 2.82 t=-2.49*

Notes:

The responses are solicited on a 5-point scale ranging from Extremely Important (coded 5); Very Important (coded 4); Important (coded 3); Quite Important (coded 2); and Not At All Important (coded 1).

t = t-value for difference between means; significant levels \*\*\*p<0.001; \*\*p<0.01; \*p<0.05 - 2-tail probability

The results show that the difference in the mean values on both variables are statistically significant (at  $p < 0.05$  or better) in the profile of exporters which are classified as foreign-owned firms. As indicated by the pattern of mean values, foreign firms characterised as exhibiting a marketing orientation (successful exporters) rated both variables significantly higher than those rated by their counterparts characterised as exhibiting a selling orientation (less successful exporters).

The importance of variable "reliability of delivery" is significant in the profile of exporters based on their export market strategy. The pattern of mean values shows that the importance of this variable is peculiar to firms adopting a market diversification strategy (successful exporters).

No significant difference was established in the profile of exporters which are characterised as exhibiting a selling orientation policy. The large-sized firms (successful exporters) are not significantly different from the medium-sized firms (less successful exporters) with respect to the importance of variables describing distribution policy as sources of marketing strengths. Thus hypothesis H5.11 is true in two of the three profiles of exporters.

#### **7.2.3.1.1 Discussion**

The findings support the contention that priority placed on fulfilment of export orders as scheduled is crucial to the performance of exporters from developing nations. Leoniduo (1988) in his investigation of the factors influencing the decision to purchase from developing country exporters (Cyprus) noted that "reliability/security of regular delivery and long term supply" is ranked highly by developed country importers (United Kingdom). The importance of adhering to the strict delivery schedule has been established by Brown and Cook (1990) which showed that Queen's Export Award Winners rated delivery factor as the third most important success factor after quality and effective selling.

In addition, proper selection of export channel members is also featured as one of the important factors in the marketing activities of successful exporters (Cunningham and Spigel, 1971). Chan (1987) found that successful Hong Kong apparel exporters also used appropriate marketing representation criteria in their selection of export distribution channels.

### **7.2.3.2 Export channels**

Export channels refer to the institutional arrangements through which a firm chooses to direct the flow of its goods and other related activities. This study investigates and tests hypothesis H5.13 which suggests that successful and less successful exporters differ with respect to the importance of both direct and indirect export channels.

Table 7.12 presents the pattern of means and the results of t-test on the nine export channels listed in column 1.

The results of t-test show that the difference in the mean value is statistically significant at  $p < 0.05$  or better with respect to:

- a. direct exporting to distributors in importing nation; and
- b. indirect exporting through Japanese trading companies based in Malaysia and Singapore.

The significant of the first export channel is established in the profile of exporters based on their export market strategy; the other export channels are established in the profile of exporters which are characterised as exhibiting a selling orientation policy.

The pattern of means shows that direct exporting to distributors in importing nations is peculiar to firms adopting a market diversification strategy (successful exporters). The importance of indirect exporting through a Japanese trading companies based in Malaysia and Singapore is found to be associated with the medium-sized firms exhibiting a selling orientation policy (less successful exporters).



**Table 7.11:** Pattern of means and the results of t-test on export channels.

Variables	Market Strategy		Selling Orientation Policy:		Foreign Firms:	
	MD	vs MC	L	vs M	MO	vs SO
<b>Direct to:</b>						
Distributors in importing nations	3.81	3.26 t=-2.63**	3.25	3.39 t=0.45	3.41	3.25 t=-1.66
Major retailers in importing nation	2.27	2.23 t=-0.16	1.92	2.20 t=1.12	2.26	1.96 t=-1.14
Affiliate companies overseas+	3.26	3.02 t=-0.79	3.17	2.82 t=-0.89	3.33	2.98 t=-1.15
<b>Indirect through:</b>						
Malaysian trading companies	1.83	1.87 t=-0.24	1.75	1.96 t=0.85	1.87	1.59 t=-1.21
Singaporean trading companies	2.05	1.99 t=-0.30	1.89	2.08 t=0.79	2.05	1.89 t=-0.63
European trading companies based in Malaysia	1.64	1.52 t=-0.79	1.39	1.65 t=1.30	1.54	1.33 t=-1.06
European trading companies based in Singapore	1.69	1.44 t=-1.70	1.44	1.65 t=0.97	1.51	1.33 t=-0.88
Japanese trading companies based in Malaysia	1.75	1.69 t=-0.41	1.47	1.92 t=2.09*	1.72	1.53 t=-0.90
Japanese trading companies based in Singapore	1.64	1.52 t=-0.80	1.31	1.73 t=2.08*	1.56	1.32 t=-1.37

Notes:

The responses are solicited on a 5-point scale ranging from Extremely Important (coded 5); Very Important (coded 4); Important (coded 3); Quite Important (coded 2); and Not At All Important (coded 1).

t = t-value for difference between means; significant levels \*\*p<0.01; \*p<0.05 - 2-tail probability.

+ applicable to foreign firms

No significant difference in the mean values is evident in the profile of exporters which are foreign-owned. Foreign firms exhibiting a marketing orientation policy (successful exporters) do not significantly differ from their counterparts exhibiting a selling orientation policy (less successful exporter).

Hypothesis H5.12 is therefore true with respect to the importance of direct exporting to distributors in importing nation and is applicable to the profile of firms based on export market strategy. This proposition is also true with respect to the importance of indirect exporting through Japanese trading companies based in Malaysia and Singapore and is relevant to the profile of firms which exhibit a selling orientation policy.

#### **7.2.3.2.1 Discussion**

Direct exporting to distributors in importing nations which is found to be associated with one of the profiles of the successful exporters (firms adopting a market diversification strategy) is in agreement with Dominguez and Sequeira (1993) who found that the Latin American exporters which are classified as high volume-high growth (successful exporters) deal directly with their clients. The evidence from Peru (Douglas 1993) is similar.

This finding thus contradicts the evidence from Brazil (Christensen et. al., 1987) which shows that successful exporters used more intermediaries, in particular Japanese trading companies. The insignificant association of other export channels with the other successful exporters lends support to the finding by Munro and Beamish (1987) which showed no significant relationship between the type of channel employed and export sales, growth, and profitability.

### **7.2.5 Promotion strengths**

Promotion as a marketing-mix deals with communication. In communicating with the buyers and potential buyers, this study assumes that exporters use a mixture of communication devices albeit with varying degrees of importance. This study tests hypothesis H5.14 which proposed that successful exporters differ from less successful exporters with regards to the importance of six communication devices listed in column 1 of Table 7.13 .

The results of t-test show that three of the six types of promotional tools are found to be statistically significant (at  $p < 0.05$  or better):

- a. regular visits to overseas markets;
- b. joint promotional efforts with distributors; and
- c. trade fairs and exhibitions.

The significant difference in the mean values on variable "regular visits to overseas market" is statistically significant in the profile of exporters based on their export market strategy and among foreign firms. While the importance of "joint promotional efforts with distributors" is established to be significant in the profile of exporters classified according to export market strategy, the importance of "trade fairs and exhibition" is significant in the profile of exporters which are foreign-owned.

The pattern of mean values shows that the importance of all these three promotional tools are peculiar to successful exporters, firms adopting a market diversification strategy and foreign firms exhibiting a marketing orientation policy.

No significant difference was established in the profile of exporters which are characterised as exhibiting a selling orientation policy. The large-sized firms (successful exporters) are not significantly different from the medium-sized firms (less successful exporters) with respect to the importance of variables describing promotional strengths as sources of marketing strengths.

**Table 7.13: Pattern of means and the results of t-test on promotional strengths.**

Variables	Market Strategy	Selling Orientation Policy:	Foreign Firms:
	MD vs MC	L vs M	MO vs SO
Trade fairs and exhibitions	2.59 2.44 t=-0.77	2.31 2.41 t=0.35	2.56 1.96 t=-2.54*
Advertising in trade journals	2.56 2.50 t=-0.35	2.25 2.45 t=0.78	2.44 2.14 t=-1.35
Joint efforts with distributors	3.28 2.74 t=-2.75**	2.75 2.73 t=-0.06	3.05 2.58 t=-1.73
Promotional programmes organized by trade associations	2.09 2.00 t=-0.59	1.86 1.98 t=0.59	2.05 1.81 t=-1.22
Regular visits to overseas market	3.94 3.32 t=-3.46***	3.03 3.24 t=0.73	4.00 2.95 t=-3.95***

Notes:

The responses are solicited on a 5-point scale ranging from Extremely Important (coded 5); Very Important (coded 4); Important (coded 3); Quite Important (coded 2); and Not At All Important (coded 1).

t = t-value for difference between means; significant levels \*\*\*p<0.001; \*\*p<0.01; \*p<0.05 - 2-tail probability.

Hypothesis H5.13 is therefore true in the profile of exporters classified according to export market strategy with respect to regular visits to overseas markets and joint efforts with distributors. Hypothesis H5.13 is also true in the profile of exporters which are foreign-owned with respect to regular visits to overseas markets and trade fairs and exhibition.

#### **7.2.4.1 Discussion**

The significant association between visits to overseas markets and export success as exhibited by firms adopting a market diversification strategy and foreign firms exhibiting a marketing orientation policy, concurs with Cunningham and Spigel (1971) who noted that there is general agreement among the Winners of the Queen's Award for export achievement that personal visits are the most important factor for their success. The findings of this study also corroborates with evidence from Turkey (Karafakioglu, 1986) and Denmark (Madsen, 1989).

While Amine and Cavusgil (1986) found that personal visit to overseas market are particularly important during the planning stage, other researchers confirmed that visits to foreign markets are an important source of information about market development (Noar and Cavusgil, 1981; Brooks and Rosson, 1982). Even though Cavusgil and Kaynak (1982) found weak association, other studies have shown that visits which promote face to face contact between exporter and importer are particularly important when exporting to a difficult market like China (Schlegelmilch, Diamantopoulos and Peterson, 1990; Kirpalani and Robinson, 1989) and Latin America (Becker and Lenberg, 1990).

The result of this study which shows that visiting to overseas markets is peculiar to firms adopting a market diversification strategy however, is in contrast with the findings from Canada (Cooper and Kleinschmidt, 1985) which show that the level of foreign visits is not associated with either the world orientation firms (market diversification firms) or the nearest neighbour orientation (market concentration) firms.

The objectives of regular overseas visits are often associated with understanding and acquiring first hand information about the target market as well as fostering a working relationship with the distributors. The significant association between joint efforts with distributors as a promotional tool and export success (as demonstrated

by firms adopting a market diversification strategy) concurs with Madsen (1989) who noted good personal contact and joint decision making with the channel members have a positive bearing on performance. Similar findings are reported in a study of manufacturer-distributor relations by Rosson and Ford (1982).

The importance of participation in trade fairs and exhibitions which is peculiar to foreign firms exhibiting a marketing orientation policy ( successful exporters) supports the finding by Kirpalani and MacIntosh (1980), Cavusgil and Kaynak (1982) who found that participation in trade fairs is associated with export success. Becker and Lenberg (1990) also noted that successful firms exporting to Latin America emphasised participation in trade shows.

### 7.3 Market environmental factors

A firm's marketing activities are shaped by environmental factors. This study hypothesised that successful exporters differ from less successful exporters as regards their perceptions of the market environmental factors.

#### 7.3.1 Market potentials

The pattern of mean values and the results of t-test on managers' perceptions of the state of market potentials (in both domestic and export markets) are presented in Table 7.14 .

Table 7.14: Pattern of means and the results of t-test on market potentials.

Variables	Market Strategy MD vs MC	Selling Orientation Policy: L vs M	Foreign Firms: MO vs SO
Domestic market potentials	3.45 3.51 t=0.32	3.56 3.61 t=0.24	3.67 3.41 t= -1.00
Export market potentials	3.81 3.68 t=-0.96	3.78 3.63 t=-0.71	3.62 3.59 t=-0.90

Notes:

The responses are solicited on a 5-point scale ranging from Growing Rapidly (coded 5); Growing Gradually (coded 4); Stable (coded 3); Declining Gradually (coded 2); and Declining Rapidly (coded 1).

t = t-value for difference between means

The pattern of mean values shows that less successful exporters in two of the profiles of firms (firms adopting a market concentration strategy and medium-sized firms characterised as exhibiting a selling orientation policy) consider the market potentials

in the domestic market are higher than that rated by their counterparts (firms adopting a market diversification strategy and large-sized firms characterised as exhibiting a selling orientation policy). As regards the market potentials in export market, the opposite situation prevails. Refer to column 2 and 3 respectively.

In the profile of exporters which are foreign-owned, successful exporters (those characterised as exhibiting a marketing orientation policy) rated the potentials in both domestic and export markets higher than those rated by less successful exporters (those characterised as exhibiting a selling orientation policy).

However the results of t-test show that the difference in the mean values between successful and less successful exporters in all the three profiles of exporters are not statistically significant at  $p < 0.05$  or better. As such hypotheses H5.14 and H5.15 are rejected.

### **7.3.2 Infrastructure in the domestic economy**

It has been argued that the country's infrastructure can have a far reaching effects on the ability of the firms to effectively execute marketing activities. Hypothesis H5.16 proposed that successful exporters differ from less successful exporters as regards to the degree of satisfaction with the state of the infrastructure in the domestic economy.

The pattern of mean values and the results of t-test on five variables describing the state of the infrastructure in the domestic economy are presented in Table 7.15.

The results of t-test show that the difference in the mean values are statistically significant at  $p < 0.05$  or better for the following variables:

1. fiscal incentives and export financing services provided by the government agencies; and
2. technical support services provided by government agencies.



Both variables are statistically significant in the profile of exporters classified according to their export market strategy (refer column 2). The latter variable is also statistically significant in the profile of exporters characterised as exhibiting a selling orientation (refer column 3).

Table 7.15: Pattern of means and the results of t-test on infrastructure.

Variables	Market Strategy MD vs MC	Selling Orientation Policy: L vs M	Foreign Firms: MO vs SO
Supply of quality raw materials	3.84 3.78 t=-0.52	3.72 3.94 t=1.42	3.77 3.83 t=0.35
Services provided by the service sector e.g. shipping, insurance etc.	3.83 3.69 t=-1.35	3.94 3.76 t=-1.33	3.72 3.80 t=0.69
Supply of skilled and qualified manpower	2.89 2.73 t=-1.07	3.02 2.94 t=-0.40	2.90 2.77 t=-0.64
Fiscal incentives and export financing services provided by the government agencies	3.33 3.02 t=-2.16*	3.56 3.12 t=-2.18*	3.23 3.28 t=0.25
Technical support services provided by government agencies	2.83 2.52 t=-2.01*	2.83 2.88 t=0.22	2.77 2.67 t=-0.51

Notes:

The responses are solicited on a 5-point scale ranging from Most Satisfactory (coded 5); Satisfactory (coded 4); Somewhat Satisfactory (coded 3); Unsatisfactory (coded 2); and Most Unsatisfactory (coded 1).

t = t-value for difference between means; significant levels \*p<0.05 - 2-tail probability.

An examination of the pattern of mean values (in column 2) suggests that successful exporters (firms adopting a market diversification strategy) indicated a higher level of satisfaction compared to less successful exporters (firms adopting a market concentration strategy) as regards to the state of "fiscal incentives and export financing services" and "technical support services" provided by the government agencies".

Similarly in the profile of firms characterised as exhibiting a selling orientation policy (refer column 3), successful exporters (large-sized firms) are significantly more satisfied with the "technical support services provided by the government agencies" than less successful exporters (the medium-sized firms).

No significant difference is established in all of the variables describing the state of the infrastructure in the profile of exporters which are foreign-owned firms.

Hypothesis H5.16 is therefore true only in the profile of exporters classified according to their export market strategy and those characterised as exhibiting a selling orientation policy.

### **7.3.3 Intensity of competition**

Firms exposed to international market pressure are viewed as being more innovative and are posited to exhibit different export behaviour than their counterparts which operate in a protective market. This study tests hypotheses H5.17 and H5.18 which suggest that successful exporters differ from less successful exporters as regards to level of intensity of competition they encounter in the domestic and export markets respectively.

#### **7.3.3.1 Competition in the domestic market**

The pattern of mean values and the results of t-test on the intensity of competition in

the domestic market are presented in Table 7.16 . The pattern of mean values suggest that firms in all the three profiles encounter moderate level of competition in the domestic market from the three sources listed in column 1. The results of t-test show that the difference in the mean values between successful and less successful exporters in all the three profiles of exporters is not statistically significant at  $p < 0.05$  or better. Hypothesis H5.17 is therefore rejected.

**Table 7.16:** Pattern of means and the results of t-test on competition in the domestic market.

Variables	Market Strategy MD vs MC	Selling Orientation Policy: L vs M	Foreign Firms: MO vs SO
Competition from:			
Local firms	3.23 3.34 t=0.49	2.94 3.35 t=1.41	3.28 3.09 t=-0.69
Foreign-owned firms	2.79 2.79 t=0.27	2.64 2.84 t=0.72	3.10 3.07 t=-0.11
Imported products	2.52 2.69 t=0.97	2.69 2.59 t=-0.44	2.69 2.75 t=0.26

**Notes:**

The responses are solicited on a 5-point scale ranging from Most Intense (coded 5); Intense (coded 4); Moderate (coded 3); Low (coded 2); and None (coded 1).

t = t-value for difference between means.

### 7.3.3.2 Competition in export markets

The pattern of mean values and the results of t-test on the intensity of competition in export markets are presented in Table 7.17 .

Table 7.17: Pattern of means and the results of t-test on competition in the export markets.

Variables	Market Strategy	Selling Orientation Policy:	Foreign Firms:
	MD vs MC	L vs M	MO vs SO
Competition from:			
Other ASEAN nations' exporters	3.80 3.44 t=-1.95	3.61 3.59 t=-0.08	3.62 3.43 t=-0.77
Exporters from other developing nations	3.52 3.35 t=-0.95	3.56 3.27 t=-1.17	3.21 3.30 t=0.37
Malaysian exporters	3.14 2.84 t=-1.64	2.75 3.14 t=1.45	2.79 2.82 t=0.12
Local firms in importing nations	2.86 2.71 t=-0.86	2.81 2.43 t=-1.58	3.05 2.46 t=-2.58*

Notes:

The responses are solicited on a 5-point scale ranging from Most Intense (coded 5); Intense (coded 4); Moderate (coded 3); Low (coded 2); and None (coded 1).

t = t-value for difference between means; significant level \*p<0.05 - 2-tail probability

Among the four sources of competition listed in column 1, the competition posed by exporters from other ASEAN nations, and developing nations, appears to be relatively intense. However the results of t-test shows that the difference in the mean values is statistically significant at p<0.05 or better only with respect to competition posed by

the local firms in importing nations. This is found in the profile of exporters which are classified as foreign firms (refer to column 4). An examination of the pattern of mean values suggests that successful exporters (firms exhibiting a marketing orientation) rated the intensity of competition posed by the "local firms in importing nations" significantly higher than that rated by less successful exporters.

No significant difference in the mean values is found in the remaining two profiles of exporters. Even though firms adopting a market diversification strategy encountered higher intensity of competition from all the four sources listed than that encountered by their counterparts (firms adopting a market concentration strategy), the difference is not statistically significant.

Likewise, in the profile of exporters characterised as exhibiting a selling orientation, successful exporters (the large-sized firms) are not significantly different from less successful exporters (the medium-sized firms) with respect to the intensity of competition encountered in export markets.

Hypothesis H5.18 is therefore true only in the profile of exporters which are foreign-owned and with respect to the competition posed by the local firms in the importing nations.

#### **7.3.4 Export barriers**

This study test hypothesis H5.19 which suggest that successful exporters differ from less successful exporters with respect to the five types of export barriers listed in column 1 of Table 7.18. The pattern of mean values and the results of t-test are highlighterd in columns 2, 3 and 4 respectively.

**Table 7.18: Pattern of means and the results of t-test on export barriers.**

Variables	Market Strategy	Selling Orientation Policy:	Foreign Firms:
	MD vs MC	L vs M	MO vs SO
Tariff barrier in export markets	3.11 2.92 t=-1.08	2.97 3.08 t=0.46	2.97 3.12 t=0.61
Non-tariff barriers in export markets	2.69 2.37 t=-2.05*	2.42 2.78 t=1.74	2.41 2.46 t=0.23
Negative publicity launched by business and/or pressure groups in export markets	2.19 2.07 t=-0.68	1.94 2.33 t=1.63	2.15 2.05 t=-0.45
Consumer bias as the product carries "Made in Malaysia" label	2.27 2.06 t=-1.44	2.00 2.18 t=0.89	2.03 2.07 t=0.23
Professional buyers' bias against "Made in Malaysia" product	2.19 1.93 t=-1.79	1.89 2.12 t=1.14	1.97 2.02 t=0.21

**Notes:**

The responses are solicited on a 5-point scale ranging from Very High (coded 5); High (coded 4); Moderate (coded 3); Little (coded 2); and None (coded 1).

t = t-value for difference between means; significant level \*p<0.05 - 2-tail probability

The pattern of mean values suggests that firms in all the three profiles rated the level of export barriers as being moderate. However, the results of t-test show that the difference in the mean values is statistically significant (at p<0.05 or better) with respect to variable "non-tariff barriers". This result is found in the profile of exporters which are classified according to export market strategy (refer column 2).

The pattern of mean values shows that successful exporters (firms adopting a market

diversification strategy) encountered higher levels of export barriers than less successful exporters (firms adopting a market concentration strategy). Even though the former also rated other export barrier variables as higher than those rated by the latter, the difference is not statistically significant. In the remaining two profiles of exporters, less successful exporters appear to encounter higher levels of export barriers than successful exporters. The difference in the mean values is however not statistically significant.

Hypothesis H5.19 is therefore true only in the profile of exporters which are classied according to export market strategy and with respect only to variable "non-tariff barriers".

#### **7.3.4. Discussion**

The generally held view is that export efforts are inversely related to opportunities in the domestic market. Madsen (1989) found that good sales and profit potential on the domestic market are negatively associated with the Danish firm's export efforts. The findings in this study show that the market potentials (both in the domestic and export markets) do not significantly differentiate the successful from the less successful exporters. This result is in agreement with evidence from Canada (Cooper and Kleinschmidt, 1985).

In addition, domestic market attractiveness could also be reflected in the degree of competition. However, the findings of this study show no significant association between the degree of competition in the domestic market and the three profiles of exporters.

Exporters are often advised to export to markets with low levels of competition (Madsen, 1987;1988). Firms that export to such markets achieve higher levels of profitability (Bilkey 1982). The findings of this study shows that the intensity of competition in export markets is only peculiar to the profile of exporters which are

foreign-owned firms. The evidence shows that successful exporters (foreign firms characterised as exhibiting a marketing orientation) perceived the competition posed by the local firms as more intense than that as perceived by less successful exporters (foreign firms characterised as exhibiting a selling orientation). The implication of this finding seems to suggest that exporting to an intensely competitive market would offer better opportunities for improving export performance.

In addition to avoiding markets with a high degree of competition, exporters are also advised to export to markets with export barriers (Madsen, 1987). The result of this study shows that selecting a convenient route by exporting to markets with low non-tariff barriers may not result in better performance. In this study, successful exporters (firms adopting a market diversification strategy) rated non-tariff barriers in export markets significantly higher than less successful exporters (firms adopting a market concentration strategy).

The state of the infrastructure in the domestic economy can affect the ability of the exporters to effectively execute their export activities. The findings from this study show that successful exporters are more satisfied with the government export incentives and technical support services. The results therefore serve to validate the importance of government intervention in creating a conducive environment and promoting firms' export involvement.

#### **7.4 Summary**

This chapter presents the results of the analysis designed to establish factors associated with successful exporters. The hypotheses were tested for each of the three profiles of successful and less successful exporters identified in Chapter 6. The results of the analysis confirmed that successful exporters can be distinguished from less successful exporters with respect to the importance of a number marketing variables. The two groups of firms also exhibit different perceptions as regards the market environmental factors.



The results of hypotheses testing are summarised in Exhibits 7.2, 7.3, and 7.4 .  
The factors associated with the successful exporters are summarised in Exhibit 7.5.

While this chapter deals with the data obtained via a mail survey, the next chapter will highlights the findings from case studies.

Exhibit 7.2: Summary results of hypotheses testing: Organisational strengths

No.	Research Hypotheses	Results		
		1	2	3
5.1	Successful exporters are more likely to have a formal export organisation structure than less successful exporters	x	x	-
5.2	Successful exporters are more likely to prepare a formal written marketing plan than less successful exporters	x	-	-
5.3	Successful exporters are more likely to have an in-house market research facility than less successful exporters	x	-	-
5.4	Successful exporters differ from less successful exporters in terms of the frequency of seeking information from:  a. Government sources: i. Malaysian Export Promotion Centre (MEXPO) ii. Malaysian Foreign Trade Commissioners office  b. Foreign sources: i. Foreign embassies & consulate in Malaysia ii. International agencies located in Malaysia e.g JETRO  c. Business associations: i. Chambers of commerce/or trade associations ii. Federation of Malaysian Manufacturers (FMM)  d. Other sources: i. Business publications ii. Export training seminars	-	-	-

... continued

Exhibit 7.2 : Summary results of hypotheses testing: Organisational strengths ... continued

No.	Research Hypotheses	Results*		
		1	2	3
5.5	<p>Successful exporters differ from less successful exporters with regard to the importance of the following items describing management strengths:</p> <p>a. good relations with suppliers</p> <p>b. understanding of international business culture</p> <p>c. commitment to quality improvement programme</p> <p>d. in-house R &amp; D in Malaysia</p>	-	-	x
		x	-	x
		x	-	x
		x	-	-
5.6	<p>Successful exporters differ from less successful exporters with regard to the importance of the following types of external support:</p> <p>a. Support from government:</p> <p>i. Financial assistance under export credit refinancing scheme</p> <p>ii. R &amp; D by government agencies (eg SIRIM, PORIM etc).</p> <p>b. Distributors' commitment and strengths in:</p> <p>i. Providing market information</p> <p>ii. Marketing networks overseas</p> <p>iii. Dealing with bureaucracy</p>	-	-	-
		-	-	-
		x	-	x
		x	-	x
		-	-	-
5.7	<p>Among foreign firms, successful exporters differ from less successful exporters with regard to the level of assistance received from their foreign equity partners in the following areas:</p> <p>a. production technology</p> <p>b. product development</p> <p>c. market information</p> <p>d. ready/captive market</p> <p>e. R &amp; D by affiliate firms overseas</p>	-	-	-
		-	-	-
		-	-	-
		-	-	-
		-	-	-

Notes:

\* The three profiles of successful and less successful exporters: 1. Market diversification versus market concentration strategy; 2. Among firms exhibiting a selling orientation policy, large versus medium-sized firms; and 3. Among foreign firms, firms exhibiting a marketing orientation policy versus those that exhibit a selling orientation policy.

x : significant; - : not significant.

**Exhibit 7.3: Summary results of research hypotheses testing: Marketing-mix strengths**

No.	Research Hypotheses	Results*		
		1	2	3
5.8	<p>Successful exporters differ from less successful exporters with regard to the importance of the following items describing product-mix:</p> <p>a. product uniqueness</p> <p>b. consistent product quality</p> <p>c. high product quality</p> <p>d. wide product range</p>	-	-	x
5.9	<p>Successful exporters differ from less successful exporters with regard to the level of modifications made to the following product characteristics:</p> <p>a. size of packaging</p> <p>b. branding/labelling</p> <p>c. colour of packaging</p> <p>d. packaging materials</p> <p>e. raw materials used</p> <p>f. style/design/other features</p>	-	-	-
5.10	<p>Successful exporters differ from less successful exporters with regard to the importance of the following items describing price strengths:</p> <p>a. price competitiveness</p> <p>b. low production cost</p> <p>c. tight cost control</p> <p>d. relative value of Malaysian ringgit</p>	-	-	x
5.11	<p>Successful exporters differ from less successful exporters with regard to the importance of the following items describing distribution policy:</p> <p>a. reliability of delivery</p> <p>d. existence of policy on selection and expected performance of distributors</p>	x	-	x

... continued

Exhibit 7.3 : Summary results of hypotheses testing: Marketing-mix strengths ... continued

No.	Research Hypotheses	Results*		
		1	2	3
5.12	<p>Successful exporters differ from less successful exporters with regard to the importance of the following direct and indirect channels:</p> <p>Direct exporting to:</p> <p>a. distributors in importing nation</p> <p>b. major retailers in importing nation</p> <p>c. affiliate companies overseas</p> <p>Indirect through:</p> <p>a. Malaysian trading companies</p> <p>b. Singaporean trading companies</p> <p>c. European trading companies based in Malaysia</p> <p>d. European trading companies based in Singapore</p> <p>e. Japanese trading companies based in Malaysia</p> <p>f. Japanese trading companies based in Singapore</p>	x	-	-
5.13	<p>Successful exporters differ from less successful exporters with regard to the importance of the following promotional tools:</p> <p>a. trade fairs and exhibition</p> <p>b. advertising in trade journals</p> <p>c. Joint efforts with distributors</p> <p>d. Promotional programmes organised by trade association</p> <p>e. Regular visits to overseas market</p>	-	-	x

Notes:

\* The three profiles of successful and less successful exporters: 1. Market diversification versus market concentration strategy; 2. Among firms exhibiting a selling orientation policy, large versus medium-sized firms; and 3. Among foreign firms, firms exhibiting a marketing orientation versus those exhibiting a selling orientation policy.

x : significant; - : not significant.

**Exhibit 7.4 : Summary results of hypotheses testing: Market environmental factors**

No.	Research Hypotheses	Results*		
		1	2	3
5.14	Successful exporters differ from less successful exporters with regard to their perceptions of the potential in the domestic market.	-	-	-
5.15	Successful exporters differ from less successful exporters with regard to their perceptions of the potential in the export market.	-	-	-
5.16	Successful exporters differ from less successful exporters with regard to their perceptions of the state of the infrastructure in the domestic market:			
	a. supply of quality raw materials	-	-	-
	b. services provided by the service sector e.g. shipping, insurance etc.	-	-	-
	c. supply of skilled and qualified manpower	-	-	-
	d. fiscal incentives and export financing services provided by the government agencies	x	x	-
	e. technical support services provided the government agencies	x	-	-

... continued

Exhibit 7.4 : Summary results of hypotheses testing: Market environmental factors  
... continued

No.	Research Hypotheses	Results*		
		1	2	3
5.17	Successful exporters differ from less successful exporters with regard to their assessment of the level of competition encountered in the domestic market from: a. local firms b. foreign-owned firms c. imported products	-	-	-
5.18	Successful exporters differ from less successful exporters with regard to their assessment of the level of competition encountered in the export markets from: a. other ASEAN nations' exporters b. exporters from other developing nations c. Malaysian exporters d. local firms in importing nations	-	-	-
5.19	Successful exporters differ from the less successful exporters with regard to the level of the following barriers encountered in the export markets: a. tariffs barrier in export markets b. non-tariff barriers in export markets c. negative publicity launched by business and/or pressure groups in export markets d. consumer bias as the product carries "Made in Malaysia" label e. professional buyers' bias against "Made in Malaysia" product	-	x	-

Notes:

\* The three profiles of successful and less successful exporters: 1. Market diversification versus market concentration strategy; 2. Among firms exhibiting a selling orientation policy, large versus medium-sized firms; and 3. Among foreign firms, firms exhibiting a marketing orientation versus those exhibiting a selling orientation policy.

x : significant; - : not significant.

Exhibit 7.5: Factors associated with successful exporters.

1. Firms adopting a market diversification strategy	2. Among firms exhibiting a selling orientation policy - large-sized firms	3. Among foreign firms - those exhibiting a marketing orientation policy
<p>Organisational strengths:</p> <ol style="list-style-type: none"> <li>1. Export department</li> <li>2. Marketing plan</li> <li>3. Information search commitment: <ul style="list-style-type: none"> <li>- in-house market research</li> <li>- consult chambers of commerce/or trade associations, business publications &amp; export training seminars</li> </ul> </li> <li>4. Management strengths: <ul style="list-style-type: none"> <li>- understanding of international business culture</li> <li>- commitment to quality improvement programmes</li> <li>- in-house R &amp; D</li> </ul> </li> <li>5. External support: <ul style="list-style-type: none"> <li>- distributors' commitment and strengths in providing marketing information and market networks</li> </ul> </li> </ol>	<p>Organisational strengths:</p> <ol style="list-style-type: none"> <li>1. Export department</li> </ol>	<p>Organisational strengths:</p> <ol style="list-style-type: none"> <li>1. Management strengths: <ul style="list-style-type: none"> <li>- good relations with suppliers</li> <li>- understanding of international business culture</li> <li>- commitment to quality improvement programmes</li> </ul> </li> <li>2. External support: <ul style="list-style-type: none"> <li>- distributors commitment in providing marketing information and marketing networks</li> </ul> </li> </ol>

... continued



Exhibit 7.5: Factors associated with successful exporters ... continued

1. Firms adopting a market diversification strategy	2. Among firms exhibiting a selling orientation policy - large-sized firms	3. Among foreign firms - those exhibiting a marketing orientation policy
<p><b>Marketing-mix strengths:</b></p> <p>1. Product strengths: - wide product range</p> <p>2. Distribution strengths: - reliability of delivery - direct to distributors in importing nations</p> <p>3. Promotion strengths: - joint efforts with distributors - regular visits to overseas markets</p>	<p><b>Marketing-mix strengths:</b></p> <p>1. Product strengths: - product modifications (style, design &amp; other features)</p> <p>2. Export channel: - Japanese trading companies based in Malaysia &amp; Singapore (-)</p>	<p><b>Marketing-mix strengths:</b></p> <p>1. Product strengths: - product uniqueness - consistent product quality - wide product range</p> <p>2. Price strengths: - price competitiveness - low production costs - tight cost control - relative value of M\$</p> <p>3. Distribution strengths: - reliability of delivery - policy on selection of distributors</p> <p>4. Promotion strengths: - trade fairs and exhibitions - regular visits to overseas markets</p>
<p><b>Market environmental factors:</b></p> <p>1. Infrastructure - fiscal and export financing services; and technical support services provided by government agencies</p> <p>2. Barriers - non-tariffs barrier</p>	<p><b>Market environmental factors:</b></p> <p>1. Infrastructure - fiscal incentives and export financing services provided by government agencies</p>	<p><b>Market environmental factors:</b></p> <p>1. Competition - from local firms in importing nations</p>

## CHAPTER 8

### CASE STUDIES

#### **Introduction**

As mentioned in Chapter 5, this study employs a combination of mail survey and case studies. The results from the mail survey have been presented in Chapters 6 and 7. This chapter will highlight the findings from case studies.

Kirpalani & Balcone (1987) and Kamath et al, (1987) suggested that a plurality of methodologies should be employed in studying firms' export behaviour and performance. Researchers in export marketing have repeatedly argued that a longitudinal study should be conducted to understand the relationship between numerous variables hypothesised to influence firms' export performance (Cavusgil and Nevin, 1980; Czinkota, 1982; Thomas and Araujo, 1985; Madsen, 1989).

As the researcher did not have the luxury of time and resources to undertake a longitudinal study, a cross-section case study approach was adopted. It is hoped that the findings from the case study will enrich the findings of the mail survey presented in the previous chapters. The case study method is employed to highlight the experience of Malaysian exporters which would otherwise have been omitted through sole reliance on a mail survey.

Section 8.1 - presents the write-up on Dunlop Malaysia Industries (DMIB). This case company has its origin as British trading company which sold its interest to Malaysian investors. The Export Manager was interviewed. He holds a degree in economics and attended an advanced management programme at the Asian Institute of Management, Manila.

- Section 8.2 -** the second case company is Poly Glass, a locally owned company which has benefitted from the technology acquired through outright purchase from a US based company. The person interviewed is a Finance Director who also oversees the firm's marketing operations. He holds a Masters degree in management from the Asian Institute of Management, Manila.
- Section 8.3 -** highlights the third case company, FIMA Instanco. The company is formerly a government agency which has since been privatised under the management buy-out scheme. The manager interviewed holds a diploma from the Institute of Marketing (United Kingdom) and has extensive industrial experience.
- Section 8.4 -** The fourth case company is a "bumiputra" (indigenous ethnic group) company nurtured under the government "umbrella concept" which has now been dropped from the government favoured list. The manager interviewed holds a degree in business administration from a local college and has extensive industrial experience.
- Section 8.5 -** The fifth case company is a joint venture between Malaysian and Japanese investors. Malaysian Sheet Glass Berhad (MSG) is a manufacturer of safety glass and has successfully competed with other companies within the Nippon Group to service overseas markets. The manager interviewed holds a degree in business administration from an American university and has been with the company for the last 15 years.
- Section 8.6 -** provides a summary of the findings from the case studies. These findings are then compared with the findings from the mail survey and previous research.

## **8.1 DUNLOP MALAYSIAN INDUSTRIES BHD. (DMIB)**

### **8.1.1 Organisational characteristics**

Dunlop Malaysian Industries Berhad (DMIB) was incorporated in 1961 to manufacture tyres. The thrust of the company's business activities has its origin in the activities of the company which it acquired in the same year, Dunlop Rubber Company (Malaya). The latter has been operating in Malaysia (prior to 1965, known as Malaya) since the 1920s and acting as the importer of products produced by Dunlop Rubber Company of England and its associate companies around the world. With the acquisition, Dunlop Rubber Company went into voluntary liquidation and its trading activities were placed under DMIB. Dunlop Rubber Company of England retained a majority 51% stake in DMIB.

Besides assuming the existing business activities Dunlop Rubber Company, DMIB aggressively expanded into the manufacture of rubber related products. By the end of 1970, the company's principal manufacturing activities could be categorised into five main divisions:

1. the tyre division which comprises of tyres for cars, trucks, motor cycles, tractors, earthmovers and aircrafts;
2. the Dunlopillo division which produces mattresses, pillows, cushions, pouffes and carpet underlay;
3. the chemical division which manufactures such products as adhesives and sealants for the automobile, building and furniture industries;
4. the sports division which involves the manufacture of golf balls; and
5. the trading division which deals in the import and distribution of various types of tyres including barrow and trolley tyres, rims, wheels and accessories, transmission and conveyor belts, vee-belting, rubber hose, industrial and technical rubber goods, flooring products, sports goods and footwear.

The 1980's also saw further diversification when it acquired Aliph Footwear Sdn.

Bhd. which manufactures footwear. DMIB Healthcare Sdn. Bhd. was formed to produce prophylactics (condoms). The company known as BFG Sime Aerospace Services Sdn. Bhd. was incorporated following a joint venture agreement with The BFGoodrich Company of the United States to manufacture and market aircraft tyres as well as to provide aircraft instruments and avionics repair and overhaul services in the Asia-Pacific region. This joint venture company was later renamed Michelin Sime Aircraft Tyre Company Sdn. Bhd., when Michelin of France purchased BF Goodrich aircraft tyre business. The company became the first company in the world to retread the Boeing 747-400 aircraft tyre for commercial airline operations.

By the late 80s the company's diversification programme was reviewed. The company's strategic focus was redirected primarily on the tyre business which has always been its main income earner. The proceeds from the sales of the company's interests in footwear, ceramic tiles and foam mattresses were used to acquire the latest technology in tyre manufacturing. The plant is reputed to be the largest and most modern in ASEAN.

The company currently employs approximately 1100 employees and may be classified as a large-sized firm. It became a fully Malaysian controlled company when in 1988 Dunlop plc sold its equity interest in the company.

DMIB ventures into tyre manufacturing was given a good start in the 1960's by 1) government protection in the form of increased import duties on motor vehicles tyres in 1963; and 2) technical know-how of the Dunlop plc.

Even though the government protection has since been removed, DMIB continue to be supported by other means (see discussion on domestic market). When Dunlop plc divested its interest in DMIB, the Technical Aid Agreement was terminated and replaced by the Trademark License Agreement. This agreement allows the company to use Dunlop trademarks for automotive and earthmover tyres for the next 18 years. There are three basic types of tyres manufactured by the company:

1. passenger car tyres;
2. truck tyres; and
3. earthmover tyres.

In foreign markets, DMIB concentrates more on supplying heavy vehicle tyres for earthmovers and trucks.

### **8.1.2 Export involvement**

Export activities started as early as 1966 but gained a positive foothold in 1969. The company has therefore been actively involved in exporting for the last 22 years and may be described as a very experienced exporter.

#### **8.1.2.1 Export markets**

DMIB exports to over 40 countries including UK, United States of America, Germany, West Asia, Japan, New Zealand and Australia. The company may be described as adopting a market diversification strategy.

The company and its parent organisation Sime-Darby Berhad has been entrusted by the government to spearhead the Malaysian government's ambition to be one of the world's biggest tyre producing countries in the world. The company is also expected to lead the government call for increasing trade links with countries classified as the "south". As such the company is actively exploring opportunities in West Asian and African nations.

#### **8.1.2.2 Export performance**

On average, export of these tyres accounts for about one-quarter of the company's total sales. By Malaysian standards, the company is an active exporter. Table 8.1 shows the breakdown of the company's export and domestic sales during the last three years.

**Table 8.1 : Total Turnover 1989-1991 (M\$mill).**

	<b>Domestic Sales</b>	<b>Export Sales</b>	<b>Total Sales</b>
1989	135	45	180
1990	180	60	240
1991	200	66	266

According to the interviewee, the company has achieved the expected export sales growth and profitability level during the last three years. Some of the DMIB's recent export success include:

1. in 1991, the company secured a deal to supply M\$5million worth of large truck and earthmover tyres to Persian Track Co. in Iran;
2. in 1992, DMIB tyres successfully competed against the world leading tyre makers to supply the tyres to mining companies in Western Australia; secured initial orders amounting to \$350,000 from Zaire, Malawi, and Zimbabwe; \$250,000 from Mexico and Chile; recorded its first sale worth \$2 million of earthmover tyres to India.

### **8.1.3 Marketing strengths**

#### **8.1.3.1 Organisational strengths**

The company has a separate export department handling export business. The department is headed by an export manager and is answerable to the managing director. Exports are regarded as an important part of the company's overall marketing plan. An operational plan is also prepared which is geared towards integrating the production and delivery schedule.

On the whole the company does not exhibit active information seeking behaviour. Despite its size, it does not have an in-house market research facility and hardly consults external sources for export related information.

This rather inactive information seeking behaviour, according to the Export Manager, is attributed to the firm's reputation:

"... DMIB is relatively established and being associated with Dunlop plc puts us in a very favourable position in the market place. The firm is now operating at full capacity, we do not need to seek buyers."

The interviewee elaborated that most of the recent business is often triggered by unsolicited enquiries and referrals from the Malaysian Trade Commissioners office and international agencies like JETRO. The listing of the company in the FMM Directory has also generated a lot enquiries. According to the interviewee:

"In most instances the buyers come to us and provide the necessary information about their needs."

Even though the company does not actively solicit information from public sources, it actively exchanges information with its channel members. The management is committed to the quality improvement programmes. This is evident from the fact that DMIB is the first and only Malaysian tyre manufacturer to be awarded the ISO 9002 quality assurance certificate. Product quality is the company's prime competitive strength.

As a subsidiary of Sime-Darby, DMIB has benefited from the groups activities in research and development as well as manpower development. For example, recently Sime Darby Berhad signed a technology transfer agreement with Japanese-based Sumitomo Rubber Industries Ltd. to set up the group's tyre technology centre. The centre is expected to cost about M\$100 million. Under the agreement, Sumitomo is to provide the technical knowhow in tyre technology to Sime-Darby's three tyre operations, DMIB Berhad, Sime Tyres International (both in Malaysia) and Sime



Darby Philipinas Inc. in the Philippines.

### **8.1.3.2 Marketing-mix strengths**

The tyres manufactured by the company conform to British standards. The company's competitive strengths is its ability to offer a wide product range. According to the manager:

"our main strength in penetrating the "south" nations lies mainly in our capability to offer a wide product range, we still have the moulds to manufacture tyres which, by developed nation's standards, are obsolete."

The company practices a dual branding strategy. The company markets tyres bearing its own brand name, SIMEX and Dunlop's brand. The latter brand is licensed under the Trademark License Agreement with Dunlop plc. However this agreement imposes territorial restrictions. The tyres bearing Dunlop's brand name can only be marketed in Malaysia and exported to the neighbouring countries of Singapore and Brunei only.

Exports to other countries would require permission from Dunlop plc., and Dunlop plc is entitled to between 5 to 12% commission on FOB price on exports of Dunlop brand named tyres. In view of this restriction, it is the policy of the company to actively promote and market tyres bearing its own brand name in both the domestic and export markets.

While quality is the prime factor in competing in export markets, the interviewee is of the opinion that price elements are equally important. The low production cost and the relative value of the Malaysian ringgit has complemented the company's reputation in offering quality tyres.

The major emphasis of the government now is to penetrate Malaysia's non-traditional markets. This means exporting to nations classified as the South. According to the

**interviewee:**

**"While the company has to be competitive price and quality wise, it is also imperative that the offer include other packages. Being big and financially stable, we are able to enhance our competitiveness by extending credit facilities to our buyers. Though the government has devised the Export Credit Refinancing Scheme to enable Malaysian manufacturers-exporters to be competitive in the world market, we do not feel the need for such services."**

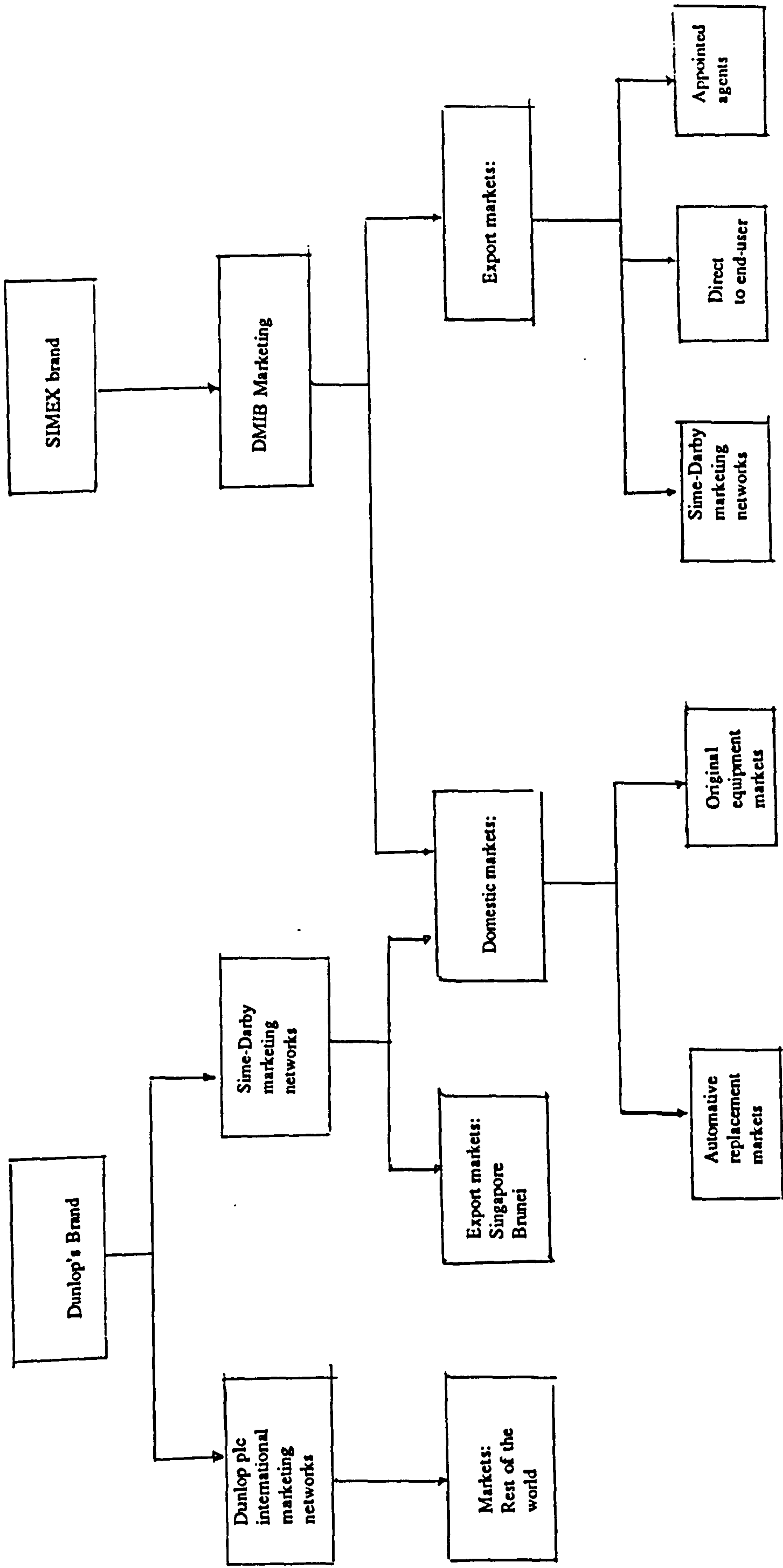
**The practice of dual branding has its implications on the distribution channels and market coverage. This is shown in Exhibit 1.**

**Domestically, DMIB serves two major segments, the original equipment market and the automotive replacement market. In the former market segment, the company is one of the Proton Saga's (Malaysia's national car project) original equipment suppliers in terms of tyres. Being a subsidiary of Sime-Darby Berhad, in which the government trust agency has substantial interest, placed the company in a strategic position to benefit from the government's national car project. The other market segment is serviced through its franchised car maintenance centers Klinikar and Klinikar Royale.**

**Dunlop's brand tyres exported to Singapore and Brunei are handled by the Sime-Darby's distribution networks in these countries. Dunlop plc international networks handle export to the rest of the world. The export channels for SIMEX brand can be broken down into four:**

- 1. Dunlop plc international networks;**
- 2. Sime-Darby international networks;**
- 3. appointed agents; and**
- 4. direct to end-user.**

Exhibit 8.1: Channels of Distribution



Dunlop plc international networks are used to service markets in which Dunlop has a stronghold, particularly the European markets. As Dunlop plc is more interested in pushing Dunlop's brand tyres, the roles of the other three channels are rated as being extremely important.

In most instances, should enquiries be received from Dunlop plc for its branded tyres, DMIB would find excuses to offer SIMEX tyres. DMIB claims to supply approximately 30% of the UK's earthmover tyres market and they carry the SIMEX brand name. The company is also proud to be the supplier to the Eurotunnel project which uses SIMEX brand earthmover tyres for its excavators.

The agents and direct to end-user channels are used to penetrate the non-traditional markets, mainly West Asia, Australia and African nations. Besides export channel structures, the company's policy is to ensure that the goods are delivered on time to the buyers. According to the interviewee:

"Reliability of delivery is definitely our competitive edge. We are facing increasing threat from neighbouring nations and China in particular. There are 66 tyre manufacturers in China and they sell at a much cheaper price in the international market. Because of their erratic delivery schedule, we do not think they will pose much threat yet."

While support from the government is seen as not being a crucial factor, the company regards support from the distributors' commitment and strengths in dealing with the bureaucracy as being extremely important. To elaborate the point, the interviewee cited the company's experience in Iran.

"There is a central committee which control the prices of all goods. If the distributor has connections with officials in this committee, the products accessibility into the market is almost assured ... and in fact we are currently running into some problems when Iran's Central Bank refuses to extend the expiry date of the Letter of Credit issued by our buyer".

Regular visits to overseas market and joint efforts with distributors are regarded as being very important promotional tools used in promoting the company's product.

The company also actively participated in the government sponsored trade missions as well its parent company's (Sime-Darby) trade mission. In 1991, DMIB participated in a trade mission to 3 West Asian countries Kuwait, Iran, and Turkey led by Deputy Prime Minister Abd. Ghaffar Baba. In February, 1992, DMIB participated in Sime Darby's own trade mission to Southern African countries. This was later followed by another government led trade mission to Vietnam.

#### **8.1.4 Market environmental factors**

Competition in the domestic market is building up. The company is no longer operating in a protected environment. The government has recently reduced the tariffs thus allowing imported products to be competitively priced.

The major source of competition is expected from tyre manufacturers in the neighbouring countries, Indonesia and Thailand. Both of these nations are also natural rubber producers and place emphasis on tyre manufacturing. Michelin has set up a joint venture in Thailand and production commenced in 1993. The plant is reported to have a production capacity of 10,000 tyres a day. "The chances are those tyres will find their way into the Malaysian market ... we are also anticipating the threat from Indonesian's brand "Gajah Tunggal" in the not too distant future" said the manager.

## **8.2 POLY GLASS BHD.**

### **8.2.1 Organisational characteristics**

The company was incorporated on 30/9/78 as a private limited company. On 3/2/90, the company's share was floated and traded on a second board of the Kuala Lumpur Stock Exchange. The company currently employs approximately 112 employees and may be classified as a medium-sized firm.

The company is the only manufacturer of glasswool products for insulation and acoustical purposes in Malaysia. It was granted tax relief for period of 6 years under the Investment Incentives Act, 1968. The technology used for the production of glasswool products is acquired from an American company under a technology transfer agreement. In addition, the agreement also granted the company an exclusive right to market the rotary manufacturing process in the Asean markets.

There are three categories of products manufactured by the company:

1. Poly building insulation - used in roofing insulations for modern factories and large commercial buildings for thermal and acoustical effects;
2. Polytone ceiling boards - used in commercial and office buildings.
3. Polywool - used as air conditioning duct wraps or as internal linings for air-conditioning units to provide thermal and acoustical controls.

### **8.2.2 Export involvement**

The company started exporting in 1985 and may be classified as an experienced exporter. Nevertheless the company is still at an early stage of export development. The company's export expansion appear to be triggered by the problems facing the manufacturers in the importing country.

With regards its export market expansion policy, the company intends to expand into the Asia-Pacific region. Currently the company is exploring export opportunities in Mauritius and Vietnam. The company executives have visited these markets and the interviewee consider the efforts are still at the developmental stage.

In the meantime, it has received export orders from South Africa and China. As regards the former market, Poly Glass is of the opinion that there is a lot of potential in this market. Even though trade sanctions have been lifted the company could not execute any orders due to the lack of readiness on the part of the government agencies (particularly the Central Bank) to enable the company to deal direct with South Africa. To circumvent this inhibiting factor, Poly Glass had to sacrifice the profit margin and export through its Singapore distributor. While trade and investment between Malaysia and China is being encouraged, the company has to turn down export orders from China due the country's foreign exchange control. The requirement to barter trade is regarded as cumbersome by the company.

At the time of the interview, the company is in the final stage of finalising a deal to export its products to Japan. The company has spent almost two years in negotiating to export to this lucrative market. One of the major barriers the company has had to overcome is to satisfy Japanese Industrial Standards. The interviewee is confident that Poly Glass will make a breakthrough in this market.

The development of Bantam as part of the Golden Triangle (Johore in Malaysia, Singapore, and Bantam in Indonesia) is viewed as a major export potential for the company.

Besides undertaking export ventures on its own, the company is also building its reputation in the local market especially among the multinational companies. As part of its export expansion route, the company intends to introduce its products to the Japanese companies and other multinational companies operating in Malaysia. The company hopes these companies will recommend its products to their associate

companies overseas.

On the domestic front, the company's plan is to move into the largely untapped domestic housing market segment. To achieve this, the company is working with the local university to educate consumers on the benefits of glasswool applications in housing. It is also attempting to convince the housing developers and the Housing Ministry that glasswool products be considered for home insulation purposes.

#### **8.2.2.1 Export markets**

Singapore accounts for 60% of the company's total exports; and is followed by Indonesia which import about 15% of the company's total exports. The remaining 25% is taken up by other nations particularly Australia, Hong Kong, Taiwan, Pakistan, Phillipines and Brunei. The company's export markets appear to quite diversified but the bulk is accounted for by Singapore.

#### **8.2.2.2 Export performance**

On average, exports account for approximately 30% of the company's total turnover. The company is an active exporter by Malaysian standards. Table 8.2 shows the breakdown for export and local sales during the past three years.

Table 8.2 : Turnover 1989-1991 (M\$mill).

	Domestic Sales	Export Sales	Total Sales
1989	9,380	5,484	14,864
1990	12,376	5,304	17,680
1991	13,664	5,856	19,520



The interviewee is of the opinion that the company has achieved its expected export sales growth during the last three years. The profitability is however moderately below expectation. The company's recent success are in Thailand, Indonesia, and Singapore.

#### **Thailand.**

Compared to Malaysia, Thailand is considered to be more familiar with the products manufactured by the company. In this country, the product is considered as a consumer product rather than an industrial product. The company's products are distributed in this market by a local manufacturer. In other words, it is distributed by a competing firm. Such an arrangement was made possible as the local manufacturer is currently facing a production problem and is not able to meet the local demand. To fulfill its market commitment, the company has no choice but to import from Poly Glass.

The marketing arrangement has paved the way for the company to offer assistance in the technical area. Poly Glass is assisting the Thai manufacturer in solving its production problems. Incidentally this Thai manufacturer also competes with Poly Glass in the Singapore market.

#### **Indonesia.**

The company takes great pride in being able to penetrate this highly protected market. The company's success in penetrating this market can be attributed two major factors:

1. the local manufacturer is experiencing production problems; and
2. personal contacts with a key person in a large conglomerate in Indonesia.

While the first reason needs no further elaboration, the second reason is peculiar to the nature of business conduct in the South-east Asian region. Attempts to probe into

the networking aspects of such a relationship were futile as the interviewee would not divulge further information on the connection and business arrangement in this highly controlled market.

The interviewee, however reflected on the reasons for the company's pride in being able to service this market. According to the interviewee (also public knowledge) the Indonesians have a more favourable business attitude toward the Singaporean than the Malaysians. Yet among the three nations, Indonesia shares a much more common cultural heritage with Malaysia than Singapore. The bonding of cultural heritage between the two nations particularly on promoting the use of common national language are being further promoted at the highest political office. Despite such cultural affinity, the economic and commercial arrangements between the two nations are less than cordial. The Indonesians have higher regard for the Singaporeans. The fact that the company could overcome the Indonesian's less favourable attitude towards Malaysia and its products has meant it has been successful in its export venture.

#### **Singapore**

There is no local glasswool manufacturing plant in Singapore. The country's requirements are met by imports from West Asia, Taiwan, South Korea, and Thailand. In this market, Poly Glass compete on superior quality, thus enabling it to charge premium price. The company, assisted by an able agent, has successfully bid the contract to supply its products for use at the Singapore's Mass Rapid Transit and the Changi International Airport. As these two projects are the pride of Singapore government, the company is set to exploit the benefits of being associated with such prestigious projects. It intends to use these as the vehicles for promoting its products in the Asia-Pacific region.

## **8.2.3 Marketing strengths**

### **8.2.3.1 Organisational strengths**

The marketing department handles both domestic and export sales. A formal written marketing plan is prepared by the company and exports are regarded as important in the company's plan.

The company has established its own in-house market research facility to look into the market potentials of the product manufactured. The two sources of information that the company frequently consulted are the SIRIM and Malaysian Foreign Trade Commissioners Office.

The company is committed to quality improvement. It undertakes its own research and development activities. During the past five years, the company has spent over M\$40,000.00 to upgrade the quality of its product.

The company is also working closely with the suppliers of raw materials (glass marble suppliers) in improving the product's quality. In addition, the company is also set to benefit from R & D activities carried out by the supplier of the machinery as provided in the technology transfer agreement. Currently two of its engineers are in the United States under the familiarisation programme with the technology developed by the supplier of the machinery.

As the director interviewed is a council member of the FMM (Federation of Malaysian Manufacturers), the company is fully aware of the various support services provided by the government. While the company works closely with the government agency (SIRIM) in research and development activities, it does not feel the need for the government's export credit financing services. The support provided by channel members is considered very important in the company's export activities.

### **8.2.3.2 Marketing-mix strengths**

The company's marketing strengths revolve around its product. The interviewee considers the company's ability to produce consistently high product quality as important. According to the director interviewed:

"There is nothing unique about our product, the product is manufactured to international standards and we may even call it a commodity item ... we therefore have to compete on quality and reliability of delivery."

The price elements are important. While the price charged is always lower than the domestic price, the company does not consider that as being the sole basis of competition.

Being the only manufacturer of glasswool in the country, the company has a firm hold in the insulation market for roofings and air-conditioning systems. It controls approximately 70% of the domestic market share. The product is distributed through:

1. building materials suppliers which market the products to the factory and commercial building sector; and
2. marketing/servicing companies involved in the supply, installation or servicing of air-conditioning systems;

As discussed in section 8.2.2, the company's product are channelled through distributors in the importing nations. The company maintains regular contact with its distributors by regularly visiting the markets.

### **8.4 Market environmental factors**

With the rapid economic development in Malaysia and neighbouring countries, the company considers the opportunities are abundant. The company is very satisfied with the state of the infrastructure in the domestic economy. It does not consider

competition and export barriers in the export markets as a major stumbling block in its export efforts. "Our aggressive marketing and perservarence will pave the way for our product to dominate the regional markets."

## **8.3 FIMA INSTANCO FOOD PACKAGING INDUSTRIES SDN. BHD.**

### **8.3.1 Organisational characteristics**

This company is a subsidiary of Kumpulan FIMA Berhad which was incorporated in February 1972. It is a government corporation entrusted with a role for the development of agro-based industries. The entire equity of the FIMA is held by Federal Government through the Minister of Finance (Incorporated). It is supposed to implement and achieve objectives of the New Economic Policy in improving socio-economic standards through the creation of jobs and other opportunities. The major thrust of the group's strategy is the utilisation of locally produced raw materials with an emphasis on export.

Kumpulan FIMA is the second government corporation to be privatised under the government privatisation plan. It was sold under the management buy-out scheme when in December 1990 the ownership of the group was transferred to Kegiatan Makmur Sdn. Bhd. A total of M\$190 million was paid to the Ministry of Finance Incorporated. The new owners also assumed the group's liabilities which amounted to M\$138 million. The two key figures in this company are Tan Sri Basir Ismail and Datuk Mohd. Noor Ismail - the Chairman and Managing Director of the FIMA group respectively. The deal was described by the business and political circles as political patronage by the ruling party to businessmen closely aligned to the party.

The group has 25 companies under its stable operating in agriculture, manufacturing, trading and general services. FIMA's manufacturing sector comprises of two broad groups, namely food processing and packaging, and the making of packaging containers. The focus of this case will be on one of the group's manufacturing companies - FIMA Instanco Industries Berhad. It is the first and only freeze drying plant in South East Asia. It currently employs approximately 175 employees and may be classified as a medium-sized firm.

The products manufactured include a selection of canned curry dishes, satay sauce, beverages in portion packs, fruit juices, tropical and temperate fruit jams, honey, non dairy creamer, instant coffee, sugar, salt, pepper, lemonade/orangeade and ice cream powders. As shown in Exhibit 8.3, the products manufactured can be classified into three major divisions - flexible packaging division, canning division, and dehydration division.

### **8.3.2 Export involvement**

The company was established in 1976 and started exporting only in 1989. The firm's export involvement can be traced to the personality of its marketing manager and the assistance provided by the government export promotion agency, MEXPO.

#### **Managerial Characteristics.**

The marketing manager prior to his appointment was employed by a German trading company. He rose from the rank of marketing executive to a divisional manager in charge of consumer durable goods. He holds a diploma from the Institute of Marketing, United Kingdom. After more than twelve years with the German trading company, he left and started his own marketing consultancy services.

FIMA Instanco happened to be his first and last client. He was engaged as a consultant by the FIMA group to undertake a marketing audit of the company's activities. On completion of his assignment, he was offered the post and asked to implement his own recommendations. The task was to turn around the company and explore new markets for the company's products.

EXHIBIT 8.3:

FIMA INSTANCO FOOD PACKAGING INDUSTRIES SDN BHD

PRODUCTS MANUFACTURED/PACKED:

1) FLEXIBLE PACKING DIVISION (SACHET/PORTION FOODS).

<u>PRODUCT RANGES :</u>	<u>PACKING SIZES:</u>
1. SUGAR	6gm ; 7 gm ; 8 gm
2. SALT	1.3 gm
3. NON DAIRY CREAMER	3gm
4. INSTANT COFFEE	2 gm
5. PEPPER	0.3 gm
6. JAMS	14 gm ; 21 gm
7. HONEY	14 gm ; 21 gm
8. LEMONADE POWDER	21.3 gm
9. ICE-CREAM POWDER	90gm ; 100 gm
10. SUGAR IN CLIENT'S LOGO	8 gm ; 6 gm
11. CREAMER IN CLIENT'S LOGO	3 gm

11) CANNING DIVISION ( CANNED & BOTTLED FOOD )

1. PROCESSED GREEN PEAS	400 gm ; 440 gm
2. BAKED BEANS IN TOMATO SAUCE	439 gm
3. TOMATO SAUCE (BOTTLE)	340 gm
4. CHILLI SAUCE (BOTTLE)	340 gm

111) DEHYDRATION DIVISION (FREEZE-DRIED/AIR-DRIED PRODUCTS)

1. FREEZE DRIED BANANA SLICES	50 gm ; bulk packed ;
2. FREEZE DRIED PINEAPPLE SLICES	60 gm ; bulk packed ;
3. FREEZE DRIED JACKFRUIT SLICES	65 gm ; bulk packed ;
4. FREEZE DRIED PAPAYA SLICES	50 gm ; bulk packed ;
5. FREEZE DRIED FRUIT POWDERS	bulk packed
6. FREEZE DRIED LEMON GRASS SLICES/POWDER	bulk packed
7. FREEZE DRIED GINGER SLICES/POWDER	bulk packed
8. FREEZE DRIED GREEN PEAS	bulk packed
9. FREEZE DRIED PRAWN/POWDER	bulk packed
10. FREEZE DRIED BIRD'S EYE CHILI	bulk packed
11. FREEZE DRIED GREEN PEPPERCORN	bulk packed
12. FREEZE-DRIED SWEETCORN	bulk packed
13. AIR-DRIED DESSICATED COCONUT	250g ; 500g ; Bulk

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The task of reorganizing the company's operations was tackled from two major aspects:

1. The human factor.

There was total lack of discipline among workers in the production line. The workers comprising of mostly the Malays, that is the bumiputra, lacked a sense of purpose in their workplace, thus resulting in wasted manworking hours and low productivity. The task then was to tackle the human problem which would reduce the production errors and increase productivity. Regular meetings were held with the production staff to implement the interviewee's version of work ethics:

"... instill upon the employees the essence of 'fear in the Almighty God'; ... that all the tasks must be carried out sincerely and must be accompanied by sense of commitment in achieving the target goals; the reward is not only the salary earned but also the reward hereafter from the Almighty God."

2. The marketing efforts.

The task on the marketing front was to reduce over-reliance on government business. Market diversification and rationalisation of product lines were introduced. Products which were not contributing to the company's profit were discontinued. The target then was to be less dependent on government business. Export markets were explored as it was observed that other companies in the same industry which employed less superior technology were actively exporting.

The possibilities of exporting were explored by consulting Malaysian Export Promotion Centre (MEXPO) which immediately offered the company the opportunity

to participate in a world food exhibition, ANUGA in Colonge, Germany in 1989. The costs were borne by MEXPO. FIMA only paid for the air fare of its staff. The participants of the fair included manufacturing firms and buyers from all over the world. The participation in ANUGA enabled the firm to meet with potential buyers around the world. Buyers from Japan, Australia, United Kingdom, Germany, and the Middle East expressed interest in the company's products.

Follow up visits were arranged and the potential buyers were brought to visit the company's manufacturing plant in Shah Alam. The objective of this exercise was to convince the potential buyers of the production methods used, with particular emphasis on cleanliness and hygiene; and that the company had the capacity to supply on a long term basis. The first trial order materialised around the second month after the visit. After the trial shipment, affirmative orders were received during the sixth month.

A major breakthrough was achieved when the plant was visited by the Australian Department of Quarantine. The agency visits foreign manufacturers of food items which export to Australia. If the manufacturers meet the stringent health rules and standards set by the Australian authority, a certificate is issued. FIMA Instanco's manufacturing practices met that requirement and the certificate issued provided a license for the company's entry in the Australian market. The certificate is widely recognised by other countries in the world such as United Kingdom, Germany, and Japan.

#### **8.3.2.1 Export markets**

FIMA currently exporting to six countries, with the bulk of exports destined to Australia (60%) and United Kingdom (20%). The remaining 20% is exported to South Korea and Japan.

### **8.3.2.2 Export performance**

The firm's export performance can be summarised in terms of the following critical events during the last four years:

- 1988 - Accumulated loss of M\$3.5 million during the previous ten years. The bulk of the business is solely confined to supplying the government. Export sales were negligible.
- 1989 - Started to export in March. Total sales amounted to M\$3.5 million and exporting gained a positive foothold when it accounted for 25% of the total sales.
- 1990 - Exports gain momentum and profit was registered for the first time. Total sales amounted to \$5.2 million and export percentage increase to 45% . An increase of 20% over the previous year.
- 1991 - Sales derived from exports increased to 70% and total sales increased to M\$6.1 million.
- 1992 - Anticipated total sales is M\$12 million.

As can be seen from the above, the company has been turned around within 4 years. The company has been transformed from being a domestic-government oriented business to an export-oriented one.

According to the manager interviewed, the firm's export sales growth over the last three years has been above expectation but "... we have yet to achieve the desired level of export profitability."

### **8.3.3 Marketing strengths**

#### **8.3.3.1 Organisational strengths**

A separate department was set up to handle export business. Although it does not have an in-house market research facility, it actively seeks information from Malaysian Export Promotion Centre in particular. It also solicits information from trade associations and participates in export training seminars. According to the marketing manager, another major source of trade information is his personal friends in the food trade and shipping agencies.

The commitment to exporting is also reflected in the company's marketing plan. Export business forms the major focus and is regarded as being extremely important in the company's marketing plan. To complement its own research and development activities, the company collaborates with one of the local universities and a government agency, Malaysian Agricultural Research Development Institute (MARDI).

In addition to the support from the government agency, the company considers support from bankers as equally important to its current export performance. Being a semi-government agency, the company was initially using the services of a local bank to process its export documents. Due to the poor services rendered, action was taken to change to foreign owned bank especially those which are associated with the importing nation. According to the interviewee foreign owned banks are more equipped to service an exporter and FIMA Instanco has certainly benefitted from such services.

#### **8.3.3.2 Marketing-mix strengths**

About 20% of the exports comprise of final consumer products and the remaining 80% are sold in bulk. On the final consumer products, only half of the exports are

derived from the company's own brand name. The bulk of the exports are made up of the buyers brand. Thus a substantial portion of the export business is derived from contract manufacturing.

As the product is produced to meet international specifications, product adaptation is not a major issue. Nevertheless labelling is important for those items that are exported under the company's own brand name.

The manager interviewed considers the company's production technology as the main factor contributing to its ability to produce products which are high and consistent in quality.

"Our ability to penetrate overseas markets, particularly the Japanese market is attributable to the technological superiority. The sophistication of the food processing technology used by the company enables us to preserve the natural content and nutrients of the products and meet the most stringent Japanese health requirements especially on bacteria counts."

In addition, the company's products are competitively priced. This is made possible through its productivity improvement programme which substantially reduced the cost of production. According to the manager:

"The relative value of the Malaysian Ringgit has also helped us to be price competitive. We adopted a price penetration policy because we needed to increase the sales volume in order to generate greater utilisation of plant capacity."

However, the manager is confident that with the current product acceptance level, the company would be in a position to shift the reliance on price to non-price factors. Besides product quality and price competitiveness, the emphasis is also placed on ensuring that the goods are delivered on time. The company pays particular attention to the selection of distributors.

With the exception of Korea, exports to other markets are handled by exclusive distributors. In Australia, 2 exclusive distributors were appointed. One handles freeze dried shrimps and the other air-dried dessicated coconuts. Exports to United Kingdom are also handled by an exclusive distributor. In Japan, the exclusive distributor is a division of a large company which specialises in importing industrial food products. In Korea, the export business is transacted through a commission agent whose role is confined to putting the company in touch with the actual end-user of the products.

Promotion is important and regular visits to overseas markets in order to better understand the market requirements and foster a good relationship with distributors are regarded as being extremely important.

In 1989, besides participating in the ANUGA world food exhibition, the interviewee also visited the West Asian nations. In the following year, as Chairman of Food Canners Association the interviewee travelled to the United States of America and Canada on a fact-finding mission. In 1991, follow up visits were made to Australia, European countries, and West Asian nations.

#### **8.3.4 Market environmental factors**

The company operates in a crowded home market. However as a result of numerous visits to overseas markets, the interviewee foresees a lot of potential for the company's products. However intense competition and the health requirements on certain products lines, however are the major barriers. According to the manager, "the strengths of our distributors has definitely enabled us to overcome some of these problems."

## **8.4 CITY METAL SDN. BHD.**

### **8.4.1 Organisational characteristics**

This case company is an example of a "bumiputra" (the term used to refer to Malays and other indigenous ethnic groups in Malaysia) company which has graduated from the government's umbrella concept.

The company was established in 1983. The proprietor is an ex-bank manager and is the first bumiputera to venture into the production of steel office products. The company employs approximately 120 employees and may be classified as a medium-sized firm.

It is a wholly-owned bumiputera firm that has been nurtured under the umbrella concept. The umbrella concept was launched by the government to ensure the viability of the business ventures undertaken by the bumiputra. Through the government procurement policy, government purchasing is channelled to a lead company which in turn distributes the business to the participating firms under its approved list. By providing a ready captive market, it is hoped that bumiputera participation in the industrial sector can be achieved and ensure the success of the nation's New Economic Policy.

At the beginning of 1990, the company was dropped from the list of most favoured companies under the umbrella concept. The company was deemed ready to compete in the open market.

In order to cope with the changes, a professionally qualified marketing manager was employed. A formal marketing department was created and an agent was appointed to market the company's products.

The company has been relatively successful in diversifying its markets. At the end of 1992, approximately 30% of the total sales were derived from sales in the open market. The company's target is to reduce the reliance on government business and increase the share of sales generated in the open market to 50% by 1994.

#### **8.4.2 Export involvement**

The company is in its first year of exporting. The company's export involvement can be traced to the influence of external stimuli - the performance of competing firms and encouragement by government agencies.

Currently there are three other manufacturers of steel office furniture which are relatively large and owned by non-bumiputra. The market study conducted by the company revealed that all these companies are operating at full capacity. All these companies have successfully penetrated overseas markets and at times are unable to fulfill export orders because of production capacity limitation. This has spurred the company to include export business in its business plan.

The company's intention found support when in April 1991 the Malaysian Export Promotion Centre (MEXPO), a division of the Ministry of International Trade and Industry, sponsored the company to participate in the International Furniture Show in Singapore.

The company was also sponsored by the same agency to participate in the Bahrain International Exhibition 1991 with the theme "Rebuild Kuwait". The focus of the exhibition was mainly furniture, building materials, office and household furnitures, telecommunications and electronic goods. The cost of participating in this exhibition was borne by the Ministry. The company paid the air fares and lodging of its staff. The objective of participating in this exhibition was to test the market and evaluate the market potential in the West Asian region.



### **8.4.2.1 Export performance**

The participation in this exhibition triggered the company's export involvement. An enquiry was received from a Singapore trading company within the first month and a trial shipment worth M\$50,000 was clinched. This business has developed to a regular order of approximately M\$100,000 a month. The profit from export business has been described as above expectation.

## **8.4.2 Marketing-mix strengths**

### **8.4.2.1 Organisational strengths**

The company is at a very early stage of export development and thus export development is being handled by the existing staff. The company is making the necessary arrangements to upgrade its technology and production skills.

The company is the recipient of technical aid under the Commonwealth Development Fund which is channelled through and administered by the Economic Planning Unit of the Prime Minister's Department. Under this arrangement, 2 consultants seconded from the British Furniture Industry Research Association spent about one and half months at the factory advising on product development, production flow, and factory layout.

In addition the company also works closely with the local universities and SIRIM. Current efforts are directed towards producing a completely knockdown system (CKD) for various types of office furniture such as desking systems, book racks, tool racks and computer tables. The company has adopted a "reverse technology approach" and has bought a sample of competitors' products with CKD design.

The product development section is currently working on this project and is now at the prototype stage. The preparation of an instructions manual is also in progress. The product development section is headed by an industrial engineer and the supporting staff include one industrial designer and two draughtsmen.

#### **8.4.3.2 Marketing-mix strengths**

The product exported is confined to a completely built up unit. Enquiries for knockdown systems have to be turned down as the company is not yet ready to produce such products. Apart from the product specification, the company is confident in matching the quality required by the market and the product can be competitively priced. Thus the company's product development plan is to produce knockdown systems.

According to the manager, the route to higher involvement in export markets is to establish itself in the domestic market. The company considers the current industrialization programme augurs well for the company. Malaysia is the largest producer and export of air-conditioning units; and many other electrical products. All these products require components which can be supplied by the company.

The presence of Japanese companies in Malaysia, therefore would serve as a good testing ground for the company. The company believes that if it can meet the standard required by the Japanese companies operating in Malaysia, it can sell to other Japanese companies operating overseas. So the company's mission is to penetrate the "Japanese market" in Malaysia i.e sell to the Japanese companies operating in Malaysia. The ultimate objective then is to establish its reputation so that its current customers will pass the word around to other Japanese firms operating in other markets.

#### **8.4.4 Market environmental factors**

The company is satisfied with the incentives and assistance provided by the government agencies, but is concerned about the supply of its semi-skilled labour force. The recent growth in the manufacturing sector as well as service sector has adversely affected the company. The company now has to compete for labour with other firms. Even though the company provides hostel, breakfast, uniform, and productivity award amounting to between M\$100 to M\$200 every quarter in addition to the basic pay, it has not been able to attract new recruits. Some of its trainees have left for a less well paid job.

The manager expresses concern about the attitude of the youngsters "... we offer them the opportunity to become a skilled worker but they don't value it, they prefer to work in a supermarket as security guard which offers no skills development. The shortage of semi-skilled labour is a major problem and we may have to employ Indonesian immigrants in the near future."

## **8.5 MALAYSIA SHEET GLASS BERHAD (MSG)**

### **8.5.1 Organisational characteristics**

Malaysia Sheet Glass Berhad (MSG), a joint venture between Malaysian industrialists, Nippon Sheet Glass Co., Ltd, Japan, and Toyo Menka Kaisha Ltd. Japan, was established in 1971. The Malaysian industrialists are the Ng family; the Perbadanan Nasional Berhad; and Syarikat Permodalan Perak Berhad. The Ng family is the co-founder and currently holds 21% equity in the company. The Perbadanan Nasional Berhad and Syarikat Permodalan Perak are trust agencies and each hold approximately 15% of the equity in the company. The remaining 49% is held by the Japanese companies.

The company was granted pioneer status under the Investment Incentives Act 1965. Production commenced in 1973 with the manufacture of sheet and figured glass. Six years later, the company diversified into the manufacture of tempered safety glass for automobiles and other uses. The technology is acquired through a technical agreement with the Nippon Sheet Glass Co. Ltd., of Japan. Under this arrangement, Nippon Sheet Glass provides the necessary technical knowhow while the machinery and engineering expertise is provided by Toyo Menka. In 1985, the company entered into a technology transfer agreement with Hi-Mirror Company, Japan to manufacture high quality mirror in Malaysia. It became the first advanced mirror processing plant in the country. The company currently employs approximately 1300 employees and may be considered as a large-sized firm.

Exhibit 8.5 shows the list of products exported.

Exhibit 8-5. list of products exported.

Safety Glass	Sheet Glass			
		<b>PRODUCTS</b>		
		Clear Sheet Glass		
		Clear Figured Glass		
		Figured Wire Glass		
		Cool Pane Grey Sheet Glass		
		Cool Pane Grey Figured Glass		
		Tempered Safety Glass		
		Zone Tempered Glass		
		Headline Printing Tempered Glass		
		Ceramic Printing Tempered Glass		
		Building windows/doors		
		Show windows		
		Show cases/Aquariums		
		Partitions		
		Shelves/Table Tops		
		Fire Emergency Exit Doors		
●	●	●	●	Original Equipment Market Of Automobiles
●	●	●	●	Replacement Equipment Market Of Automobiles
	●	●		Railways, Trains, Cranes & Vessels
●		●		Electric Ovens & Other Electrical Appliances
		●		Telephone Boxes, Solar Heaters & Swimming Goggles
		●		Partitioning Of Stairs, Panels Of Escalator
		●		Doors & Windows Of School & Hospitals
				Photo Frames/Deck Glasses for Microscopes
				Green Houses

## **8.5.2 Export involvement**

The company began its export activities in 1974 and can be described as a very experienced exporter. As a member of a Japanese conglomerate, MSG Berhad will have to abide by the group's norm. Japanese marketing hinges around "within the group" business but each company acts independently. The implication is that MSG Berhad will have to look for and export to neutral markets which none of the other companies within the group have penetrated.

Whenever there is a meeting of two or more source of supply from the group, every one has to agree on which particular company within the group will service the particular market. The final decision is based on the extent of each company's involvement in the particular market. The policy is that once a particular company within the group is already servicing a particular market, no other member company will be allowed to service that market.

For example, the group's interest in USA is represented by Oriental Group Inc. MSG Berhad cannot bypass Oriental Group Inc. when exporting to this market. Another example is Iran. Even though Iran lies between Pakistan and Saudi Arabia (which are being serviced by MSG Berhad), it will not venture or entertain enquiries from Iran because the group is already represented there. The group's representative in Iran incidently also services the Turkish market. So the Turkish market is virtually closed to MSG Berhad. Should MSG Berhad receive any enquiries from these markets, it will pass them on to the respective company within the group for further action even though it can competitively service the market.

### **8.5.2.1 Export markets**

In spite of the above restraints, MSG may be described as adopting a market diversification strategy. The company's products are being exported to Singapore, Brunei, Australia, Hong Kong, Indonesia, Sri Lanka, Middle East, the USA, Canada

and China. Singapore and Hong Kong each absorb 30% of the company's total exports, and the remaining 40% are destined to the other eight countries.

### **8.5.2.2 Export performance**

Table 8.5 shows the company's turnover during the last three years and on average export sales contribute approximately 20% to the total sales. The manager interviewed considers the firm's export sales growth during the last three years has been as expected but profitability wise the result has been moderately below expectations.

**Table 8.5 : The company's turnover 1989 -1991 (M\$mill).**

	<b>Domestic Sales</b>	<b>Export Sales</b>	<b>Total Sales</b>
1989	101.25	23.75	125
1990	135.20	33.80	169
1991	140.91	42.09	183

### **8.5.3 Marketing Strengths.**

#### **8.5.3.1 Organisational strengths**

The marketing department is responsible for both the domestic and export sales. The company does not prepare a formal written marketing plan, but according to the manager the company's marketing activities are guided by the group's corporate plan.

Although the company does not have a specialised in-house market research facility, it benefits from being associated with the Japanese conglomerate. Exchange of information between the members of the Nippon group enables the company to keep abreast with market developments.

The company also relies on research and development activities carried out by the Nippon Glass in Japan. As well as the assistance of its Japanese counterparts, MSG Berhad also frequently solicits information from Malaysian Export Promotion Centre (MEXPO), foreign embassies and consulates based in Malaysia and commercial banks.

### **8.5.3.3 Marketing-mix strengths**

Product quality ranks highest as the company's competitive strategy. The company's policy is "no compromise on quality" as quality products speak for themselves. Even though the company exports to market that are less demanding in terms of quality and standards, it would not sacrifice quality for the sake of reducing price.

An incident with Pakistan is cited as an example.

" The appointed distributor has convinced us that volume could be increased and that the company could command greater share of the market if it could reduce price. The reduction in price could be achieved by lowering the quality standards and such action is anticipated not to adversely affect the sales. MSG Berhad reply to such proposal is definitely "no"."

The company's commitment to quality has been recognised internationally. In 1984, the company became the first safety glass manufacturer outside Japan to receive the Japanese Industrial Standards (JIS) award. The award was granted for its production procedures and quality achievement. Through this award the company has put Malaysia on the world map as it is officially recognized as one of the 19 countries



in the world with a manufacturing plant producing high quality glass.

Besides the company's consistent and high product quality, its ability to offer a wide product range is also considered as being an important source of MSG's competitive strengths. In addition the company is very concerned about cost as it affects the products' final price. The company has adopted a stable pricing policy which is best expressed as follows:

"marginal cost pricing through cost down effect ... maintain the price and margin through increased productivity, that is by trimming the costs associated with the product but without sacrificing the quality"

The practical implication of this policy is that the benefits of the productivity must be passed on to the consumer. The consumer enjoys the price stability; the manufacturer maintains the profit margin through productivity. Thus tight cost control is another factor which the interviewee regards as being an extremely important contributor to the firm's competitive strength.

As regards to term of payments, the company would insist on payment by irrevocable letter of credit especially during the initial stage. However once a business relationship is established, the business is conducted on an open account basis. The shift in payment arrangements is made in order to eliminate unnecessary costs associated with the transfer of funds.

As regards distribution, the company believes in "one husband and one wife" policy. The exclusive distribution policy is adopted in order to cultivate and promote a long term relationship. Therefore the company makes great effort to investigate the distributor's background, creditibility, experience and business acumen.

The relationship element is important in penetrating a particular market and the company is guided by the principle of long term rather than short term gains. The benefits should accrue to both parties so that "... together we will progress from

eating burger to talking how we should be steak".

The company's export channel structure is based on the types of product:

1. Export to Singapore is handled by Nippon Sheet Glass, Singapore. It handles all the product range.
2. Export to Hong Kong involves direct and indirect channels. For safety glass, MSG Berhad deals direct with the buyer. For sheet glass the business is handled by Tan Sin Trading Co., a joint venture between MSG Berhad and a local company in Hong Kong. For mirrors, Toyo Menka is the distributor.
3. To the rest of the world, the export of safety glass is handled direct by MSG Berhad. The export of sheet glass is handled by Toyo Menka.

Even though Nippon Sheet Glass, Singapore, and Toyo Menka are appointed distributors in their respective territories, they source the supply worldwide. They will solicit business from all companies within the group which offer a competitive price. Under such marketing arrangements, MSG Berhad will have to compete with other manufacturers within the group worldwide.

In order to build up trust and foster a relationship with the distributors, regular visits become a crucial element in the overall strategy. According to the manager interviewed;

"regular visits enable the company to understand the market better ... to offer personalised services, understand the distributors' problems as well as the final buyers' problems. The objective of overseas visits is not to take orders but to reinforce the company's commitment and lend credibility to the distributor. This would also make the final buyers feel that the manufacturer is interested in the development of their business."

Educating the distributors about the company's products is also central to fostering commitment of the distributors. As such visiting the factory in Malaysia (twice a

year) is a major event in the company's annual marketing programme.

Occasionally the company provides promotional support to distributors through cost sharing or subsidy. However, such programme is regarded as less important. The thrust of the company's strategy is that "... the distributors and users know that they can rely on MSG's support programmes and services."

#### **8.5.4 Market environmental factors**

The company is operating in a relatively stable market. Being the leader in tempered safety glass manufacturer in Malaysia, the company has benefitted from the government's national car project. Overall the company is very satisfied with the state of the infrastructure. The competition in export markets is intense. Other than having to abide by the groups' business norms, the company considers the export barriers encountered so far as minimal.

### **8.6 Summary and discussions of the findings from case studies**

#### **8.6.1 Export involvement**

Based on the export sales ratio and the impression gathered during the interviews, four of the six case companies, namely DMIB, Poly Glass, FIMA, and MSG, may be described as active and committed exporters. The case company City Metals is an example of an experimental exporter.

For the very experienced exporters (DMIB, MSG), exports have become an integral part of their business. Among the relatively new exporters (Poly Glass, FIMA Instanco, and City Metals), exports are seen as an avenue for future growth.

In the case of Poly Glass, its internationally oriented management team appear to be the driving force behind the firm's current export exploration programme. The manager's international orientation is also an internal initiating factor for FIMA and City Metal's export involvement.

The role of the managers in initiating a firm's export involvement concurs with the export literature which established that the manager's characteristics, particularly his/her international orientation, is a driving force behind firm's internationalisation (Simond and Kenneth, 1968; Olson and Wiedersheim-Paul, 1978; Reid, 1980; Brooks and Rosson, 1982; Joynt, 1982; Barrett and Wilkinson, 1986; Dichtl et al., 1990; da Rocha et al., 1990).

While the performance of competing firms and assistance provided by the government's export promotion agency (MEXPO) are responsible for FIMA and City Metals' interest in exporting, the problems encountered by manufacturers in the importing nations have paved the way for the Poly Glass' products into export markets. These factors have been identified in previous evidence (Rabino, 1980; Kaynak and Kothari, 1984; Jatusripitak, 1986; Ross, 1989; Kaynak and Erol, 1989; Banaccorsi, 1992).

On the influence of government agencies, the evidence from this study reaffirmed the general view that government assistance is crucial at the early stage of a firm's export development (Nicholls et al., 1988; Fonfara and Collins, 1990; Weaver and Pak, 1990).

### **8.9.2 Export markets and market strategy**

The number of markets tends to vary with the degree of export experience of the case companies. Table 8.3 summarises the number of countries exported to and the percentage accounted for by the first and second major importing countries.

**Table 8.3: Export Markets.**

<b>Case Co.</b>	<b>Number of markets</b>	<b>Major export markets</b>	<b>% exported to major markets</b>
<b>DMIB</b>	40	United Kingdom	40 percent
		Australia	25 percent
		Others	30 percent
<b>Poly Glass</b>	8	Singapore	60 percent
		Indonesia	15 percent
		Others	25 percent
<b>FIMA Instanco</b>	6	Australia	60 percent
		United Kingdom	20 percent
		Others	20 percent
<b>City Metals</b>	1	Singapore	100 percent
<b>MSG</b>	10	Singapore	30 percent
		Hong Kong	30 percent
		Others	40 percent

DMIB which was established during the colonial era exports to approximately 40 countries. The remaining firms which were established under Malaysia's recent industrialisation programme exports to between 6 to 10 markets. The exception is City Metals (which is at an exploratory stage of export involvement), which has only one market, that is Singapore. In terms of market strategy, DMIB and MSG may be classified as firms adopting a market diversification strategy; FIMA Instanco, Poly Glass and City Metals may be classified as firms adopting a market concentration strategy.

The degree of concentration is not only reflected in the number of export markets, but also in the percentage exported to their major export markets. For Poly Glass and

FIMA, their first major export market, Singapore and Australia respectively are responsible for approximately 60 percent of their total exports. City Metals export only to Singapore.

As regards to an export market expansion strategy, the findings show quite a contrasting scenario. City Metals is targeting the foreign multinationals (the Japanese firms operating in Malaysia) as the route to its future territorial expansion.

Even though Poly Glass exhibits aggressive export behaviour and have penetrated the regional markets, it appears to be more interested in capitalising on the potentials in the domestic market. Like City Metals, the company is keen on establishing business relationships with the Japanese multinationals operating in Malaysia. What transpires from the interviews with City Metals and Poly are that these two case companies hope to expand into world market through referrals or "word of mouth" promotion by the multinationals operating in Malaysia.

FIMA and DMIB are aggressively exploring export opportunities in their own way. FIMA being at a relatively early stage of export development are using contract manufacturing as a vehicle to its internationalisation process. This behaviour concurs with the findings by Wortzel and Wortzel (1981) that exporting firms from developing nations acquire knowledge by producing to buyers' specifications and progressing into higher export stage by internalising the marketing related activities.

DMIB on the other hand is trying to establish its own brand in the export markets. The technology of production, product design and marketing knowledge acquired through its former foreign equity partner has placed the company further up the internationalisation stage. Because of its association the Malaysian multinational (Sime-Darby Berhad) in which the government has a vested interest, its export expansion programme is tuned to the government policy - exporting to Malaysia's non-traditional markets.

The above export expansion behaviour is reflective of the firms' stage of export development experience and resources.

### **8.6.1.3 Export performance**

On the whole the case companies are very modest about their perceived level of export performance during the last three years. With exception of City Metals, the rest of the case companies indicated that they have achieved the expected performance level in terms of export sales growth.

When export performance is measured by the profitability level, only DMIB indicated it has achieved the expected profitability level. All the other case companies rated their export profitability to be moderately below expectation.

City Metal's export involvement is relatively recent. It is therefore not possible to evaluate its export performance over the last three years. Nevertheless it is understood that it has achieved a relatively satisfactory level of profits on its exports so far.

As highlighted in the write-up of each case company, the success indicators may be measured by other means than the above two indicators (growth and profitability). The performance of DMIB is atypical of firms adopting a market diversification strategy highlighted in Chapter 7. While the statistical analysis performed in Chapter 6 failed to identify significant difference in export performance of the medium-sized firms, through the case study method it can be seen there are medium-sized firms which are successful in their own way.

### **8.6.3 Marketing strengths**

#### **8.6.3.1 Organisational strengths**

Out of the five case companies, only two case companies (DMIB and FIMA Instanco) have set up a separate export department to handle export business.

As regards to planning orientation, it is observed that all the four local companies indicated that they prepare a formal written marketing plan; the Japanese joint venture company does not prepare a formal written marketing plan.

The local firms are quite active in soliciting export information. Besides MEXPO, FIMA Instanco also seeks information by attending export training seminars. The main source of information for City Metals is MEXPO. Poly Glass is the only case company that has an in-house market research facility. The company also consults SIRIM and Trade commissioners office.

DMIB, by virtue of its long history of export involvement and association with a reputable British firm, does not actively solicit information from external sources. It could be inferred that established systems of communication between the company's distribution networks and its overseas associate have enabled the company to gather the required market information. Alternatively the information provided by external public sources is too general for this established exporter.

MSG appears to be the most active information seeker. The company besides being furnished with information by its associated companies, also consulted with MEXPO, foreign embassies and consulates based in Malaysia. This behaviour is in line with the findings from other studies which highlighted the importance of information in the Japanese organisations (Kotler, Fahey and Jatusripitak, 1985; Johanson and Nonaka, 1987; Baker 1987; Amr Kheir, 1990; Tuncalp, 1990).



The findings in this section show that firms commitment to exporting is demonstrated in a number of ways. Established exporters like MSG niether have a separate export department or formal written marketing plan, but is committed to information search. DMIB on the other hand has a separate export department, prepare a written marketing plan but rely on information from its associate companies. New exporters actively seek information and help from government agencies.

The findings also show that the need for support from the government appears to vary with the firm's export stage and size. A medium-sized firm like City Metals has benefited from the government support in improving not only their internal work system but also contact with overseas markets. FIMA Instanco also a medium-sized firm has also benefitted from the government support in exploring the opportunities overseas.

The lessons provided by City Metals and FIMA Instanco are that government support is vital in early stages of a firm's export development. For example, FIMA Instanco initially made use of the government export financing scheme but opted out once it had established its own financial arrangements.

Even though Poly Glass falls into the same category as City Metals and FIMA Instanco in terms of size and export experience, it appears to be less dependent on goverment support in terms of financing and market contacts. The possible reasons for Poly Glass's reduced reliance on government support could be attributed to the ownership structure of this company. The company is established by a group of dynamic Chinese entrepreneurs, managed by managers who received tertiary education overseas, and is financially stable.

Another aspect of support is in the area of Research and Development. As anticipated, firm with foreign equity participation, like MSG, received substantial support from their foreign equity partner in terms of R & D. The local companies, Poly Glass, City Metals and FIMA Instanco do undertake a limited amount of R &

D activities but also work closely with the government agencies involved in R & D activities.

There appears to be consensus among the case companies as regards the importance of distributors commitment in enhancing their competitive marketing strengths. The findings concur with the findings presented in Chapter 7.

Another aspect which concurs with the findings in Chapter 7 is the importance of variables describing the management strengths. Technological superiority alone is an insufficient motivating factor in a company's export involvement. The quality of the firm's human resources is equally important. As demonstrated from the case study on FIMA Instanco, its manager's international orientation and a commitment to quality improvement programme are additional prerequisites. An understanding of the business culture in the importing country is crucial in a firm's export involvement as demonstrated by Poly Glass which has managed to break into a highly protective Indonesian market.

#### **8.6.3.2 Marketing-mix strengths**

On the importance of market-mix elements, there is a consensus among the six case companies as regards the importance of consistent product quality and high product quality. While MSG and DMIB consider their ability to provide a wide product range as a source of their competitive marketing strength, FIMA considers its ability to manufacture a product with unique quality as crucial.

The fact that all the product variables have been cited by the case companies as sources of their marketing strengths reinforces the evidence provided in Chapter 7.

With exception of City Metals, all the case companies produce their goods based on international standards, therefore requiring little modifications. The findings on this aspect explains why the extent of modifications on product attributes do not separate

the successful from the less successful exporters.

The relative value of Malaysian ringgit and low production cost as the major sources of competitive marketing strengths has been cited by all the case companies. Nevertheless they appear to put more stress on non-price factors.

While all the case companies consider reliability of delivery as being very important, there appears to be less concern about the importance of channel members selection among the case companies like City Metals and Poly Glass. The attitude could be partly explained by the fact that the export business is often initiated by outside parties. FIMA Instanco, DMIB and MSG are the three case companies that have a formal channel arrangements. Direct exporting to distributors in importing nations appear to be the most important export channels. The importance of indirect channel seems to be insignificant.

As regards promotional activities, there seems to be agreement among the case companies that regular visits to overseas markets and joint efforts with distributors, are the two main types of promotional tools used in maintaining market contact. Participation in trade fairs and exhibitions appears to be associated with firms that are in the early stages of export involvement, as demonstrated by City Metals and FIMA Instanco. While established, large-sized firms and very experienced exporters like DMIB benefited from the trade mission organised by its parent company, new exporters with limited resources and experience like FIMA Instanco and City Metals, relied on MEXPO.

MSG not only visits overseas markets but arranges its distributors to visit the plant in Malaysia as part of the distributors development programme.

The findings on marketing-mix strengths concur with previous findings on the association of product strengths, reliability in delivery and maintaining close contact with the markets through regular visits with export success ( Madsen, 1987;1989;

Ford and Leoniduo, 1991; Gemunden, 1991).

#### **8.6.4 Market environmental factors**

Overall, the five case companies expressed satisfaction with the state of the infrastructure in the domestic economy. However there was concern about the labour market, that is the supply of skilled and qualified manpower. The perceived level of export barriers, both tariff and non-tariff barriers tend to be moderate.

As regards potential in the domestic market, DMIB, FIMA Instanco and MSG perceived it as stable. The remaining two case companies, Poly Glass and City Metals, perceived the potential to be growing. The perception appears to be associated with the degree of commitment to exporting. The three case companies encountering stable market potential tend to be more committed to exporting compared to the other three case companies which are encountering growing market potential. FIMA-Instanco who came in late to the non-protected market has no choice therefore but to diversify into export markets.

All the case companies perceive the opportunities in export markets to be growing. In spite of this, Poly Glass and City Metals are more inclined to service the needs of the domestic market.

As regards competition in the domestic market, DMIB and Fujisash seem to encounter intense competition from the local manufacturers. The others appear to face moderate competition. While Poly Glass being the only firm producing glasswool products enjoys a monopoly position.

Competition from foreign-owned firms seems to be insignificant and this could be attributed to the government investment policies which regulate investment by foreign firms so that they do not directly compete with local firms. Competition from imported products appears to pose intense competition to only to DMIB and the

remaining case companies seem to face moderate competition. The intensity of competition in export markets is perceived to be highest from the exporters of other developing nations.

The state of demand and competition in the domestic market seems to provide some clues as to why DMIB and FIMA-Instanco are more committed in their export ventures.

## **8.7 Summary**

This chapter highlights the findings of the case studies. A total of six companies were personally interviewed by the researcher. The findings show that assistance provided by the government export promotion agency has helped launch two of the case companies into export markets. The assistance needed tends to vary with the experience and size of the company. The new firm's export involvement is often triggered by the export performance of competing firms and the international orientation of its managers.

All the case companies agree that product quality is an important factor in export marketing. However a product's price and strict adherence to delivery schedule are also cited as factors influencing their export competitiveness. Furthermore these companies maintain close contact with their overseas markets through regular visits.

## CHAPTER 9

### SUMMARY AND IMPLICATIONS OF THE STUDY

#### **Introduction**

This chapter summarises the purpose and findings of this study. The implications for managers, policy-makers, and theory development are discussed. Finally, the chapter concludes with the limitations of this study and suggestions for future research.

#### **9.1 Background and significance of the study**

Malaysia's industrialisation programme was undertaken immediately following her independence from the British in 1957. A number of policy measures were introduced to attract foreign investment and encourage the growth of the manufacturing sector. The initial import-substitution industrialisation programme was replaced by an export oriented industrialisation strategy when the Fifth Malaysian Plan was introduced in 1968. It accorded a strategic role to the manufacturing sector to steer the nations economy away from over reliance on the exporting of primary commodities.

Impressive growth was recorded in the manufacturing sector and it has since replaced the agriculture sector in terms of export earnings. Despite the changing structure of exports from commodities to manufacturing products, Malaysian exports remain generally labour intensive, with an over concentration in the electronic sector and destined to its traditional trading partners of Singapore, USA, Japan and EC.

Malaysia's ability to sustain its growth is dependent on the performance of firms at the micro level. The generally held view is that Malaysian firms, particularly the small- and medium-sized firms, lack export marketing skills. Their management practices are considered to be outdated. They are felt to be inefficient and compete

solely on cost advantage. The bulk of exports are generated by the large-sized firms which employ superior technology, advanced management practices and are mostly foreign-owned or joint ventures.

This study fills the gap in Malaysian export literature by investigating the export behaviour and factors associated with the successful exporters. The findings of this study also extend the knowledge on the relevance of marketing variables in distinguishing successful from less successful exporters. This adds to what little is known about the export behaviour and performance of firms from developing nations.

## **9.2 Literature review**

In order to formulate the research framework that would guide data collection that would answer the abover research questions, an extensive review of the literature was undertaken to assess previous evidence on factors contributing to the variations in export performance. A number of authors have attempted an integrative review of export literature which has profilerated since the early 60s. A wide range of factors have been hypothesised to explain firms' export performance and these factors may be broadly classified under organisational characteristics, marketing factors and market environmental factors.

The findings have produced mixed results but the mainstream views are that market oriented firms with greater resources, and managed by internationally oriented managers have better chances of being successful in their export venture.

It was noted that substantial empirical evidence is confined to the experience of firms in advanced industrialised nations, particularly from North America and Europe. Empirical evidence on firms from newly industrialising and developing nations is rather limited. Studies in the latter nations are mostly directed at the macro level. The recent trend in development strategies which has emphasized export-drive has seen a number empirical works involving firms from new industrialising nations. This

study provides new information by focusing on the experience of Malaysian exporters.

### **9.3 Research framework**

The research framework adopted in this study is divided into two parts. The first part is concerned with identifying successful and less successful exporters. This task is achieved by analysing the factors that are influential in explaining the variations in firms' export performance. In this study, the variation in firms' export performance is hypothesized to be the results of the interaction between organisational and export marketing policy variables.

Firms' export performance is evaluated on two dimensions namely, export sales growth and export profitability. Firms that achieved better export performance (as indicated by the mean value) than their counterparts and the difference in the mean values is statistically significant (at  $p < 0.05$  or better) are designated as successful exporters.

The second part of the research framework attempts to establish the marketing factors that separate successful and less successful exporters. The overall proposition is that successful exporters differ from less successful exporters with respect to their marketing strengths. These sources are categorised into two, namely organisational strengths and marketing-mix strengths. The two groups of firms are also hypothesised to differ with regards to their perceptions of the market environmental factors.

### **9.4 Research design**

The research design adopted in this study may be described as survey design and is cross-sectional in nature. The study employed two research methods - the mail survey and case study. The fieldwork took approximately three months and both methods of data collection were conducted concurrently. The sample of the respondents was selected from the FMM Directory 1992 and the proportional stratified sampling was



used. A survey instrument was mailed to 835 respondents and approximately 22.8 percent returns were useful for analysis. The response rate was considered satisfactory and the responding firms are representative of the population under investigation. As regards case study, a total of five companies consented to be personally interviewed by the researcher.

## **9.5 The Findings**

The respondents comprised of firms from a cross-section of the manufacturing sector exporting consumer, industrial and a mixture of both product types. Although a majority of the responding firms have been in operation for quite sometime, their export involvement appears to be quite recent. This reflects the state of Malaysia's export-oriented industrialisation programme. Both local and foreign firms of varying size (as measured by the number of employees) responded to the survey. The majority of these firms exported to less than eight markets and may be described as adopting a market concentration strategy. In terms of marketing orientation, the majority exhibited a selling orientation rather than a marketing orientation policy.

In order to establish the characteristics of successful exporters and less successful exporters, a two-way anova was used. This statistical technique is appropriate in detecting if the variables specified in the research framework contribute interactively or individually to the variations in export performance.

The results of the analysis show that:

- a. variable EXPORT MARKET STRTAGEY could stand by itself in explaining the difference in both measures of export performace, namely EXPORT SALES GROWTH and EXPORT PROFITABILITY.
- b. EXPORT SALES GROWTH is affected by the interaction between variables SIZE and MARKETING ORIENTATION as well as between variables OWNERSHIP and MARKETING ORIENTATION.

Further analysis was undertaken to determine within which group of firms there was significant difference in export performance. The results show that:

- a. in the classification of firms based on their EXPORT MARKET STRATEGY, it was established that firms adopting A MARKET DIVERSIFICATION STRATEGY achieve better export performance, as measured by export sales growth and export profitability than those firms adopting A MARKET CONCENTRATION STRATEGY.
- b. on the interaction between variable SIZE and MARKETING ORIENTATION in explaining the variations in export sales growth, a significant difference is detected AMONG FIRMS EXHIBITING A SELLING ORIENTATION POLICY. Among firms exhibiting a selling orientation policy, the LARGE-SIZED FIRMS achieve better export performance than the MEDIUM-SIZED FIRMS; and
- c. on the interaction between variable OWNERSHIP and MARKETING ORIENTATION in explaining the difference in export sales growth, the significant difference occurs AMONG FOREIGN FIRMS. Among foreign firms, those FIRMS EXHIBITING A MARKETING ORIENTATION POLICY achieve better export performance than their counterparts exhibiting a selling orientation policy.

The analysis show that there are three profiles of successful and less successful exporters. These firms are the subject of the second part of the research framework. The objective is to identify the factors that separate the two groups of firms.

## **9.6 Factors associated with successful exporters**

Successful exporters are posited to differ from the less successful exporters with respect to their sources of marketing strengths and their perceptions of the market environmental factors. Specific hypotheses were tested for each the three profiles of successful exporters and less successful exporters. The findings are highlighted below.

### **9.6.1 Firms adopting a market diversification strategy**

The factors associated with firms adopting a market diversification strategy which achieve better export performance than firms adopting a market concentration strategy encompass both organisational and marketing-mix strengths.

Under organisational strengths, it is noted that firms adopting a market diversification strategy are more likely to have a separate department to handle export business, to have an in-house market research facility, and to prepare a formal marketing plan. They actively solicit information from the business associations, business publications and also by attending export training seminars.

The variables describing managements strengths that separate the firms adopting a market diversification strategy from their counterparts adopting a market concentration strategy include understanding of international business culture, commitment to quality improvement programmes and in-house R & D activities. Their success is also attributable to their distributors' commitment and strengths in providing market information and marketing networks overseas.

As regards to marketing-mix strengths, it is established that the importance of offering a wide product range, reliability in delivery schedule and direct exporting to distributors in importing nations are peculiar to firms adopting a market diversification strategy. They make regular visits to overseas market and organise joint promotional programmes with their distributors in promoting the products.

As regards to the market environmental factors, the firms adopting a market diversification strategy perceived greater levels of satisfaction with the state of the infrastructure in the domestic economy, in particular with respect to "fiscal incentives and export financing services" and "technical support services" provided by the government. As they export to a larger number of markets, it is not surprising that they rate "non-tariffs barriers" significantly higher than their counterparts which

exported to a lesser number of markets.

### **9.6.2 Large-sized firms characterised as exhibiting a selling orientation policy**

Only three sources of competitive marketing strengths are found to separate the large-sized firms (successful exporters) from the medium-sized firms (less successful exporters). The former are more likely to have a separate export department to handle export business and undertook significantly higher level of modifications on product "style/design/other features". The importance of indirect export channels, such as the Japanese trading companies based in Malaysia and Singapore is however, peculiar to the medium-sized firms (less successful exporters).

As regards the market environmental factors, the results show that the large-sized firms are found to be more satisfied with the "fiscal incentives and export financing services" provided by the government compared to the medium-sized firms.

### **9.6.3 Foreign firms characterised as exhibiting a marketing orientation policy**

The factors associated with foreign firms exhibiting a marketing orientation policy which achieve better export performance than their counterparts exhibiting a selling orientation policy encompass both organisational and marketing-mix strengths.

The variables describing organisational strengths that are peculiar to the foreign firms exhibiting a marketing orientation policy (successful exporters) are those categorised under management strengths (good relations with suppliers, access to quality raw materials, understanding of international business culture, and commitment to quality improvement programme). Also important is external support from their distributors.

In contrast to the earlier profiles of the successful exporters, the importance of all the

four marketing-mix strengths have been established to be associated with the successful exporters. The importance of offering a wide product range that is unique and consistent in quality is peculiar to firms exhibiting a marketing orientation. The emphasis on product-strengths is complemented by the importance they attached to tight cost control, low production costs, and the relative value of Malaysian ringgit. The policy of delivering the product according to schedule and the existence of a policy on selection and expected performance level of their distributors are the characteristics of the marketing orientation firms. They maintain communication with the markets by participating in trade fairs and exhibition and regular visits to overseas market.

As regards market environmental factors, the perceived intensity of competition posed by the local firms in the importing nations appears to separate the foreign firms exhibiting a marketing orientation policy from their counterparts that exhibit a selling orientation policy.

As can be seen from the above, there seem to be some inherent marketing ingredients for export success. The results support the propositions that successful exporters could be distinguished from less successful exporters in terms their competitive marketing strengths. They have a reservoir of resources, commitment to information search, management strengths and marketing-mix strengths. They also exhibit different perceptions as regards to the market environmental factors.

### **9.7 Findings from case studies**

The findings from case studies provided additional insights into the export marketing experience of the Malaysian exporters. The number of export markets served appear to vary directly with the firm's size and export experience. The case companies that exported to a larger number countries are large-sized firms and have been involved in exporting during the last ten years at least. They are less reliant on the support from the government.

The findings seem to suggest that support by the government is particularly important during the early stages of a firm's export involvement. The medium-sized case companies' export involvement was triggered by both internal and external factors. The most notable spur of all is the managers' international orientation.

There appears to be a consensus among the case companies as regards the importance of product quality, price competitiveness, and strict adherence to the delivery schedule as a basis of firm's marketing strengths. The support from channel members and maintenance of close contact with the markets are also regarded as highly important factors in their export activities. The results concur with the findings from mail survey.

## **9.8 Research implications**

### **9.8.1 Managerial implications**

The results of this study offer some interesting insights into the requirements for successful exporting. An argument can therefore be made that export involvement and performance are associated with:

- a. management strengths;
- b. marketing management skills and the adoption of a marketing orientation policy; and
- c. market expansion.

The above factors are not, of course, mutually exclusive.

#### **9.8.1.1 Management strengths**

The complexity of events shaping the domestic and international market environments requires among other factors that management must have a vision as well as marketing management skills. Management vision range from attitude towards

exporting and receptiveness to tasks associated with improving a firm's competitiveness. Marketing management skills on the other hand encompass the adoption of a marketing orientation and the competence in managing the marketing-mix.

Exporting should be seen as an investment. The returns must be considered in over a time period. Exporting as a strategy for growth can be successful if a long-term view is kept firmly in mind. The findings from this study show that exporting does not necessarily result in higher profitability. Only when the participating firms are profiled according to the export market strategy, is the difference in export profitability found to be significant. Firms that exported to a larger number of markets appear to have achieved the expected level of export performance.

Because profitability is not immediately realised, it does not mean that exports should be cast aside. Exporting should not be regarded as a peripheral activity but should be fully intergrated into company operations. The prime benefits of exporting should be seen in the light of the exposure to international competitive pressures. The benefits that accrue in the area of competitiveness should place the firm in a better position in both the domestic and international markets in the long term.

The lessons from international involvement, particularly the need to conform to international quality standards, should make firms more competitive domestically. A firm's exposure to international market forces will make the firm more ready to anticipate the changes which shape demands in both the domestic and international markets.

Central to attitude in exporting is the strategic role of the human resource. The human resource as a strategic element in marketing recognises that progress and productivity is a result of the human mind. In export marketing the managers' international orientation and their commitment to matching international standards are key factors.

The importance of these two elements are peculiar to firms adopting a market diversification strategy and foreign firms adopting a marketing orientation policy. Evidence from the case study also shows that the internationalisation of medium-sized firms is rooted in the international orientation of their managers.

The results suggest that:

- i. management must allocate resources towards human resource development so that their executives have favourable attitudes towards exporting and the necessary export marketing skills; and
- ii. executives recruited for managing a firm's international business should possess a high degree of knowledge and appreciation of international business culture.

#### **9.8.1.2 Marketing management skills**

Marketing plays a key role in establishing a strategic fit between an organisation and its changing competitive environment. Organisational effort to enter new markets must start with a corporate plan for the export venture. The fact that the preparation of a formal market plan is associated with firms adopting a market diversification strategy underscores the importance of planning in a firm's market expansion.

As the dynamic forces shaping the international business environment become more complex, the process of marketing planning should be accorded greater importance within the organisation. A critical element in overcoming obstacles in formulating and implementing an international marketing plan is obtaining knowledge about the social, cultural, political, economic and industry factors which in turn influence decisions on the marketing mix.

On the whole evidence from this study suggests that Malaysian firms are relatively inactive in seeking export information. Even though it was established that the successful exporters, in this instance firms adopting a market diversification strategy,



are significantly more active information seeker than their counterparts, the pattern of mean values suggests that they would still fall under the category of passive information seeking behaviour.

Whilst it should be acknowledged that the participating firms may have a preferred approach to information gathering using one or more of the following means: regular visits to overseas markets, joint efforts with distributors, and participation in trade fairs and exhibitions, the managers should evaluate and consider using information from other sources.

The lack of organisational resources such as manpower to monitor and interpret the available information could be solved by fostering linkage with academic institutions for example. Resources at the local and foreign colleges and universities are useful and can be effectively utilized in identifying and acquiring most of the required secondary data. Students participating in courses in marketing research, international marketing, and other business courses can provide some of the human resources requirements. Firm benefits from the academic input, students benefit from the experience.

The firms should have their own information network system. In the long run, they should internalise the information gathering function. Overreliance on distributors should be avoided as they are in constant touch with other suppliers which can offer them a competitive if not better deal. For this reason a firm can be placed in a very awkward position should the distributors become less reluctant to impart new emerging information which is crucial to a firm's continued survival.

Another important aspect of marketing is the management of the marketing-mixes. Managers should not assume that their products or services can be successfully marketed internationally simply because they conform to a technical specification. As the findings of this study show, it is not high quality, but the ability to manufacture a product with consistent quality level that is associated with successful exporters.

Also related to product strength is the ability to offer a wide product range as well as those possessing unique attributes.

Even though much has been said about the perils of relying on price as a basis of competing in international markets, the fact that this element is found to be associated with foreign firms exhibiting a marketing orientation policy, underscores the importance of managing the factors affecting the price. In this study the cost elements have been emphasized. As demonstrated by foreign firms exhibiting a marketing orientation the importance of cost management is obviously crucial in ensuring that the firm remains price competitive. Therefore sustaining a cost advantage should be pursued by the managers, but not at the expense of quality.

Whilst the importance of reliability of delivery seems to be peculiar to the successful exporters, the importance of channel member selection appears to be somewhat ambiguous. The role of channel members is crucial and firms with limited resources should find the right channel members who are cognizant with the market needs and willing to share market information.

Even though the findings of this study show that export channel structures (direct or indirect) are relatively insignificant, it should not be construed that the design of export channels is of lesser importance in the firm's marketing programme. The advantage of using direct and indirect channels should be evaluated in the light of the company's resources, target market, and product characteristics.

Maintaining a visible presence in export markets is crucial for long term development. As demonstrated by the findings of this study, managers should incorporate regular visits and joint promotional efforts with the distributors and participation in trade fairs and exhibitions as part of the company's export marketing programme. These activities are crucial in understanding the underlying forces influencing the distributors buying decision, and ultimately, the market behaviour.

Even though the findings of this study show that among local firms, the export performance of firms characterised as exhibiting a marketing orientation policy is not significantly better than their counterparts characterised as exhibiting a selling orientation policy, the importance of this concept should be not brushed aside. The managers in the local firms should take note of the factors associated with the profile of foreign-owned firms characterised as exhibiting a marketing orientation policy.

Adopting a marketing concept means that a firm should place the needs of the market place as its sole purpose of servicing the international markets. The route to servicing the overseas markets profitably should be built on concerted efforts by all functions within the organisation in identifying and creating value that is perceived by the market to be superior than that offered by its competitors, and ultimately satisfy the needs of the target market. This calls for the top management to be cognizant with the important role of all marketing-mix elements and not rely on one single marketing-mix such as price in enhancing the firm's competitiveness.

### **9.8.1.3 Market expansion**

Expansion of markets can take place in two ways:

1. increase geographical spread of the firm's product to markets beyond the neighbouring nations;
2. expansion of the product line.

#### **Geographical expansion**

The result of this study demonstrates firms which export to a larger number of markets (characterised as adopting a market diversification strategy) are more successful than those that concentrate on a few markets. Geographical expansion however must be evaluated against the company resources and experience.

For the small- and medium-sized firms, the scope for geographical expansion may be limited due to capacity constraints. So concentration in key markets may be the

best choice. However given the proactive buying behaviour of buyers from importing nations, the option for the small- and medium-sized firms to widen their business horizons beyond the regional markets is still open.

The route to export market expansion could be achieved for example by the formation of a consortium of small- and medium-sized manufacturers in a particular industry. The consortium objective would be to service the export markets efficiently through group efforts and reap economies of scale in managing export activities. Efforts should be directed at formalising the relationship with overseas buyers or international trading firms so that exchanges of information can be fostered.

As shown in the findings of this study, the ability to offer a wide product range is associated with the characteristics of the successful exporters. While expansion of the product line may be relatively easily accommodated by the large-sized firms, the medium-sized firms may not find this route the best alternative. However, based on the findings from case studies, the medium-sized firms could opt for the manufacture of buyers' products (contract manufacturing). This could serve as a starting point in acquiring knowledge about the intricacies of product development and the associated marketing tasks.

Product development requires the managers to be innovative and receptive to new technology. Innovation and technology are intertwined. Both are indicators of a firm's capability to create, discover and invent new and better ways of doing things and servicing the overseas markets.

In this study, proxy measures of firms receptiveness to innovation and technology such as the organisation of R & D within the company, or alternatively relying on R & D activities from government agencies or associate companies (for foreign firms) have been found to be peculiar to the large-sized firms only. The managers in small- and medium-sized firms should be cognizant with the need to constantly stay in touch with technological developments and acquire the technology to upgrade their

operating efficiency.

Since the implementation of this study, a number of measures have been introduced by the government to expand the scope of R & D activities undertaken by government agencies. Managers should therefore take advantage of this development.

The importance of upgrading the firm's marketing capabilities cannot be overstated. At the international level, there is the paradoxical situation of falling trade barriers and industrial deregulation at the same time as the development in the promoting of regional trading blocks. This will place greater pressure on Malaysian firms to become more efficient. At the national level, the opening up of the economy through the reduction of protective barriers will mean that in future only efficient firms will survive in the domestic market. Marketing has an important role in contributing to the creation of an efficient firm. Effective allocation of resources can be achieved if the managers are responsive to the market needs. This is where the marketing function is crucial.

### **9.8.2 Theoretical implications**

The contribution of this study to the literature of exporting is two-fold.

First, it focuses on the interplay between organisational characteristics and export marketing policy variables as a basis of establishing the characteristics of successful and less successful exporters. The process of establishing the characteristics of successful and less successful exporters adds some new evidence to the factors contributing to the differences in a firm's export performance. The analysis revealed and confirmed the argument that a firm's organisational characteristics interact with its export marketing policy to explain differences in export performance.

The findings show that a firm's size and ownership per se do not explain the difference in export performance. Rather the interaction of a firm's marketing

orientation with its size and ownership variables has been established as explaining the difference in export performance.

An argument has been proposed that a firm can be successful in exporting irrespective of its marketing orientation. However the findings from this study do not lend an unqualified support to the argument. The results reveal such an argument is only true in situations involving large-sized firms.

The importance of a firm's marketing orientation in explaining the difference in export performance is evident when the variable is analysed in combination with its ownership structure. The result of the analysis supports the view that ownership per se do not contribute to the variation in export performance. The difference in export performance is noted among foreign firms and the factor that contributes to the difference is their marketing orientation. Foreign firms that exhibit a marketing orientation policy achieve better export performance than their counterparts which exhibit a selling orientation policy. Thus supporting the view that success has little to do with ownership, but more with the degree of appreciation of the importance of marketing concept by the firm.

The above argument however could not be extended to local firms. The findings of this study show that firms' marketing orientation do not contribute to the difference in export performance among local firms. The export performance of local firms characterised as exhibiting a marketing orientation policy do not significantly differ from their counterparts that exhibit a selling orientation policy.

On the controversy between concentration and diversification, the findings of this study concur with previous findings which established that firms adopting a market diversification strategy achieve better export performance than firms adopting a market concentration strategy.

The firm's experience (business and export experience) factor are not crucial in

contributing to the difference in export performance. Nevertheless the experience of managers and their international orientation do separate successful from less successful exporters. The importance of these variables are further supported in the case studies. Thus lending support to the view that a firm's export involvement and export performance is heavily dependent on its managerial characteristics.

The insignificant of product types exported is in accordance with findings in other empirical export performance studies.

**Second**, this study focuses upon a spectrum of marketing variables which have not been systematically explored in the Malaysian context, but are shown to have a significant contribution to export performance. These marketing variables are broadly classified into organisational strengths (export organisation, planning, information search, management strengths, external support, assistance from foreign equity partners) and the marketing-mix strengths (product, price, distribution, and promotion). In addition, the environmental factors are also investigated.

As summarised in section 9.6 the importance of these factors varies from one profile of successful exporting firms to another. The findings from case studies further reinforce the importance of marketing variables in explaining a firm's export performance.

Evidence from case studies also contributes to the existing export literature. A firm's export involvement is triggered by both internal and external factors. The finding of this concurs with evidence from other nations particularly on the role of the managers. The fact that the number of markets served varies directly with case companies' export experience suggests that Malaysian firms export involvement tends to reflect the view that export development occurs in stages and the concept of psychic distance may be applicable to the Malaysian situation.

The finding that government support is crucial at the firm's early stage of export

involvement is in accordance with other literature which suggest that the need for export assistance varies according to the firm's export involvement and experience.

The significant association between variables describing relationships with channel members supports the interaction school of thought which advocates that export success is the result of sound business relationships between exporters and overseas buyers.

### **9.8.3 Policy Implications**

The findings in Chapter 7 on the importance of variables associated with the services provided by government agencies - information from MEXPO and Trade Commissioners Office; R & D by government agencies; and financial assistance under export credit refinancing schemes - show an inconclusive result. None of these variables are associated with the successful exporters. But the findings from case studies do indicate that the government's role cannot be dismissed.

The government's call for the manufacturing sector to adopt a marketing orientation must be accompanied by its own policies which reflect such orientation. In this connection, the findings of this study suggest that the support services must be geared to the firm's stage of export development. As demonstrated by the case study companies, some firms could have been internationalised at an early stage of their establishment. Efforts should be increased to identify companies with export potential. These firms should be encouraged to participate in trade fairs and trade conferences to stimulate them to be more aware of opportunities provided in foreign markets. Assistance should be extended until they gain positive export experience.

The task of the policy makers then is to support unstable exporters in their efforts to implement a stable and long term export strategy.

Some of the recommendations that could be put forward are:



1. Increase the degree of firm's commitment to export-related information search. The findings in this study tend to suggest that Malaysian exporters underutilise the available information services. Exporters should be encouraged to make greater usage of information provided by both government and non-governmental institutions. As the findings from case study revealed, information needs tend to vary with the firms stage of export involvement, so efforts should be made to identify the characteristics of exporters by their stage of export development and their needs.

As marketing to unfamiliar countries would involve a lot of uncertainties and resource commitment, the export promotion agencies should provide the necessary background information about particular markets. In this connection, an export promotion agency should work closely with industry associations to undertake market feasibility studies. Such studies should cover information on market potential, buyers preferences, the level of competition, distribution structure and product adaptation requirements, which are considered vital for export decisions.

Interaction between exporters as well as non-exporters should be promoted. Cooperation from successful exporters to participate with non-exporters in conferences needs to be encouraged so that successful exporters can share their experiences and impart their knowledge to other exporters and non-exporters, considering expanding their business horizons.

## 2. Promote export mentality

A corollary to the importance of marketing efforts is the intangible entrepreneurial elements. To export requires organisational ability and entrepreneurial skill. It is necessary to create an "export mentality" to transform Malaysia into a major exporter of manufactured products. This could be achieved through an improvement in the instructional courses at the tertiary levels and other training institutions to include a curriculum which highlights the importance of exports and appreciation of international business culture. Emphasis may be directed at the need to acquire additional foreign languages besides English.

### **3. Liberalise domestic trade sector**

Foreign competition provides the pressure that will force local firms to innovate in order to remain competitive. The local firms should be exposed to foreign competition in order that they may be tuned to the dynamics of international market. The competitive strength developed in striving for a share of the domestic market would be a priceless asset in preparing a firm to face greater challenges in overseas markets.

### **4. Transfer of hard and soft technology**

The liberal investment policies have attracted foreign firms which possess a wide range of production and product technology as well as management know-how to help industrialise the economy. Policy should be directed at how the technology could be absorbed by the local firms to upgrade their technology capability. There is a need to provide the mechanisms which would make it possible for Malaysian manufacturers to interface with foreign technologists and researchers and increase their capacity to absorb technology transfer and innovation.

### **5. Promote Malaysian identity/brand**

As revealed in the case studies, contract manufacturing or producing buyers' brands is one of the routes to internationalise a firm's activities. While this is necessary and probably a logical decision so that excess capacity may be fully utilised, it should not be treated as a long term solution. Policy measures should be devised to encourage firms to promote Malaysian brands rather than continue relying on exports carrying a buyers' brand. Continued exports of a buyers' brand will continue to undermine the long-term capability of the Malaysian manufacturers to control the marketing of its products. By continuing to produce and export products which are identified with the importer, the manufacturer effectively relinquishes the opportunity to create or retain consumer franchises across borders.

## **9.9 Limitations of the Study.**

This study, like any, has its limitations. The following limitations should be kept in mind in interpreting the findings and conclusions reported in earlier chapters.

### **9.9.1 Methodological issues**

#### **a. Sampling**

The population from which the sample is drawn is confined to those manufacturing firms which are members of the FMM. As such the findings are reflective of the export behaviour and performance of firms that belong to this organisation. As not all manufacturing firms operating in Malaysia are members of the FMM, caution should be exercised in extending the implications of the findings to firms beyond this organisation.

#### **b. Perceptual data**

The main focus of this study is based on perceptual data. Compared with objective data, perceptual data is more susceptible to interviewer and respondent bias. With regard to respondent bias, a manager may, for example, give responses to make him/her look competent in the eyes of the researcher. In forestalling this problem, a carefully drafted letter emphasising confidentiality of the data was mailed to the managers. Even though such caution has been exerted, there is no guarantee that respondent bias has been eliminated.

#### **c. Case studies**

The researcher alone had to conduct all the interviews. We could only interview those companies that had agreed to participate in the research and only one manager in each firm was interviewed. Although interviewing one manager facilitated the data collection process, an obvious limitation is that the information collected reflects the view of only one person. This might not provide a fair representation of the opinions of other managers in an organisation. Surveying the views of other managers could

have provided more balanced opinions from within the firms but at a significant time cost.

Another limitation is that the case studies were used to expand the scope of the research rather than complement and reaffirm the findings from the mail survey. It would be more appropriate if the case study companies were extracted from among the companies that responded to the mail survey. The in-depth interview and elaboration of factors associated with successful exporters would then further increase the reliability and validity of the findings from the mail survey.

#### **d. Cross-section study**

This study is cross-sectional in nature because the sample elements were measured only once. The study is therefore static in the sense that it does not incorporate feedback effects and in particular does not incorporate changes that take place over life cycles of products and firms.

### **9.9.2 Conceptual issues**

There is a lack of a clearly defined theoretical framework which could form the basis for developing the research hypothesis. An extensive literature review was undertaken to create an inventory of marketing factors contributing to export performance. The concepts covered in this study are largely drawn from previous research involving firms in the western industrialised nations.

While attempts were made to categorise the endless list of variables identified as contributing to export performance into two categories, namely those contributing to the variations in export performance and those associated with the better export performing firms (successful exporters), it cannot be claimed to be the most ideal approach. Factors contributing to the variations in export performance as defined in this study are limited to organisational variables and export marketing policy variables.

The organisational variables were operationalised by the demographic and structural characteristics of the participating firms, namely size, age, export experience, ownership and types of products exported. It should be borne in mind that there are other possible approaches to classifying exporters. The Malaysian exporters may be classified according to their degree of export involvement. Some manufactures may be termed as passive exporters (in the context of Malaysia, those that export less than 20 percent of their total output) while others are active exporters. In addition, some manufacturing firms are required by law to export substantial percentage of their production. The exporters could also be classified based on their production and marketing arrangements. Some firms are sellers of their production capacity and are engaged in the production of buyers' brands under contract manufacturing. On the other hand there are firms that are more internationalised and are making efforts to export and market products bearing their own brand names. The researcher is currently working on some of the issues raised here.

As regards export marketing policy variables, only firms' export market strategy and marketing orientation are being investigated. The only measure of export market strategy variable was the number of markets served. This measure lacks versatility for it does not reflect the efforts spent as well the concentration of exports to a particular export market. Similarly, the three statements - clearly defined target market, coordination, and emphasis on profit - as an operational definition for marketing orientation lack the versatility and robustness in measuring firms' appreciation and implementation of the marketing concept. Ideally a good measurement for marketing orientation must take into consideration the attitudes, beliefs, values and behaviour of all employees in the firm is in line with that demanded by the marketing concept.

It should be borne in mind that firms' international competitiveness depend on several strategic factors, such as organisational structure, management culture, leadership style, strategic marketing planning and the market environment. Additionally, the firms' export performance could be the outcome of the long-term relationship

between the buyer and the seller, but this study looks at the sellers' side only. The possible industry effects are not investigated. Whereas it could be desirable to do this, there were practical difficulties in doing so. The sample was not big enough to ensure an adequate number of companies from each industry were represented. The factors that were categorised under the second part of the research framework - factors associated with successful exporters - could also be used to explain the variations in export performance. For example, firms' adaptation policy.

As regards factors associated with successful and less successful exporters, the selection of variables to be included in study was made after a thorough review of export behaviour and performance literature. Nevertheless, this study does not claim that the list is exhaustive. Furthermore a compromise was struck between the breadth and depth of the study. If the research had focused on a few issues, it would have been possible to study them in greater detail.

To ensure that the variables included in this study possess a high degree of content validity, a number of steps was followed. These include critical discussions with supervisor, Ph.D. colleagues, and lecturers in the Department of Marketing. Prior to the full-scale research, the questionnaires were evaluated by colleagues in the School of Management, Universiti Sains Malaysia, and officers in the Malaysian Export Promotion Centre. The questionnaires were then pre-tested on five marketing managers in manufacturing firms.

As regards the measures of export performance, there are no universally acknowledged and valid criteria according to which the export success of a business could be assessed. The fact that exporters could be pursuing different goals with their export activity and that the importance of specific goal could differ between exporters, it cannot be claimed that the measures of export performance in this study are the most appropriate ones. The use of perceived export sales growth and profitability should be complemented by other objective indicators of export performance.

## **9.10 Suggestions for future research.**

During the course of this research, several directions for additional research were indicated. Some of them are as follows:

This study focuses on the supply side but export performance is a function of both supply and demand factors. A similar study on the demand side would help complete the equation and provide a more complete picture of the process.

In this research we observed the importance of overseas visits in establishing a good relationship with foreign customers. Research could be directed at understanding the exporter-importer interaction and how such relationships contribute to export success.

This research focuses on exporters which have been involved in exporting for a minimum of three years. There are obviously other firms which may have just started exporting as well as those contemplating export involvement. It follows that, a potential useful research effort might focus on firms that have just embarked on exporting as well as on identification of non-exporting firms that have export potential.

This study covers a cross-section of industries and it basically investigates universal success factors. Just as important are situational factors such as product life cycle and type of industry which determine the specific market conditions for the firm. A similar study could be narrowed down to a specific industry. Given the government's drive to promote exports of resource-based industries, further research opportunities could be exploited by investigating the export behaviour and performance of firms classified as resource based industries. Additionally, firms' specific product-market expansion policy and the contribution of such venture to export performance could also be studied.

The findings of this study shows that ownership and marketing orientation interact

to influence export performance. Further research should be directed at the influence of ownership (classified according to their source of origin) on marketing practices and the resultant impact on export performance. In this study, the unsettled issue is on the local firms. In this group of firms, no significant difference in export performance is established between those that exhibit a marketing orientation and those that exhibit a selling orientation policy. Further research should look into the behaviour of specifically local firms. The research could be directed to investigating the extent of marketing technology transfer between foreign and domestic firms and the resultant impact on export performance.

This study assumes that the exporters are aware of the various sources of information they could use. Further research should be directed at evaluating if the Malaysian manufacturers are aware of such services, to what extent they make use of the services, what benefits they derive from using such services and do the services provided match their needs. The varying needs of interested firms should be investigated and monitored at regular intervals and the information services should be designed to fit these needs. Since this study was conducted, the MEXPO has been corporatised and assumed a new name MATRADE. It should be of interest to investigate the impact of this changes on firms evaluation of MATRADE's role and effectiveness in providing the information for export decisions.

Much needs to be known about attitudes of management to exporting and export performance. Since this study did not include the attitudinal components, future research should directed in this area.

### **9.11 Concluding remarks**

It is believed that the aims of the study have been achieved. It has demonstrated that size, ownership, and export policy interact to influence export performance. In addition, the factors determined to be associated with the successful Malaysian exporters are similar to that of the successful exporters from other developing and



developed nations. Neither organisational characteristics and export policy are sufficient to explain differences in export performance. The managers' characteristics, government incentives and many other environmental factors may shape and influence firms' export behaviour and performance. It is hoped that this work will stimulate other researchers to continue where this work leaves off.

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## **Appendix 3.1**

### **Malaysia's Investment Policies and Incentives**



# Investment Policies and Incentives

## Manufacturing Licence

### THE INDUSTRIAL CO-ORDINATION ACT, 1975.

The Industrial Coordination Act, 1975 (ICA) requires person(s) engaging in any manufacturing activity to obtain a licence from the Licensing Officer<sup>1</sup> in respect of such manufacturing activity. The objective of the Act is basically to ensure orderly development and growth in the manufacturing sector. Only manufacturing companies with shareholders' funds of M\$2.5 million and above or engaging 75 or more fulltime employees need to apply for a licence under the ICA. In this context,

- "shareholders' funds" means the aggregate amount of a company's paid-up capital (in respect of preference shares and ordinary shares and not including any amount in respect of bonus shares to the extent they were issued out of capital reserve created by revaluation of fixed assets), reserves (other than any capital reserve which was created by revaluation of fixed assets and provisions for depreciation, renewals or replacements and diminution in value of assets), balance of share premium account (not including any amount credited therein at the instant of issuing bonus shares at premium out of capital reserve by revaluation of fixed assets) and balance of profit and loss appropriation account.
- "full-time paid employees" means all persons normally working in the establishment for at least six hours a day and at least 20 days a month for 12 months during the year and who receive a salary. Persons such as travelling sales, engineering, maintenance and repair personnel, or who are paid by and are under the control of the establishment are also included. Full-time paid employees also include directors of incorporated enterprises except when paid solely for the attendance at Board of Directors meetings. Family workers who receive regular salaries or allowances and who contribute to the EPF or other superannuation funds are also included in the definition.

### APPEAL

A manufacturer who is aggrieved by the decisions of the Licensing Officer in respect of a refusal to grant a licence or revocation of a licence, or refusal to grant transfer of a licence may lodge an appeal to the Minister of International Trade and Industry within the prescribed period and procedures.

1. The Licensing Officer is the Secretary General of the Ministry of International Trade and Industry as gazetted under Gazette Notification P. U. (B) 31/78.

### CONDITIONS FOR EXPANSION OF PRODUCTION CAPACITY AND DIVERSIFICATION OF PRODUCTS

- **Expansion of production capacity for export**  
An existing licensed export-oriented<sup>2</sup> company can undertake expansion of production capacity for its approved products. For a company which wants to undertake expansion in order to export 80% or more of its products, no approval from the Licensing Officer is required; the company, however, will have to inform the Ministry of International Trade and Industry and MIDA on the details of its expansion plans in the prescribed form.
  - **Undertaking diversification for export**  
Any existing licensed company can undertake diversification of additional product(s) manufactured under the diversification programme for export, subject to the same conditions and procedures as for expansion of production capacity for export, as stated in the preceding paragraph. However, before the company undertakes the diversification programme, it will have to inform the Ministry of Trade and Industry and MIDA on the details of its diversification plan in the prescribed form in order to facilitate amendments to the manufacturing licence.
  - **Expansion of production capacity for domestic market**  
Any existing licensed company with shareholders' funds of less than M\$2.5 million can undertake expansion of its production capacity of its approved product(s) for the domestic market. An existing licensed company with shareholders' fund of M\$2.5 million and above can also undertake expansion of its capacity for the domestic market, provided that 30% of the expanded equity arising from the increased investment must be reserved for bumiputeras. In both cases of expansion of capacity, the licensed companies are required to inform the Ministry of International Trade and Industry and MIDA on the details of the expansion plan for the domestic market.
  - **Undertaking diversification for domestic market**  
Any existing licensed company with shareholders' funds of less than M\$2.5 million can undertake a diversification of its production for the domestic market without prior approval from the Licensing Officer. The company, however, is required to submit details of its diversification plan to the Ministry of International Trade and Industry and MIDA in order to facilitate amendments to the manufacturing licence. A company with shareholders' funds of M\$2.5 million and above which proposes to undertake a diversification is required to submit an application for such diversification in the prescribed form, for the consideration of the Licensing Officer.
2. An export-oriented company is one that exports 80% or more of its production expressed in value terms. Sales to FTZ/LMW are considered as export.

## EXEMPTION FROM THE ICA

Companies exempted from applying for a licence under the ICA are also exempted from having to comply with any condition with regard to equity, employment, distribution network and export. Companies that have been granted Pioneer Status or the Investment Tax Allowance or any other incentives, but are exempted from licensing under the ICA, are also exempted from the said conditions.

## Guidelines On Foreign Equity

The Malaysian Government welcomes foreign investment in the manufacturing sector. In keeping with the objective of ensuring increased Malaysian participation in manufacturing activities, it is the Government's policy to encourage projects to be undertaken on a joint venture basis.

### EQUITY POLICY

- No equity condition will be imposed on projects that export 80 per cent or more of their production.
- For projects that export 50 per cent or more, but less than 80 per cent of their production, foreign equity ownership of up to 100 per cent can be allowed on meeting the following conditions:-
  - that the foreign investor invests M\$50 million or more in fixed assets (excluding land) or implements projects which have at least 50 per cent value-added; and
  - that the company's products do not compete with products presently being manufactured locally for the domestic market.
- The level of equity participation for other export-oriented projects are as follows:-
  - For projects exporting between 51% to 79% of their production, foreign equity ownership up to 51% will be allowed; however, foreign equity ownership of up to 79% may be allowed depending on factors such as the level of technology, spin-off effects, size of the investment, location, value added and the utilization of local raw materials and components.
  - For projects exporting between 20% to 50% of their production, foreign equity ownership of between 30% to 51% will be allowed, depending upon similar factors as mentioned above; however, for projects exporting less than 20% of their production, foreign equity ownership is allowed up to a maximum of 30%.

In both the above cases, the company may manufacture products irrespective of whether or not the products compete with those presently manufactured locally for the domestic market.

- For projects producing products that are of high technology or are priority products for the domestic market, foreign equity ownership of up to 51% will be allowed.

These guidelines will not apply to the sectors where there are limits on the maximum foreign equity.

### DISTRIBUTION OF MALAYSIAN EQUITY

Where foreign equity is less than 100%, the balance of the equity to be taken up by Malaysians should be allocated according to the following principles:-

- For projects initiated by foreigners and where no local partners have been identified:-
  - If 70% or more of the equity is held by foreigners, the balance of the equity will be reserved for bumiputeras.
  - If less than 70% of the equity is held by foreigners, 30% will be reserved for bumiputeras and the balance for non-bumiputeras. If foreigners hold 60% of the equity, 30% will be reserved for bumiputeras and the remaining 10% for non-bumiputeras. If the equity reserved for bumiputeras is not taken up, the Ministry of International Trade and Industry will allocate part of the balance to non-bumiputeras.
- For projects initiated by bumiputeras on a joint-venture basis with foreigners:
  - If 70% or more of the equity is held by foreigners, the balance of the equity will be reserved for the bumiputeras concerned.
  - If less than 70% of the equity is held by foreigners, the balance will also be reserved for bumiputeras. However, if bumiputeras are unable to take up the entire balance, the Ministry of International Trade and Industry will allocate part of the balance to non-bumiputeras.
- For projects initiated by non-bumiputeras on a joint-venture basis with foreigners:-
  - If 70% or more of the equity is taken up by foreigners, the balance of the equity will be allocated to the non-bumiputeras concerned.
  - If less than 70% of the equity is taken by foreigners, 30% will be allocated to the non-bumiputeras concerned and the balance will be reserved for bumiputeras. However, under special circumstances, the non-bumiputeras may be permitted to take up the entire balance of the equity as decided by the Ministry of International Trade and Industry.

### EQUITY POLICY IN RELATION TO PROJECTS INVOLVING NON-RENEWABLE RESOURCES

For projects which involve the extraction or mining and processing of mineral ores, majority

foreign equity participation of up to 100% is permitted. In determining the percentage, the following criteria will be taken into consideration:-

- the level of investment, technology and risk involved in the projects;
- the availability of Malaysian expertise in the areas of exploration, mining and processing of the minerals concerned; and
- the degree of integration and level of value-added involved in the projects.

#### **ASSURANCE IN RESPECT OF EQUITY OWNERSHIP**

A company that has been approved with a given equity conditions will not be required to restructure its equity at any time, notwithstanding the fact that the company may have undergone an expansion or diversification, provided that the company continues to comply with the original conditions of approval and retains the original features of the project.

#### **INVESTMENT GUARANTEE AGREEMENTS**

Malaysia's readiness to conclude Investment Guarantee Agreements is a testimony of the Government's desire to increase the confidence of foreign investors in Malaysia.

Malaysia has concluded Investment Guarantee Agreements with the following: the United States of America, Germany, Canada, the Netherlands, Switzerland, the Republic of France, Sweden, Belgium/ Luxembourg, United Kingdom, Sri Lanka, Romania, Norway, Austria, Finland, the Organisation of Islamic Conference (OIC), Kuwait, Association of South East Asian Nations (ASEAN), Italy, the Republic of Korea, the People's Republic of China and Denmark.

#### **■ Provisions of the Agreement**

An Investment Guarantee Agreement will provide the foreign investor with the following:-

- Protection against nationalisation and expropriation.
- Prompt and adequate compensation in the event of nationalisation or expropriation.
- Free transfer of profits, capital and other fees.
- Settlement of investment disputes under the Convention on the Settlement of Investment Disputes, of which Malaysia has been a member since 1966.

Malaysia grants foreign investments both national treatment and most-favoured nation treatment.

The Ministry of International Trade and Industry issues letters of coverage under the respective Investment Guarantee Agreements to approved projects in Malaysia.

#### **CONVENTION ON THE SETTLEMENT OF INVESTMENT DISPUTES**

In line with the national policy of promoting and protecting foreign investment, the Malaysian Government in 1966 ratified the provisions of the Convention on the Settlement of Investment Disputes established under the auspices of the International Bank for Reconstruction and Development (IBRD).

Facilities for international conciliation or arbitration are established by the convention through the International Centre for Settlement of Investment Disputes which is located at the principal office of the IBRD in Washington.

### **Incentives For Investment**

The principal incentives for the manufacturing, agricultural and tourism sectors are contained in the Promotion of Investments Act, 1986 and the Income Tax Act, 1967. These incentives are designed to grant relief from taxes in various forms. The taxes applied to companies in Malaysia are in the form of an income tax of 35% and the development tax of 2%. This development tax will be abolished with effect from the year of assessment 1993.

#### **INCENTIVES FOR THE MANUFACTURING SECTOR**

##### **General Incentives**

##### **■ Pioneer Status**

Companies given pioneer status incentive will be given partial exemption from the payment of income tax. They would only have to pay tax on 30 per cent of their statutory income. The period of tax exemption is 5 years commencing from the production date as determined by the Minister of International Trade and Industry.

##### **■ Investment Tax Allowance (ITA)**

A company granted the investment tax allowance would be given an allowance of 60% in respect of qualifying capital expenditure incurred within 5 years from the date of approval of the project. Seventy per cent of the statutory income can be utilised to set off the allowance, while the balance of 30 per cent will be taxed at the prevailing company tax rate. Any unutilised allowance can be carried forward to subsequent years.

The grant of either Pioneer Status or Investment Tax Allowance will be determined according to priorities termed as promoted activities or promoted products as determined by the Minister of International Trade and Industry. The current list of promoted activities and promoted products is given in Appendix 1.

##### **■ Reinvestment Allowance (RA)**

This incentive is granted to companies engaged in manufacturing which incur qualifying capital expenditure for the purpose of approved expansion before 31st December, 1995. The RA

is in the form of an allowance of 40% of capital expenditure incurred by companies for the following:-

- expansion of production capacity;
- modernization of production facilities; and
- diversification into related products.

### INCENTIVES FOR EXPORT

In addition to the above incentives, manufacturers producing for the export market may also be eligible for the following:-

#### ■ Export Credit Refinancing Scheme

In line with the Government's objective to promote the growth of exports of manufactured goods, Malaysia's Central Bank, Bank Negara has implemented an Export Credit Refinancing (ECR) Scheme which provides Malaysian exporters with short-term credit at preferential rates of interest (currently at 6% per annum) to enable them to compete more effectively in international markets. The main features of the facility are as follows:-

- The scheme is operated by the commercial banks, and Bank Negara will refinance the commercial banks that had extended export credit to eligible exporters. The exporter may invoice his exports in any currency, but financing is made available only in Malaysian ringgit.
- Two types of facilities are available under the scheme i.e. the pre-shipment ECR facility, to provide working capital to direct and indirect exporters (domestic suppliers of inputs to final exporters) and the post-shipment ECR facility, to enable Malaysian exporters to obtain immediate funds upon shipment of eligible goods sold on credit terms.
- To be eligible for the ECR scheme, the goods to be exported must satisfy the following eligibility criteria. Firstly, the product should not be listed in the 'negative list' (list of products not eligible for the ECR); secondly, it should have a minimum value-added of 20% and lastly, it should have a minimum of 30% domestic resource content. However, these criteria are being implemented flexibly, taking into account special circumstances. Currently, crude rubber, vegetable oil products, cocoa products, agricultural food products and textile products are exempted from these requirements.

For other products that do not fulfill the local content and value-added criteria, exemption is given by Bank Negara on a case by case basis. In addition to fulfilling the above criteria, access to the ECR scheme would be subject to the exporter having secured an ECR credit facility with any of the commercial

3. The CP is used as additional basis for pre-shipment financing, to facilitate consistent exporters whose volume of exports are at least M\$ 3 million per year, to fund their inventory and raw materials, prior to the receipt of export orders.

banks and upon presentation of certain documents to the financing bank i.e. for post-shipment ECR, the documents are the invoice, customs export declaration form and bill of lading (transport documents), while for pre-shipment ECR, financing is granted upon presentation of an export order or a Certificate of Performance (CP)<sup>3</sup>.

- The maximum period of financing, for all eligible products for pre-shipment is four months, and for post-shipment is six months.
  - The eligible amount of pre-shipment facility is 80% of the value of the export order, under the order-based method or 70% of the value of eligible exports of the exporter for the preceding 12 months under the CP method. For post-shipment facility, the eligible amount of financing is 100 per cent of the invoice value.
  - The minimum amount for ECR financing is M\$10,000 and the minimum drawdown is M\$2,000.
- #### ■ An Abatement Incentive for Exports
- is granted to resident manufacturing companies exporting directly or through agents, products which are manufactured in Malaysia. The amount of the income to be abated shall be an amount equal to a rate which is equivalent to 50% of export sales as bears to total sales. This incentive is granted to companies which are at least 70 per cent owned by Malaysians and whose business are situated in the Principal Customs Area. Companies operating in the Free Zones and with Licensed Manufacturing Warehouse facilities will not be eligible for this incentive.
- #### ■ An Export Allowance of 5%
- based on the FOB value of export sales is granted to trading companies which export products manufactured in Malaysia. This incentive is granted to companies which are at least 70 per cent owned by Malaysians and whose businesses are situated in the Principal Customs Area. Companies operating in the Free Zones and with Licensed Manufacturing Warehouse facilities will not be eligible for this incentive.
- #### ■ Double Deduction of Export Credit Insurance Premiums
- To encourage exporters to penetrate into non-traditional markets, double deduction is allowed for premium payments in respect of export credit insurance insured with a company approved by the Minister of Finance.
- #### ■ Double Deduction for Promotion of Exports
- Certain expenses incurred by resident companies for the purpose of seeking opportunities for export of products manufactured in Malaysia are eligible for double deductions. The expenses that qualify are expenses incurred on:-

- overseas advertising
- supply of free samples abroad
- export market research
- preparation of tenders for supply of goods overseas
- supply of technical information abroad
- exhibits and/or participation required in trade or industrial exhibitions approved by the Ministry of International Trade and Industry
- services rendered for public relations work connected with export
- fares in respect of travel overseas by employees of companies for business
- accommodation and sustenance expenses incurred by Malaysian businessmen going overseas subject to M\$200 per day
- cost of maintaining sales offices overseas for the promotion of exports.

■ **Industrial Building Allowance (IBA)**

A company is eligible for IBA in respect of buildings used as warehouses and as bulk storage installations for storing goods for export. The IBA consists of an initial allowance for 10% and an annual allowance of 2%.

**INCENTIVES FOR RESEARCH AND DEVELOPMENT**

The following incentives are available to encourage research and development in industry:-

- Expenses of a revenue nature incurred by a person on scientific research related to his business and directly undertaken by him or on his behalf, is eligible for deduction. Revenue expenditure incurred for research approved by the Minister of Finance is eligible for double deduction
- Industrial building allowance in the form of an initial allowance of 10% and an annual allowance of 2% is available for buildings used for purposes of approved research.
- Plant and machinery used for purposes of approved research are eligible for capital allowances
- Double deduction for cash contribution made to approved research institutions.

To further promote R&D activities, the following incentives will be given to companies established to undertake R&D effective from the year of assessment 1992:

- a tax holiday for a period of five years;
- the carry forward of accumulated losses sustained during the tax relief period to the post-tax relief period.

These incentives will also be extended to new technology-based firms.

**INCENTIVES FOR TRAINING**

In order to upgrade skills and improve productivity the following incentives have been provided:-

- **Industrial Building Allowance (IBA)** is granted to a company which has incurred expenditure on buildings used for approved industrial training. The incentive consists of an initial allowance of 10% and an annual allowance of 2%.
- **Double Deduction for Expenses** incurred on approved training is given to companies in the manufacturing, construction and tourism sectors. Automatic approval on double deduction for expenses incurred, is given if the employees are trained at approved training institutions.

**INCENTIVE FOR STORAGE, TREATMENT AND DISPOSAL OF TOXIC AND HAZARDOUS WASTES**

Incentives are available to encourage proper facilities for the storage, treatment and disposal of toxic and hazardous wastes. Pioneer status incentive for 5 years will be available for companies which are directly involved in the storage, treatment and disposal of toxic and hazardous wastes in an integrated manner. For those companies which are themselves waste generators and wish to establish facilities to store, treat or dispose of their wastes, either on-site or off-site, they would be eligible for a special allowance at an initial rate of 40% and an annual rate of 20% for all capital expenditure.

As a further incentive to both categories of companies, the Government will also extend the current import duty and sales tax exemption scheme for machinery, equipment, raw materials and components to them for the storage, treatment and disposal of toxic and hazardous wastes.

**INCENTIVES FOR OPERATIONAL HEADQUARTERS**

Tax incentives are offered for the setting up of operational headquarters (OHQs) in Malaysia. Tax incentives enjoyed by companies granted OHQ status include a concessionary rate of tax at 10% on management fees arising from services rendered, interest in loans raised through financial institutions in Malaysia and royalties arising from R & D work carried out in Malaysia. These incomes after tax can be distributed to the shareholders as tax exempt dividends. Dividends received from investments made in subsidiary/associate companies will be exempted from tax. The concessionary tax on management fees, interest and royalty income will be for a minimum period of 5 years and a maximum of 10 years. The tax exemption on dividend income will be for 10 years.

OHQs eligible for these tax incentives are referred to as foreign-owned multinational companies which operate in Malaysia and carry out the following activities for its subsidiary or associate company in this region:-

- administration, business planning and coordination;
- sourcing of raw materials, components and other manufactured products;
- R & D services and product development;
- regional technical support and maintenance;
- marketing control and sales promotion planning;
- regional training and personnel management.

This concept does not include foreign-owned multinational companies in the finance and service sectors.

## INCENTIVES FOR THE AGRICULTURAL SECTOR

Under the Promotion of Investments Act, 1986, the term "company" in relation to agriculture includes agro-based cooperative societies, agro-based associations and sole proprietorships and partnerships. These are eligible to apply for the incentives which are:-

### ■ Pioneer Status

As in manufacturing, companies producing 'promoted products' or engaged in 'promoted activities' are eligible to apply for pioneer status. The period of tax relief under this incentive is five years commencing from production day as determined by the Minister of International Trade and Industry. Companies given pioneer status incentive will only have to pay tax on 30 per cent of their statutory incomes.

### ■ Investment Tax Allowance (ITA)

The investment tax allowance (ITA) is granted to companies producing 'promoted products' or engaged in 'promoted activities.' An allowance of 60% is given on qualifying expenditure incurred within 5 years from the date of approval of the project. Seventy per cent of the statutory income can be utilised to set off the allowance, while the balance of 30 per cent will be taxed at the prevailing company tax rate. Any unutilised allowance can be carried forward to subsequent years.

To assist agricultural projects to enjoy greater benefits, the Government has broadened the definition of qualifying capital expenditure to include the following:-

- the clearing and preparation of land;
- the planting of crops;
- the provision of irrigation or drainage systems;
- the provision of plant and machinery used in Malaysia for the purposes of crop cultivation, animal farming, aquaculture, inland or deep-sea fishing and other agricultural or pastoral pursuits;
- the construction of access roads including bridges;

- the construction or purchase of buildings (including those provided for the welfare of persons or as living accommodation for persons) and structural improvements on land or other structures which are used for the purposes of crop cultivation, animal farming, aquaculture, inland fishing and other agricultural or pastoral pursuits; provided that for the purposes of paragraphs (v) and (vi) such roads, bridges, buildings, structural improvements on land and other structures are on land forming part of the land used for the purpose of such crop cultivation, animal farming, aquaculture, inland fishing and other agricultural or pastoral pursuits.

In view of the time lag between start up of the agricultural project and processing of the produce, integrated agricultural projects are eligible for ITA for another 5 years for expenditure incurred for their manufacturing.

### ■ Export Allowance for Agricultural Produce

An export allowance equivalent to 5% of the FOB value of export sales will be granted to encourage the export of certain agricultural produce as determined by the Minister of International Trade and Industry. This incentive, is available only to resident companies, which are at least 70% owned by Malaysians and whose businesses are in the Principal Customs Area. Companies operating in the Free Zones and with Licensed Manufacturing Warehouse facilities will not be eligible for this incentive.

### ■ Agricultural Allowance

Under the agricultural allowance, certain capital expenditure incurred in agricultural activities are eligible for deduction as follows:-

- expenditure incurred on the clearing and preparation of land, planting of crops and construction of roads for purposes of agriculture, is eligible for a yearly allowance of 50% of the expenditure incurred;
- expenditure incurred on construction of buildings, for the welfare of persons or living accommodation, can be written off at a rate of 20% per annum;
- expenditure incurred on the construction of any other building used for the purposes of working the farm can be written off over a period of 10 years, that is, at the rate of 10% per annum.

As long as companies incur the above qualifying expenditure they will be given this allowance, irrespective of whether or not they have been granted the Pioneer Status or the ITA.

- An Abatement Incentive for Exports is granted to integrated agricultural projects which export their manufactured products.

- Export Credit Refinancing Facility.

- Double deduction for promotion of exports.
- Double deduction of export credit insurance premiums.
- Industrial Building Allowance (IBA).
- Reinvestment Allowance.
- Incentives for Research and Development.

#### **INCENTIVES FOR THE TOURISM INDUSTRY**

The following incentives are to be considered for both tourism projects and hotel businesses:-

- Pioneer Status (as in the manufacturing sector)
- Investment Tax Allowance (as in the manufacturing sector).
- Industrial Building Allowance which consists of an initial allowance of 10% and an annual allowance of 2% is granted in respect of capital expenditure incurred on a hotel building which is used for the purpose of a hotel business carried on by a pioneer company, or a company granted Investment Tax Allowance.
- Tour operators who bring in at least 500 foreign tourists through group inclusive tours will be exempted from tax in respect of income derived from the business of operating such tours. This incentive effective for the years of assessment 1986 to 1993 inclusive, is given to operators registered and approved by the Tourist Development Corporation of Malaysia.

#### **TARIFF PROTECTION**

##### **Tariff protection – policy**

It is the policy of the Government to provide tariff protection to deserving industries which are in a position to supply a major portion of the domestic market provided that the product is of acceptable quality and the price to consumers is reasonable.

In the granting of tariff protection, consideration will be given to the degree of utilization of domestic raw materials, and the level of local value added to be achieved, and the level of technology of the industry.

The long term need for tariff protection of industries already granted tariff protection however, will be reviewed from time to time, in order that protection is granted at an optimum level consistent with the needs of the industry and the welfare of consumers.

Applications for tariff protection should be submitted to MIDA in the prescribed forms.

##### **EXEMPTION FROM CUSTOMS DUTY ON DIRECT RAW MATERIALS/COMPONENTS**

The level of exemption from customs duty granted on raw materials/components depends on whether the finished products are sold in the domestic market or are exported.

##### **Manufacture of goods for export**

In the case of companies manufacturing finished products for the export market, full exemption from customs duty on imported direct raw materials are normally granted provided such direct raw materials/components are not manufactured locally, or where they are manufactured locally, are not of acceptable quality and price.

##### **Manufacture of goods for the domestic market**

An application from a manufacturing company is eligible for consideration if it complies with the equity condition as stipulated in the manufacturing licence or unless an extension of time has been granted for compliance with the equity condition. In addition, where it is established that the raw materials/components are not manufactured locally, treatment of exemptions from duties are as follows:-

Full exemption from import duties is normally given under the following circumstances:

- The finished product made from dutiable raw materials/components is not subject to any import duty.
- The manufacturing company has complied with the New Economic Policy in terms of equity participation, management and employment structure in all categories.

In all other cases, partial exemption can be considered in which manufacturers are normally required to pay 2% or 3% import duty.

For raw materials which are subject to import duty of 3% or less, exemption will not be considered and companies are expected to pay the duty.

Applications should be submitted to MIDA in the prescribed forms.

##### **DRAWBACK OF EXCISE DUTY ON PARTS, INGREDIENTS OR PACKAGING MATERIALS**

Under section 19(1) of the Excise Act 1976, a drawback of excise duty in respect of parts or ingredients or the packaging material of any goods manufactured, may be claimed by the manufacturer if such parts or ingredients or packaging material on which excise duty has been paid are used in the manufacture of goods and then exported.

Movement of excisable goods from licensed premises for use in the manufacture of goods by a factory in a Free Zone, the islands of Langkawi or Labuan is considered as export of goods from Malaysia.

##### **DRAWBACK OF SALES TAX ON MATERIALS USED IN MANUFACTURE**

Under section 29 of the Sales Tax Act 1972 and its regulations, all tax-paid goods used as materials for manufacture of other goods, which are subsequently exported, are eligible for drawback of sales tax in full.

Similarly, movement of goods from the Principal Customs Area for use in the manufacture of goods by a factory in a Free Zone or on the islands of Langkawi or Labuan is considered as export of goods from Malaysia.

#### EXEMPTION FROM CUSTOMS DUTY AND SALES TAX ON MACHINERY AND EQUIPMENT

Nearly all machinery and equipment which are not produced locally and which are directly used in the manufacturing process are not subject to import duty and sales tax. Quantitative controls on imports of these machinery have been removed. Machinery and equipment still subjected to import duty can be considered for tax exemption provided certain conditions and criteria are fulfilled.

#### DRAWBACK OF CUSTOMS DUTIES

##### ■ Goods eligible for drawback of customs duty

All duty-paid goods used as parts or ingredients or as packaging materials in the manufacture of other goods, which are subsequently exported, are eligible for drawback of duty in full.

The conditions for duty drawback as stipulated under Section 99 of the Customs Act, 1967 are as follows:-

- the finished goods exported have been manufactured<sup>4</sup> on premises approved by the Director General of Customs;
- such books and accounts are kept as the Director General may require for the purpose of ascertaining the quantity of the prescribed goods used in such manufacture or for the packing of such manufactured goods;
- such goods are re-exported within 12 months of the date upon which import duty was paid or such further period as the Director General may approve; and
- written notice has been given on the export declaration form that a claim for drawback will be made, and such claim is made in the prescribed form and established to the satisfaction of a senior officer of customs within six months of the date of such re-export or such further period as the Director General may approve.

##### ■ Claim for duty drawback – procedure

Application for drawback facility should be made by the manufacturer on a special format. Claim for drawback of customs duty under Section 99 of the Customs Act, 1967 must be made on Form Customs No. 15. The form should contain particulars of the claims including the method or formula for calculating the drawback claim. The claim on Form Customs No. 15 should be supported by the following documents:

- Import Form (Customs No. 1) showing the importation of raw materials on which duty has been paid.

- Export Form (Customs No. 2) showing exportation of finished goods.
- Statement of claims signed by an authorised official of the company confirming the exportation of goods on which drawback is claimed.

#### GOODS EXPORTED TO FREE ZONES, LABUAN AND LANGKAWI

Movement of goods from the Principal Customs Area to a Free Zone which are liable for drawback of duty is regarded as export. Therefore, such goods if manufactured in the Principal Customs Area will be eligible for drawback of duty. Similarly, goods moved to the islands of Labuan and Langkawi from the Principal Customs Area is regarded as an export in so far as drawback of duty is concerned.

#### VERIFICATION OF DRAWBACK CLAIM

In order not to delay the processing and payment of claims, all verification of factory stock records will be done after payment has been made.

Under the provisions of Section 99(1) of the Customs Act 1967, and section 19(1) of the Excise Act 1976, the manufacturer is required to maintain such books of accounts as required by Customs for the purpose of ascertaining the quantity of raw materials used in the manufacture. Failure to maintain such records may jeopardize the processing of current and future claims and may result in the withdrawals of the drawback facility originally granted.

#### DOUBLE TAXATION AGREEMENTS

Malaysia has comprehensive bilateral Double Taxation Agreements with Singapore, Japan, Sweden, Denmark, Norway, Sri Lanka, United Kingdom, Belgium, Switzerland, the Republic of France, New Zealand, Canada, India, Germany, Poland, Australia, Thailand, the Republic Korea, the Philippines, Pakistan, Romania, Bangladesh, Italy, Germany, the People's Republic of China, the Union of Soviet Socialist Republics, Netherlands, United States of America, Hungary, Austria, Yugoslavia and Indonesia.

##### 4. 'Manufacture' in the Customs Act, 1967 means:-

*in the case of intoxicating liquors, distilling, brewing, fermenting, bottling of intoxicating liquor, and includes the addition of any substances (other than water) to any intoxicating liquor and the blending, compounding and varying of intoxicating liquors with intent that the compound so formed shall be sold for human consumption, but excluding any such compound prepared at the order of the purchaser, and for his immediate consumption;*

*in the case of tobacco, any process converting any raw or leaf tobacco into tobacco fit for smoking, snuffing or chewing, and includes the making of cigarettes from manufactured tobacco;*

*in the case of petroleum, refining, compounding and includes the addition of any foreign substance; and*

*in other cases, the conversion by manual or mechanical means of organic or inorganic materials into a new product by changing the size, shape, composition, nature or quality of such materials and includes the assembly of parts into a piece of machinery or other products, but does not include the installation of machinery or equipment for the purposes of construction.*



Some of the more important provisions of Double Taxation Agreements which are of relevance to foreign investors are:-

- The profits of an enterprise of a contracting country are taxed only in that country unless the enterprise has a permanent establishment situated in the other contracting country. If the enterprise carried on business through the permanent establishment in the other contracting country only so much of the profits as attributable to the permanent establishment can be taxed in the other country. Where tax is levied by the other country, relief from the double taxation is given by the country of residence in respect of that tax.
- Dividends derived from Malaysia by residents of other countries having agreements with Malaysia are exempt from any tax in Malaysia which is chargeable on dividends in addition to the tax chargeable in respect of the income of the company paying the dividend.
- Under most of the agreements, interest on approved loans, approved industrial royalties derived from Malaysia by residents of other countries having agreements with Malaysia are exempt from tax in Malaysia.

#### TAX SPARING PROVISION

There is provision for credit to be given by the country of residence in respect of tax spared by Malaysia under the repealed Investment Incentives Act, 1968. Countries having agreements with Malaysia will continue to give credit for tax exempt under the Promotion of Investments Act, 1986 where the incentives are substantially similar to those under the repealed law.

## Immigration and Labour Laws

In recent years Malaysia has experienced a steady inflow of foreign investors seeking to set up manufacturing projects in the country. While these foreign investors are welcome they must however comply with the immigration laws and requirements.

#### PASSPORT REQUIREMENTS

All persons entering Malaysia must possess valid national passports or other internationally recognised travel documents valid for travel to Malaysia. These passports or travel documents must be valid for at least six months beyond the date of entry into Malaysia.

Those who are in possession of passports which are not recognised by Malaysia, for example a Taiwan passport, must apply for a document in lieu of a passport and visa which is issued by Malaysian missions abroad such as the Malaysian Commission in Hong Kong. The fee for the document in lieu of a passport is M\$10.00 and is payable in local currency equivalent to the stipulated fee.

#### VISA REQUIREMENTS

Commonwealth citizens (except India and Sri Lanka), British protected persons or citizens of the Republic of Ireland and citizens of Switzerland, Netherlands, San Marino and Liechtenstein do not need a visa to enter Malaysia.

Citizens of Austria, Belgium, Denmark, Finland, Germany, Iceland, Japan, South Korea, Luxembourg, Norway, Sweden, Tunisia, Italy, France and U.S.A. do not require a visa for a visit not exceeding three months.

Citizens of ASEAN countries do not need a visa for a visit not exceeding one month.

Citizens of Afghanistan, Iran, Iraq, Libya, Syria and South Yemen do not need a visa for a visit not exceeding two weeks.

Citizens of Albania, Bulgaria, Czechoslovakia, Hungary, Poland, Rumania, Russia and Yugoslavia do not need a visa for a visit not exceeding one week.

Citizens of North Korea, Cuba, Vietnam and the People's Republic of China are allowed to enter Malaysia subject to their application for visa being approved.

Citizens of South Africa are allowed to enter Malaysia with a visa for two weeks.

Citizens of countries other than those stated above are allowed to enter Malaysia for a visit not exceeding one month without having a visa.

If the visitors wish to enter Malaysia and remain for more than two weeks for the purpose of a social or business visit or wish to take up employment, they must obtain visas prior to their arrival in Malaysia. This, however, does not apply to:-

- national of countries with whom Malaysia has entered into Partial (subject to the conditions stipulated thereof) or Total Visa Abolition Agreements.
- holders of a certificate of identity who require visas in any case to enter Malaysia for whatever purpose.

#### APPLICATION FOR VISAS

Application for visas for the purpose of entry into Malaysia should be made at the nearest Malaysian mission abroad. In countries where Malaysian missions have not been established, applications should be made to the nearest British High Commission or Embassy.

Application for visas should be made in the Visa Application Form (Imm 47) which is obtainable at the Malaysian missions. Three copies of the application forms are required to be completed and should be submitted with three copies of recent photographs of the applicant. Fees will be charged for the visas issued and the rates applicable can be obtained at the Malaysian missions.

#### ENTRY INTO MALAYSIA

##### ■ Passes to be obtained at point of entry

A visit pass for the purpose of a social or tourist visit or business may be issued at the point of entry if the visitor can satisfy the immigration

authority at the point of entry that he has a valid passport and visa (wherever applicable for Malaysia).

In addition, he must be able to prove that he has adequate funds to maintain himself or to pay for his return passage, and if arriving by sea, must not travel as a deck passenger.

The type of passes issued are as follows:-

- **Visit Pass (Social or Tourist)**

This is issued solely for the purpose of a social or tourist visit. A person who has been issued with a social or tourist visit pass is not permitted to take up employment, business or professional work while in Malaysia.

No fee is payable for a pass issued for a social visit of up to three months. A fee of M\$5.00 per month is payable for each month's extension beyond the first three months.

- **Visit Pass (Business)**

These passes are issued to foreign visitors who enter Malaysia for purposes of conducting business negotiations or inspection of business houses. These passes cannot be used for the purposes of employment or for supervising the installation of new machinery or the construction of a factory.

No fee is payable for a Visit Pass (Business) issued for a business visit of up to three months. A fee of M\$5.00 is payable for each month's extension.

- **Conversion of Passes**

Foreign visitors except those from the Republic of Singapore who have entered Malaysia on social or tourist visit passes may apply to the Immigration Department for converting their social or tourist passes into business visit passes. This new ruling is designed to assist foreign visitors who wish to undertake business activities.

All applications for converting social or tourist visit passes into business passes must be submitted to the Immigration Department with a letter of recommendation from the Ministry of International Trade and Industry.

However, visitors are strongly advised to obtain a business visit pass at the entry point if their intended visit is for the purpose of business.

- **Passes to be obtained prior to arrival in Malaysia**

Other than applications for entry for the purpose of tourist, social or business visits, all applications for passes of the types mentioned below must be made prior to arrival in the country.

All such applications must have sponsorship in Malaysia. The sponsors must agree to be responsible for maintenance and repatriation of the visitors from Malaysia if it should become necessary.

The types of passes are as follows:-

- **Visit pass (Temporary Employment)**

This is issued to persons who enter the country to take up temporary employment. A fee of M\$20 per year is payable for each issue or for extension.

- **Employment Pass**

This is issued to any person who enters the country to take up a contract of employment for a period of not less than two years which carries a salary of not less than M\$1,200 per month. The fee is M\$100 per year or for any part thereof.

- **Visit Pass (Professional)**

The fee for a Visit Pass (Professional) is M\$45 for each pass issued or each time extended, and for artistes performing in any show business the fee is M\$250 for each pass issued or each time extended.

- **Dependant's Pass**

This is issued to the wife and children of any person who has been issued with an Employment Pass. This pass is not issued to the wife and children of a person who enters the country on any pass other than an Employment Pass. Wife and children of any person who enters the country on a Visa Pass (Temporary Employment or Professional) will be issued a Visit Pass (Social). The fee is M\$45 per year or for any part thereof.

- **Student's Pass**

This is issued to any person who enters the country for the purpose of taking up studies in an approved educational institution. The fee is M\$20 per year.

#### APPLICATION FOR PASSES

Other than passes for social, tourist and business visits which are issued at the point of entry, application for passes should be submitted to the Immigration Department in the following prescribed forms:-

- Employment Pass in Form Imm. 8
- Dependant's Pass in Form Imm. 10
- Student's Pass in Form Imm. 14
- Other passes including Temporary Employment Pass in Form Imm. 12

#### EMPLOYMENT OF EXPATRIATE PERSONNEL

It is the Government's policy to see that Malaysians are eventually trained and employed at all levels of employment. Notwithstanding this, foreign companies are allowed to bring the required personnel in areas where there is a shortage of trained Malaysians to do the job. In addition to this, foreign companies are also allowed certain "key posts" to be permanently filled by foreigners.

Companies should make every effort to train more Malaysians so that the employment pattern at all levels of the organisation will reflect the multi-racial composition of the country.

## **GUIDELINES ON EMPLOYMENT OF EXPATRIATE PERSONNEL**

- Any company with foreign paid-up capital of US\$2 million and above will automatically be allowed five expatriate posts including key posts. Additional expatriate posts will be given when necessary upon request.
- Any company with foreign paid-up capital of less than US\$2 million will be considered for expatriate post on the basis of the following:-
  - Key posts can be considered for companies where foreign capital participation is approximately M\$500,000. This figure, however, is a guideline only and the number of key posts allowed depends on the merits of each case.
  - For executive posts which require professional qualifications and practical experience, expatriates may be employed up to a maximum period of 10 years subject to the condition that Malaysians are trained to eventually take over the posts.
  - For non-executive posts which require technical skills and experience, expatriates may be employed up to a maximum period of five years subject to the condition that Malaysians are trained to eventually take over the posts.
  - For industries, designated by the Government as priority industries, the above may be relaxed depending upon the merits of each case; provided that other companies that do not fall within any of the categories mentioned in this clause, may also be accorded similar privileges depending upon the merits of each case.

The other conditions relating to expatriate employment are as follow:-

- An expatriate officer who is transferred from one post to another post within the same company is not required to obtain a new employment pass. His original employment pass will be amended to reflect the change in post.
- A new expatriate officer replacing another expatriate officer is required to obtain a fresh employment pass.
- All employment passes are valid for the period of time as approved for the post, subject to maximum of 10 years.
- All holders of employment passes will be issued with multiple entry visas valid for the corresponding period that the employment pass is valid, subject to a maximum of 10 years.

## **APPLICATIONS FOR EXPATRIATE POSTS**

Applications for expatriate posts (including key posts, executive and non-executive posts) can be

submitted to the Malaysian Industrial Development Authority (MIDA) at the same time as the company's application for approval for its project.

The above procedure applies to expatriate personnel required by the following:-

- All companies which propose to establish new projects.
- All existing companies which propose to manufacture additional products (diversification of projects).
- All existing companies which propose to expand their production capacities (expansion of projects).

In the event that an applicant is unable to submit his requirements of expatriate personnel at the time of the submission of his application, he may submit his foreign personnel requirements at a later stage.

Existing companies which are not undergoing any expansion or product diversification but wish to apply for additional expatriate posts or to renew existing posts are to submit their applications to the Standing Committee on Malaysianisation through the Immigration Department.

## **LABOUR POLICY AND LABOUR LAWS**

It is the Government's policy to promote cordial employer-employee relations and industrial peace based on social justice, equity and good conscience so as to bring about a generally contented and productive labour force thereby ensuring a favourable climate for investment and sustained economic growth. With this objective in view, the provisions of the labour laws set out minimum standards to safeguard the interests and spell out the rights and responsibilities of employers and employees and provide a legal framework for orderly conduct of industrial relations.

## **EMPLOYMENT ACT, 1955**

The Employment Act, 1955 is the principal employment legislation regulating terms and conditions of employment. Among other things it sets out the minimum conditions of employment which include:

- Ten paid gazetted public holidays in any one calendar year;
- Eight days of paid annual leave for employees with less than two years of service, 12 days of paid annual leave for those employees with two or more years of service but less than five years of service, and 16 days of those with over five years service;
- Fourteen to 22 days sick leave in a year depending on length of service and where hospitalisation is necessary, up to an aggregate of 60 days sick leave in each year;
- Normal hours of work shall not exceed eight hours a day or 48 hours a week;

- Payment for overtime work at one and a half times the ordinary rate of pay.
- Payment of maternity allowance for female employees on maternity leave for 60 days at the ordinary rate of pay subject to a minimum rate of M\$6.00 per day.

### **TRADE UNIONS ACT, 1959**

The Trade Unions Act, 1959 provides for the registration and administration of trade unions in line with the policy of Government to encourage the growth of democratic, healthy and responsible trade unionism, within the context of public and national interests. A trade union should confine its membership to employees within a particular trade, occupation or industry and should apply for registration upon its formation.

The Trade Unions Act provides sufficient safeguards against militancy or unlawful activities of trade unions. All trade unions are inspected periodically to ensure compliance with the law.

### **INDUSTRIAL RELATIONS ACT, 1967**

The Industrial Relations Act, 1967 provides for the regulation of relations between employers and workmen and their trade unions, and the prevention and settlement of trade disputes. Some of the main features of the Act are:-

- Protection of the legitimate right of employers and workmen and their trade unions;
- Exclusion of workmen in managerial, executive, confidential or security capacities from the scope of recognition of trade union, the majority of whose membership are not employed in any of these capacities.
- Procedure relating to submissions of claims for recognition and scope of representation of trade unions and collective bargaining;
- Non-inclusion in union's proposals for collective bargaining on matters relating to promotion, transfer, recruitment, retrenchment, dismissal, reinstatement, and allocation of duties and prohibition of strikes over any of these matters;
- Emphasis on direct negotiation between employers and workmen and their trade unions to settle their differences and provision for speedy and just settlement of trade disputes by conciliation or arbitration when direct negotiation fails;
- Provision for the Minister of Human Resources to intervene and to refer at any stage any trade dispute to the industrial Court for arbitration;
- Prohibition of strikes and lock-outs after a trade dispute has been referred to the Industrial Court, and on any matter covered by a collective agreement or by an award of the Industrial Court.
- Protection of pioneer industries during the initial years of their establishment against any unreasonable demands from a trade union

because trade unions cannot demand better terms of employment than those stipulated under the Employment Act.

### **EMPLOYEES PROVIDENT FUND ACT, 1951**

The Employees Provident Fund Act, 1951 provides for a compulsory contributory provident fund which is payable to employees in full on reaching the age of 55 years. All employers and employees are required to contribute to the Fund at the rates of 11% and 9% respectively of the employees' monthly wages.

Among the categories of employees precluded from compulsory contributions are:

- Expatriates
- Domestic Servants – Persons who are employed to work in or connected with work in a private dwelling house including a valet, gardener, and who are paid from the private account of the employers.

However, expatriate employees, domestic servants and self employed persons can opt to contribute to the Fund.

### **EMPLOYEES' SOCIAL SECURITY ACT, 1969**

All industries throughout the country with five or more employees whose wages do not exceed M\$1,000 a month, are required to insure their employees under the two schemes of the Social Security Organisation, namely, the Employment Injury Insurance Scheme and the Invalidity Pension Scheme

- The Employment Injury Insurance Scheme provides employees with coverage in the event of any disablement or death due to employment injury by way of cash benefits and medical care. The contribution is borne solely by the employer and is about one and one quarter per cent of the wages of an employee.
- The Invalidity Pension Scheme provides a 24-hours coverage to employees against invalidity and death due to any cause before the age of 55 years. The total contribution is about one per cent of the wages of an employee and shared by the employer and the employee equally.

### **WORKMEN'S COMPENSATION ACT, 1952**

Employers who are not required to contribute under the Social Security Act, are required to insure with a locally registered insurance company in respect of any liability which they may incur under the Workmen's Compensation Act, 1952. This Act, which covers all manual workers irrespective of their wages and non-manual workers whose earnings do not exceed M\$500 a month, prescribes the amount of compensation payable to employees or their dependants for injury or death suffered in the course of employment:

- In fatal cases, the maximum compensation payable is 45 months' earnings or M\$14,400, whichever is the less.

- In permanent total disablement cases, the maximum compensation is 60 months' earnings or M\$19,200, whichever is the less;
- In permanent partial disablement cases, the compensation is based on the percentage of disablement sustained;
- In temporary total disablement cases, the amount payable is by way of half-monthly payments of one-third of the monthly earnings or M\$135, whichever is the less.

## Exchange Control Administrative Practices

The present exchange control regime is liberal and applies uniformly to transactions with all countries except South Africa and Israel, against which special restrictive rules apply. The main exchange control rules which are of direct relevance to foreign investors, are as follows:-

### DIRECT AND PORTFOLIO INVESTMENT

No permission is required from the Controller of Foreign Exchange (hereinafter referred to as "the Controller") for a non-resident to undertake direct or portfolio investment in Malaysia.

### REMITTANCE ABROAD

Payments to countries outside Malaysia may be made in any foreign currency other than the currencies of South Africa and Israel. Payments within Malaysia must be made in ringgit, the Malaysian unit of currency.

All payments to non-residents for any purpose, including repatriation of capital and profits, are freely permitted, subject only to the completion of a simple statistical form for remittances of more than M\$10,000 each or its equivalent in foreign currency. The commercial banks are authorised to approve such payments, irrespective of amount. The banks are required to refer to the Controller for approval only in respect of payments made for the purpose of investing in securities or immovable property abroad and for extending credit to, or placement of deposits with non-residents, whenever such transactions are financed by any credit facility in Malaysia. The use of domestic borrowing to finance investments abroad is generally not encouraged.

### EXPORT PROCEEDS

A simple form (KPWX) must be completed for all exports, the value of which exceeds M\$20,000 f.o.b. per shipment. This form does not require any authorisation and is given to the customs authorities at the time of shipment.

Export proceeds which may be in any foreign currency (other than the currencies of South Africa and Israel) or in ringgit from an external account must be repatriated to Malaysia within the period of

payment specified in the export contract. The period should not exceed a maximum period of six months from the date of export.

### INTER-COMPANY ACCOUNTS

No permission is required from the Controller for a company in Malaysia to maintain inter-company accounts with associated companies, branches or other companies outside Malaysia, provided monthly returns as specified by the Controller are submitted to the Controller and the following are excluded from the inter-company account:-

- proceeds from the export of Malaysian goods; and
- proceeds from loans extended to the Malaysian companies.

With the prior written permission of the Controller, companies located in a free zone or licensed manufacturing warehouses are allowed to offset the export proceeds through inter-company accounts against payables to their affiliated or parent companies overseas for the supply of raw materials, parts, components, and other items. This would enable the companies concerned to repatriate to Malaysia only the value added in the form of services performed by the Malaysian companies.

Where the companies have been given permission for the above off-setting arrangements, they are required to observe certain procedures in reporting and lodging monthly returns to enable the Controller to monitor their inter-company accounts and to ensure that the value added in their exports are repatriated to Malaysia in the prescribed manner.

### DOMESTIC BORROWING BY NON-RESIDENT CONTROLLED COMPANIES (NRCC) OPERATING IN MALAYSIA

A Non-resident Controlled Company (NRCC) in Malaysia may borrow up to a total of M\$10 million from all sources in Malaysia without the permission of the Controller provided it obtains at least 60% of its credit facilities from financial institutions which are incorporated in Malaysia. The limit for exchange control approval applies to all forms of credit, including trade financing facilities.

For borrowing in Malaysia in excess of M\$10 million, the permission of the Controller is required and such approval will be given based on the genuine needs of these NRCCs, the credit situation in the country and the amount of net shareholders' funds and long-term loans from abroad with an original maturity of at least five years, obtained by the NRCCs.

NRCCs are encouraged not to resort to the maximum use of borrowed funds in Malaysia, while bringing in only a nominal amount of capital of their own for their projects in Malaysia. This is to ensure that a NRCC brings in a relatively significant amount of funds of its own to finance its project in Malaysia as a long-term proposition and not merely as a venture for quick profits without any semblance of permanence.

## **BORROWING IN FOREIGN CURRENCY FROM BANKS IN MALAYSIA**

Residents may borrow in foreign currency from banks in Malaysia to supplement their financial requirements for business and productive purposes in Malaysia. The foreign currency borrowed may be used to finance payments for imports, or it may be sold for ringgit to a bank in Malaysia and the proceeds used for similar purposes. The foreign currency may not be retained for temporary investment abroad except with the permission of the Controller.

## **BORROWING FROM NON-RESIDENTS**

The permission of the Controller is required for borrowing from abroad where the total foreign borrowing exceeds the equivalent of M\$1 million. Foreign borrowing in ringgit, regardless of the amount, requires the prior approval of the Controller and such approval is generally not granted.

Approval for remittances of loan repayments and interest on previously approved foreign borrowing may be given by authorised banks on behalf of the Controller, provided such repayments and interest payments are in accordance with the terms approved for the borrowing.

## **Transfer Of Technology**

### **POLICY**

All manufacturing projects licensed by the Ministry of International Trade and Industry should obtain the prior written approval of the Ministry before entering into any agreement involving foreign partners.

This is done to ensure that:

- the agreement will not impose unfair and unjustifiable restrictions or handicaps on the local party
- the agreement will not be prejudicial to national interest; and
- the payment of fees (if applicable) will commensurate with the level of technology to be transferred.

### **TYPE AND NATURE OF AGREEMENTS**

Technology transfer agreements cover licence rights over specific processes, formulae or manufacturing technology (may be patented or unpatented); other knowledge and expertise necessary for the setting up of a plant; and provision of various technical assistance and supporting services.

Under these arrangements, specific agreements entered could be in the form of:-

- **Joint Venture Agreement**

An agreement to set up a joint venture company between two or more parties involving local and foreigners.

- **Technical Assistance**

An agreement between two or more parties where one party will provide the technical assistance and know-how for the manufacture of certain products for a certain amount of fee/royalty.

- **Know-how Agreement**

Basically the same as the above.

- **Licence Agreement**

An agreement between Licensee and Licensor where the latter grants licence/right to the Licensee to use its patents, trademarks and other industrial/intellectual properties for the manufacture of certain products for a certain amount of fee/royalty.

- **Patent and Trademark Agreement**

An agreement between two or more parties where one party gives the right to the other to use its patents and trademarks for the manufacture of certain products for a certain amount of fee.

- **Sales Commission Agreement**

An agreement between two or more parties where one party will provide marketing assistance services to the other for a certain amount of sales commission fee.

- **Turnkey Contract**

A contract between two or more parties where the contract is awarded to one of the parties to perform all stages from initial to final stages inclusive of consultancy, managerial, technical services and others until the contractual project is ready for immediate commercial production or final use.

- **Management Agreement**

An agreement between two or more parties where one party will provide the management services to the other in return for payment of management fee. This normally exists in the management of international class hotels and to some extent in manufacturing.

### **GUIDELINES ON TRANSFER OF TECHNOLOGY**

Agreements on transfer of technology must define in detail the following:-

- technological content and principal features of technology or process,
- anticipated production,
- quality and specification of products,
- particulars of technical assistance, services and manner in which they are to be provided.

The transfer of technology must be effected through the following:-

- **Access to improvements**

The technology to be supplied should incorporate:-

- the latest development known to the supplier
- access to innovations/breakthrough in technology, including new patents applied for or registered.

### ■ Remuneration for technology

Payment for technology can be in the form of a 'fixed lump sum fee' or 'a running royalty' or a combination of lump sum fee and running royalty for a specified period of time. Lump sum payments are usually allowed in cases where the know-how can be fully and completely transferred and absorbed within a specified period of time. The method of payment that is preferable is the running royalty based on net sales. Initial lump sum payments in addition to running royalties are not encouraged by the Ministry. Where such payments are requested it should be only for the recovery of actual expenses incurred by the Licensor for preliminary services provided to the Licensee.

### ■ Method of payment

- Royalty is imputed in relation to the level of technology and principal elements of transfer. Depending upon the merits of each case, a rate of 1% to 5% of net sales can be considered. Where technology transferred is not highly sophisticated, the rate allowed by the Ministry is usually around 2% of net sales. (net sales is defined as gross sales less sales discounts or returns, transport costs (including freight), insurance, duties, taxes and other charges, and where applicable, cost of raw materials, parts and components imported from the foreign Licensor concerned or its subsidiaries).
- Practice of itemisation of service under separate agreements are discouraged.
- Capitalisation of know-how fees/royalty is not encouraged.
- For the motor vehicle assembly, heavy machinery, construction machinery and related industries where basically assembly operations are involved, royalty payment is not allowed.

### ■ Duration and renewal

- Duration of agreement should be adequate for full absorption of technology. The life of any patent relating to the technology is also taken into consideration.
- An initial period of five years is normally approved and any renewal is subject to prior approval of the Ministry.

### ■ Training

A provision for adequate training for the local company's personnel in the technology supplier's plant facilities as well as in-plant training in the local company's plant should be incorporated and clearly specified. In the case of the former, the number of personnel to be trained, the areas of training and its duration, together with arrangements and the facilities to be made available for the training should also be defined.

The costs of training should be borne by the technology supplier but all expenses related to salaries, wages, living and travelling allowances should be borne by the local company.

### ■ Patents and Trade Marks

Patents and trade marks may come as one of the components of the whole technology transfer package. In the case of patents, it is of utmost importance that those patents involved in any process know-how be explicitly defined in the agreements and the local company is granted the user rights over all such patents. Where the life of the patent extends beyond the duration of the agreement concerned, an arrangement should be made for continued use of the patent after the expiry of the agreement.

### ■ Confidentiality/Secrecy

Confidentiality of information should be confined to the duration of the agreement only.

### ■ Guarantee/Warranty

The agreement should define guarantee with respect to the production capacity, product quality and specifications and other features of the manufacturing process.

### ■ Taxes

A withholding tax of 15% is levied on payments made to foreign suppliers of technology and this tax has to be borne by the foreign recipient. Exemption under Double Taxation Agreement where applicable has to be made to the Ministry of Finance separately.

### ■ Sales Territory

The local company should be free to sell its produce (manufactured with the licensed technology) in the whole of Malaysia and all other countries except where the foreign technology supplier is manufacturing directly or where he has given exclusive rights to others or where he is legally not empowered to allow sales based on his technology.

### ■ Governing Laws and Arbitration

The governing laws for any technology transfer arrangement should be Malaysian laws and arbitration proceedings must be conducted in Malaysia in accordance with either the Malaysian Arbitration Act, 1952 (Revised 1972) or the United Nations Commission on International Trade Law (UNCITRAL) Arbitration Rules and conducted at Asian-African Legal Consultative Committee (AALCC) Regional Centre for Arbitration, Kuala Lumpur.

## INDUSTRIAL AND INTELLECTUAL PROPERTY PROTECTION IN MALAYSIA

### ■ Patents Act, 1983

Malaysia provides adequate protection in the field of industrial property for local and foreign

investors. Patent protection in Malaysia will be governed by the Patents Act 1983 and the Patents Regulations 1986, which came into force on 1st October, 1986.

Under the said Act and Regulations, an application for a patent can be made directly in Malaysia and registration is effective for the whole of Malaysia as opposed to territorial registrations under the repealed legislations relating thereto. Similar to the provisions in the legislations of other countries, an invention is patentable if it is new, non-obvious and is industrially applicable. The Act provides that a patent shall expire 15 years after the date of its grant. The owner of a patent has the right to exploit the patented invention, to assign or transmit the patent and to conclude licence contracts. Malaysia is a signatory of the Paris Convention thus providing further safeguards in the field of industrial property in the country. Malaysia's industrial property laws accord the same treatment for both nationals and foreigners.

#### ■ Trade Marks Act, 1976

Trade mark protection in Malaysia is governed by the Trade Marks Act, 1976 and the Trade Marks Regulations 1983. The above Act modelled along the Acts of some of the industrialised countries provides effective and adequate protection for registered trade marks in this country. If a trade mark is registered, then no person or enterprise other than its owner or authorised users may use it, otherwise infringement actions can be taken against them. The protection of a trade mark is not limited in time, provided its registration is periodically renewed and its use continues.

#### ■ Copyright Act, 1987

Copyright protection in Malaysia is governed by the Copyright Act, 1987 (Act 332) which replaced the Copyright Act, 1969. The 1987 Act came into force on 1st December, 1987. The Copyright Act, 1987 not only provides for a better and more comprehensive protection of copyrightable works but also many peripheral issues pertaining to copyright. The Act outlines the nature of works eligible for copyright, which include computer software, the scope of protection and the manner in which the protection is accorded. Duration of copyright protection has been increased from 25 to 50 years under the new act. A unique feature of the Act is the inclusion of provisions for enforcing the Act which include such power to enter premises suspected of having infringing copies, power to search and seize infringing copies and contrivances, and a special team of officers to be appointed to enforce the Act. Foreign works are also protected if they are made in Malaysia and are published in Malaysia within thirty days of their first publication in the country of origin. Protection accorded to foreign works is similar, to national works. The Copyright Act, 1987 also provides provisions for Malaysia to extend the use of the Act Internationally.

## Facilities For Investment

### INDUSTRIAL ESTATES

Many industrial estates have been established or are being planned in various parts of the country to cater specifically for the needs of industry. These estates provide basic infrastructure such as roads, water, power and tele-communication facilities.

### FREE ZONES (FZ)

These are areas specially designed for manufacturing establishment producing or assembling products essentially for export. The objective of providing FZ facilities to export-oriented industries is to enable them to enjoy minimum customs control and formalities in their import of raw materials, parts, machinery and equipment.

To date, ten FZ's have been established viz. in Bayan Lepas, Prai, Mukim Pringgit, Bukit Baru, Tanjong Kling, Sungei Way, Ulu Klang, Telok Panglima Garang Pasir Gudang and Jelapang in the States of Penang, Melaka, Selangor, Johor and Perak.

#### ■ Eligibility

Companies which can be considered for location in Free Zones are those:-

- whose entire products are meant for export. In exceptional circumstances companies exporting not less than 80 % of their products can also be considered for location in the Free Zone; and
- whose raw materials/components have to be imported. The Government encourages FZ companies to use local raw materials/components wherever possible. The companies are however, given the flexibility to choose their best sources of supply of raw material / components.

#### ■ Payment of duty

Goods exported abroad from the Free Zone are not liable to customs duty.

If they are allowed to be imported into the Principal Customs Area (PCA) for home consumption they are subject to the prevailing customs duty as is applicable to foreign imports. However, companies in Free Zones may apply to the Treasury for exemption on import duty for products which they wish to sell in the domestic market.

- If the goods imported into the PCA are to be used as direct raw materials or components by manufacturers in the PCA, the importing company may apply for duty exemption in respect of imports from the FZ in the same manner as if the goods are imported from abroad.

Since the Free Zone lies outside the Principal Customs Area, goods exported thereto are eligible for duty drawback.



## LICENSED MANUFACTURING WAREHOUSES (LMW)

In order to encourage the dispersal of industries and to enable companies to establish factories for the manufacture of products mainly for the export market, where the establishment of a Free Zone is neither practical nor desirable, the Government has allowed the setting up of Licensed Manufacturing Warehouses. These establishments are accorded similar facilities to those of factories operating in the Free Zone.

### ■ Eligibility

The companies normally approved for Licensed Manufacturing Warehouses are those:-

- whose entire products are meant for export. Companies exporting not less than 80% of their production are also considered for approval; and
- whose raw materials/components are mainly imported.

Application for a Licensed Manufacturing Warehouse is to be made in specified proforma available from the Royal Customs & Excise Department.

## WATER AND ENERGY SUPPLIES

The Malaysian Government realises the need of industry for competitively priced power and water supplies and reviews these rates from time to time.

## COMMUNICATIONS

Malaysia has 26,000 km of some of the finest roads in Asia and an efficient rail and air system. Malaysia's communications system has also been designated by the World Bank as being of the 'A' Category, that is, comparable to the developed countries. International air and sea ports assure efficient handling and transport of cargo whether liquid, bulk or containerized.

## FACILITIES FOR TRAINING IN INDUSTRY

A National Apprenticeship Scheme provides for a voluntary scheme whereby employers sponsor apprentices to undergo apprenticeship training usually over a period of three years sandwiched between periods of training at the Industrial Training Institute and the employers' work place. The apprenticeable trades covered include Mechanical, Electrical Engineering, Printing and Construction.

There are at present ten Industrial Training Institutes throughout the country. A unit to provide training for trade instructors, trade skilled workers and supervisors is made available at the Centre for Instructor and Advanced Skill Training under the Ministry of Human Resources.

A considerable number of various other types of skill upgrading and skill preparation courses are also available at many public and private training

institutions all of which are available to employers at nominal cost. The Ministry of Human Resources Department also provides advisory services to industrial establishments on training.

The National Vocational Training Council (NVTC) establishes national trade standards and develops training syllabi and implements a national programme in trade skill testing and awarding of certificates for 36 recognised skills or trades.

### Source:

- MIDA
- 1992 Budget Speech
- Economic Report 1991/92

## Appendix 3.2

### Resource-based industries - target growth rates

**Table D1**  
**Output, Value Added, Employment and Export Targets of Selected Manufacturing Industries**

Industry	Average Annual Growth Rate (%)			1995		Average Annual Growth Rate (%)			1995	
	85-90	91-95	85-95			85-90	91-95	85-95		
	OUTPUT (in 1981 Constant Price)					EMPLOYMENT				
				\$ million					('000)	
Rubber products	8.7	8.3	8.5	8,593	(7.8)	9.7	9.4	11.8	100	(6.9)
Food processing	7.3	5	6.2	24,566	(22.3)	5.7	4.2	5.6	166	(11.3)
Wood products	6.9	6.4	6.7	10,686	(9.7)	4.7	3.2	4.3	220	(15.0)
Chemical & petrochemicals	7.3	6.2	6.8	16,855	(15.3)	6.1	5.6	6.7	93	(6.3)
Non-metallic minerals	8.9	8.4	8.7	4,957	(4.5)	8.7	8.7	10.6	85	(5.8)
Textiles	10.3	10.1	10.2	8,703	(7.9)	10.3	8.9	12.0	217	(14.9)
Basic metal products	9.4	8.8	9.1	7,491	(6.8)	9.3	9.1	11.3	127	(8.7)
Machinery & transport	9.1	9.1	9.1	10,906	(9.9)	9.1	9.6	11.6	174	(11.9)
Electrical & electronics	10.6	9.8	10.2	17,406	(15.8)	11.4	10.9	14.3	282	(19.3)
<b>Total manufacturing</b>	<b>8.4</b>	<b>7.5</b>	<b>7.9</b>	<b>110,163</b>	<b>(100.0)</b>	<b>8.1</b>	<b>7.5</b>	<b>9.3</b>	<b>1,464</b>	<b>(100.0)</b>
	VALUE ADDED (in 1981 Constant Price)					EXPORTS (in 1981 Constant Price)				
				\$ million					\$ million	
Rubber products	9.3	9	9.2	2,070	(6.7)	8.1	9.1	8.6	3,885	(7.6)
Food processing	8	5.7	6.8	5,067	(16.4)	9.8	6	7.9	11,528	(22.6)
Wood products	7.7	6.4	7	4,082	(13.2)	4.1	12	8	4,120	(8.1)
Chemical & petrochemicals	8.2	6.9	7.5	3,460	(11.2)	8.9	4.7	6.8	5,869	(11.5)
Non-metallic minerals	9.8	9.2	9.5	2,101	(6.8)	8.1	9.3	8.7	400	(0.8)
Textiles	9.9	10.1	10	2,915	(9.4)	14.6	13.8	14.2	3,538	(6.9)
Basic metal products	6.5	13.2	9.8	2,132	(6.9)	4.1	4.8	4.5	2,224	(4.4)
Machinery & transport	10.8	10.7	10.8	3,910	(12.7)	10.4	12.4	11.4	5,300	(10.4)
Electrical & electronics	11.5	10.4	10.9	5,160	(16.7)	11.2	9.6	10.4	14,103	(27.7)
<b>Total manufacturing</b>	<b>9.1</b>	<b>8.6</b>	<b>8.8</b>	<b>30,897</b>	<b>(100.0)</b>	<b>9.4</b>	<b>8.5</b>	<b>8.9</b>	<b>50,967</b>	<b>(100.0)</b>

Note: The figures in parentheses are the percentage shares of total.

Source: Medium and Long-Term Industrial Master Plan, 1986-1995, Vol. I Part 1, UNIDO.

## Appendix 5.1

### Sample of cover letters and survey questionnaires



**PUSAT PENGAJIAN PENGURUSAN  
UNIVERSITI SAINS MALAYSIA  
11800 PULAU PINANG MALAYSIA**

Kawat: "UNISAINS" • Teleks: MA 40254 • Telefax: (04) 877448

Mr. Moo Heng,  
Marketing Manager,  
Powermatic Sdn. Bhd.,  
5, Jalan SS 13/5, Subang Jaya,  
47500 Petaling Jaya, Selangor.

11 MAY 1992

Dear

**RE: SURVEY OF EXPORT MARKETING PRACTICES OF MANUFACTURING FIRMS IN MALAYSIA.**

Export-led growth is the capstone of Malaysia's VISION 2020. In line with the government's aspiration, we in the School of Management, USM, are initiating a research project to learn about the export marketing practices of firms in the manufacturing sector. Your participation in this project will be of great benefit as the findings will:

- (a) enable you to compare your firm's export practices with that of other Malaysian manufacturing-exporting firms;
- (b) provide inputs to various agencies responsible for designing export promotion activities; and
- (c) help us in the academia to further improve our curriculum in training our future generation of managers currently studying at USM's School of Management.

2. We would appreciate if you would spare about 20 minutes of your time to complete the attached survey questionnaires and return it to us using the enclosed reply-paid envelop. Your responses will be treated in strict confidentiality and all information collected in the survey will only be used in aggregate form.
3. Please do not forget to write your name and address in the space provided at the end of the questionnaire for a free copy of the summary of the findings.

Thank you for your support.

Yours sincerely,

Osman bin Mohamad,  
Lecturer in International Marketing.



**PUSAT PENGAJIAN PENGURUSAN  
UNIVERSITI SAINS MALAYSIA  
11800 PULAU PINANG MALAYSIA**

---

Lewat: "UNISAINS" • Teleks: MA 40254 • Telefax: (04) 871526

---

Date: 26th. May 1992

Mr. Ong Eng Peng,  
Marketing Manager,  
Toyo Plastic (M) Sdn. Bhd.,  
Lot 56, Tasek Industrial Estate,  
31400 Ipoh, Perak.

Dear

Re: Survey of Export Marketing Practices of Manufacturing Firms in Malaysia.

Recently we mailed you a questionnaire requesting for participation in the above mentioned survey. If you have already returned the questionnaire, please consider this letter a "Thank you" for your valuable help.

If you have not have the chance to do so as yet, we would appreciate if you would spend a few moments of your time to check your response in the enclosed survey questionnaire. Your early reply would be appreciated and am enclosing a stamped reply envelope to facilitate this.

Your response will be treated in strict confidentiality, and used only in combination with others to get a composite picture. Please attach your business card or write your name and address in the space provided at the end of the survey questionnaire for a free copy of the summary of my findings.

Thank you,

Yours sincerely,

(Osman bin Mohamad)  
Lecturer in International Marketing

**INSTRUCTION: PLEASE TICK [ / ] THE APPROPRIATE BOXES FOR ALL YOUR ANSWERS, UNLESS OTHERWISE INSTRUCTED.**

**SECTION A: BACKGROUND INFORMATION.**

1. In which of the following **INDUSTRY CATEGORY** does your firm falls into? PLEASE TICK [ / ] ONE.

Electrical and electronics products	[ ]	Chemicals and chemical products	[ ]
Transport equipment	[ ]	Beverages and tobacco	[ ]
Textile, clothing and footwear	[ ]	Wood and wood products	[ ]
Rubber products	[ ]	Paper and Paper Products	[ ]
Petroleum	[ ]	Manufactures of metal	[ ]
Non-metallic mineral products	[ ]	Food products	[ ]
Other manufacturers	[ ]		

2. How many people does your company employ? \_\_\_\_\_

3. For how many years has your company been in operation? \_\_\_\_\_ years.

4. For how many years has your company been exporting? \_\_\_\_\_ years.

5. Percentage of Capacity utilisation \_\_\_\_\_ percent

6. What is the percentage of your firm's capital held by foreign company? \_\_\_\_\_ percent

(If 0 percent, go to Question No. 8a).

7. To what your extent does your foreign shareholder provide inputs into your firm's operation in the following areas:

	To A Greater Extent	Very Much	Somewhat	Not Much	Not at All
Production technology.	[ ]	[ ]	[ ]	[ ]	[ ]
Product development.	[ ]	[ ]	[ ]	[ ]	[ ]
Market information.	[ ]	[ ]	[ ]	[ ]	[ ]
Ready/Captive market.	[ ]	[ ]	[ ]	[ ]	[ ]

8a. Please indicate if your firm has entered into any of the following formal agreements with local or foreign companies. Please tick [ / ] all those that apply.

None	[ ]	(Please Proceed to Question 9)
Management Agreement	[ ]	} Please answer Question 8b.
Licensing Agreement	[ ]	
Patent and Trademark Agreement	[ ]	
Technical Assistance Agreement	[ ]	
Sales and Commissions Agreement	[ ]	

8b. Are your firm's export marketing activities being restricted by any of the above formal agreements?

NO  (Please Proceed to Q.9)

YES  (Please describe the nature of the restrictions below)

---



---

9. For the next 8 statements, PLEASE CIRCLE A NUMBER to indicate characteristics that best describes your firm. For example, in statement "a", if you consider your firm's production system requires highly skilled labour, you would circle number 1; on the other hand, if it requires relatively unskilled labour force you would circle number 4.

- a. Type of labour force required to man the production system.      Highly Skilled      1 2 3 4 5      Unskilled
- b. Characteristics of production system.      Capital Intensive      1 2 3 4 5      Labour Intensive
- c. Sophistication of production technology.      Complex      1 2 3 4 5      Simple
- d. Level of technology.      State of the art      1 2 3 4 5      Existing
- e. The dominant party in determining the final export price.      Our firm      1 2 3 4 5      The buyers
- f. The party that decides product characteristics and quality attributes.      Our firm      1 2 3 4 5      The buyers
- g. Priority in fulfilling export orders.      High      1 2 3 4 5      Low
- h. Extent of control exercised over export distribution channels.      High      1 2 3 4 5      Low

10. Please state the TOTAL NUMBER OF COUNTRIES your firm has been exporting to? \_\_\_\_\_

11. Please state the TWO MAJOR IMPORTING COUNTRIES and the approximate PERCENTAGE EXPORTED to these countries:

COUNTRY	OUT OF 100%
a.	percent
b.	percent
c. Others	percent



12. What is your firm's approximate TOTAL SALES and percentage derived from exports during the last three years?

	1989		1990		1991	
Total Sales	M\$	mill	M\$	mill	M\$	mill
Export %	percent		percent		percent	

13. How would you rate your firm's OVERALL EXPORT PERFORMANCE during the last three years (1989, 1990 and 1991).

	Far Above Expectations	Moderately Above Expectation	As Expected	Moderately Below Expectation	Far Below Expectation
Export sales volume	[ ]	[ ]	[ ]	[ ]	[ ]
Export sales growth	[ ]	[ ]	[ ]	[ ]	[ ]
Export profitability	[ ]	[ ]	[ ]	[ ]	[ ]

14. During the last three years (1989, 1990, and 1991) has your firm exported to NEW MARKETS?

YES [ ] (Please answer Questions 15 and 16)  
NO [ ] (Please proceed to next page - Section B)

15. Please state the most significant NEW MARKET your firm has exported to during the last three years.

---

16. How would you rate your firm's EXPORT PERFORMANCE in the above particular market?

	Far Above Expectations	Moderately Above Expectations	As Expected	Moderately Below Expectations	Far Below Expectation
Sales volume	[ ]	[ ]	[ ]	[ ]	[ ]
Sales growth	[ ]	[ ]	[ ]	[ ]	[ ]
Profitability	[ ]	[ ]	[ ]	[ ]	[ ]

**SECTION B: EXPORT ORGANISATION, PLANNING, AND INFORMATION SEARCH.**

1. Does your firm have a separate EXPORT/OR INTERNATIONAL MARKETING DEPARTMENT handling export businesses?

YES [ ] NO [ ]

2a. Does your firm prepare a FORMAL WRITTEN MARKETING PLAN?

NO [ ] (If No, proceed to Question 3)  
 YES [ ] (If Yes, answer 2b)

2b. Please indicate the level of importance of EXPORT ACTIVITIES as covered in your firm's marketing plan based on the following time-frame:

	Extremely Important	Very Important	Important	Quite Important	Not At All Important
One-year plan	[ ]	[ ]	[ ]	[ ]	[ ]
Two-three year plan	[ ]	[ ]	[ ]	[ ]	[ ]
Five-year plan	[ ]	[ ]	[ ]	[ ]	[ ]

3. Please indicate the importance of each of the following TYPES OF INFORMATION in making export decisions.

	Extremely Important	Very Important	Important	Quite Important	Not At All Important
Market potentials	[ ]	[ ]	[ ]	[ ]	[ ]
Buyers Preferences	[ ]	[ ]	[ ]	[ ]	[ ]
Social and political development	[ ]	[ ]	[ ]	[ ]	[ ]
Economic indicators	[ ]	[ ]	[ ]	[ ]	[ ]
Rules and regulation	[ ]	[ ]	[ ]	[ ]	[ ]
Level of competition	[ ]	[ ]	[ ]	[ ]	[ ]
Distribution structure	[ ]	[ ]	[ ]	[ ]	[ ]
Price trends	[ ]	[ ]	[ ]	[ ]	[ ]
Export restrictions	[ ]	[ ]	[ ]	[ ]	[ ]
Ways to adapt product	[ ]	[ ]	[ ]	[ ]	[ ]

Other information, please describe \_\_\_\_\_

4. Do you have an in-house facility for market research?

Yes  No

5. Please indicate how frequently you have consulted each of the following SOURCES OF INFORMATION.

	Very Frequently	Quite Frequently	Sometimes	Hardly	Never
Malaysian Export Promotion Centre (MEXPO).	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Technical Assistance for Exporters (TEXPRO) provided by SIRIM	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Malaysian Foreign Trade Commissioners Office.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Foreign Embassies and Consulates in Malaysia.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
International Agencies located in Malaysia e.g JETRO.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Commercial Banks.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Chambers of Commerce or Trade Associations.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Federation of Malaysian Manufacturers.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Business Publications	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Export Training Seminars.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Consulting Companies/Market Research agencies based in:					
a. Malaysia	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
b. Singapore	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
c. Hong Kong	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
d. Importing country	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Other sources, please describe \_\_\_\_\_

6. Please indicate to what extent your firm rely on each of the following organisations for R & D activities:

	To A Greater Extent	Very Much	Somewhat	Not Much	Not At All
<b>In-house R &amp; D Dept.:</b>					
a. in Malaysia	[ ]	[ ]	[ ]	[ ]	[ ]
b. affiliate firms overseas.	[ ]	[ ]	[ ]	[ ]	[ ]
<b>Collaboration with:</b>					
a. local universities.	[ ]	[ ]	[ ]	[ ]	[ ]
b. foreign universities	[ ]	[ ]	[ ]	[ ]	[ ]
Government agencies (e.g SIRIM;PORIM etc).	[ ]	[ ]	[ ]	[ ]	[ ]
Other arrangements (Please describe)	_____				

## SECTION C: EXPORT MARKETING MIX.

1. Please indicate the approximate percentage of each of the following CATEGORY OF PRODUCTS exported by your firm:

CATEGORY OF PRODUCTS	OUT OF 100 %
a. Consumer products.	percent.
b. Intermediate industrial product.	percent.
c. Final industrial product.	percent.

2. Please indicate the percentage of export derived from the following category of BRAND OWNERSHIP.

CATEGORY OF BRANDS	OUT OF 100%
a. Own brand	percent.
b. Buyers' brand	percent.
c. Franchised brand	percent.

3. Please indicate to what extent, if at all, MODIFICATIONS are made to the following product characteristics to suit the export market requirements.

	Major	Moderate	Some	Minor	None
Size of packaging	[ ]	[ ]	[ ]	[ ]	[ ]
Branding/Labeling.	[ ]	[ ]	[ ]	[ ]	[ ]
Colour of packaging	[ ]	[ ]	[ ]	[ ]	[ ]
Packaging materials	[ ]	[ ]	[ ]	[ ]	[ ]
Raw materials used	[ ]	[ ]	[ ]	[ ]	[ ]
Style/design/other features	[ ]	[ ]	[ ]	[ ]	[ ]
Other modifications (please describe)	_____				
_____					
_____					

4. Please indicate the importance of each of the following PROMOTIONAL TOOLS in your firm's export promotion programmes.

	Extremely Important	Very Important	Quite Important	Not At All Important
Trade fairs and exhibition.	[ ]	[ ]	[ ]	[ ]
Trade mission.	[ ]	[ ]	[ ]	[ ]
Advertising in trade journals.	[ ]	[ ]	[ ]	[ ]
MEXPO exhibition centre.	[ ]	[ ]	[ ]	[ ]
Trade Commissioners Service.	[ ]	[ ]	[ ]	[ ]
Joint efforts with distributors.	[ ]	[ ]	[ ]	[ ]
Promotional programme organized by trade associations.	[ ]	[ ]	[ ]	[ ]
Regular visits to overseas markets	[ ]	[ ]	[ ]	[ ]
Others, please specify _____				

5. Please indicate the importance, if at all, each of the following factors as your firm's COMPETITIVE STRENGTH:

	Extremely Important	Very Important	Quite Important	Not At All Important
Access to quality raw materials	[ ]	[ ]	[ ]	[ ]
Good relations with suppliers	[ ]	[ ]	[ ]	[ ]
Commitment to quality improvement programme	[ ]	[ ]	[ ]	[ ]
Understanding of international business culture	[ ]	[ ]	[ ]	[ ]
Support from bankers	[ ]	[ ]	[ ]	[ ]
Financial assistance under Export Credit Refinancing scheme	[ ]	[ ]	[ ]	[ ]
Tight cost control	[ ]	[ ]	[ ]	[ ]

Extremely Important    Very Important    Important    Quite Important    Not At All Important

Strong coordination among functions in production, marketing and finance.	[ ]	[ ]	[ ]	[ ]	[ ]
Clearly defined target market	[ ]	[ ]	[ ]	[ ]	[ ]
Emphasis on profits rather than sales volume	[ ]	[ ]	[ ]	[ ]	[ ]
Product uniqueness	[ ]	[ ]	[ ]	[ ]	[ ]
Consistent product quality	[ ]	[ ]	[ ]	[ ]	[ ]
High product quality	[ ]	[ ]	[ ]	[ ]	[ ]
Wide product range	[ ]	[ ]	[ ]	[ ]	[ ]
Price competitiveness	[ ]	[ ]	[ ]	[ ]	[ ]
Credit facilities offered to buyers	[ ]	[ ]	[ ]	[ ]	[ ]
Low production cost	[ ]	[ ]	[ ]	[ ]	[ ]
Relative value of the Malaysian Ringgit	[ ]	[ ]	[ ]	[ ]	[ ]
Reliability of delivery	[ ]	[ ]	[ ]	[ ]	[ ]
Existence of policy on selection and expected performance of distributors.	[ ]	[ ]	[ ]	[ ]	[ ]
Distributors' commitment and strengths in:					
a. providing market information.	[ ]	[ ]	[ ]	[ ]	[ ]
b. marketing networks overseas.	[ ]	[ ]	[ ]	[ ]	[ ]
c. dealing with bureaucracy.	[ ]	[ ]	[ ]	[ ]	[ ]
d. expediting payment	[ ]	[ ]	[ ]	[ ]	[ ]

Others (please describe) \_\_\_\_\_  
 \_\_\_\_\_





## SECTION D - MARKET ENVIRONMENT.

Please indicate to what extent the items listed reflects the characteristics of the ENVIRONMENT within which your firm operates.

	Growing Rapidly	Growing Gradually	Stable	Declining Gradually	Declining Rapidly
<b>1. MARKET POTENTIALS IN:</b>					
a. Malaysian market.	[ ]	[ ]	[ ]	[ ]	[ ]
b. export markets.	[ ]	[ ]	[ ]	[ ]	[ ]
	Very Satisfactory	Satisfactory	Somewhat Satisfactory	Unsatis- factory	Most Unsatis factory
<b>2. INFRASTRUCTURE:</b>					
Supply of quality raw materials.	[ ]	[ ]	[ ]	[ ]	[ ]
Services provided by the service sector (eg. banking, shipping insurance, etc.)	[ ]	[ ]	[ ]	[ ]	[ ]
Supply of skilled & qualified manpower.	[ ]	[ ]	[ ]	[ ]	[ ]
Fiscal incentives and export financing services provided by the government.	[ ]	[ ]	[ ]	[ ]	[ ]
Technical support services provided by government agencies.	[ ]	[ ]	[ ]	[ ]	[ ]
	Very Intense	Intense	Moderate	Little	None
<b>3. COMPETITION IN MALAYSIAN MARKET FROM:</b>					
a. local firms	[ ]	[ ]	[ ]	[ ]	[ ]
b. foreign-owned firms manufacturing in Malaysia.	[ ]	[ ]	[ ]	[ ]	[ ]
c. imported product	[ ]	[ ]	[ ]	[ ]	[ ]

	Very Intense	Intense	Moderate	Little	None
<b>4. COMPETITION IN EXPORT MARKETS FROM:</b>					
a. other exporters from ASEAN nations	[ ]	[ ]	[ ]	[ ]	[ ]
b. exporters of other developing nations	[ ]	[ ]	[ ]	[ ]	[ ]
c. Malaysian exporters	[ ]	[ ]	[ ]	[ ]	[ ]
d. local firms in importing countries	[ ]	[ ]	[ ]	[ ]	[ ]

	Very High	High	Moderate	Low	None
<b>5. BARRIERS</b>					
Tariffs barrier in export markets.	[ ]	[ ]	[ ]	[ ]	[ ]
Non-tariff barriers in export market.	[ ]	[ ]	[ ]	[ ]	[ ]
Negative publicity launched by business associations and/or pressure group in export markets.	[ ]	[ ]	[ ]	[ ]	[ ]
Consumer bias as the product carries "Made in Malaysia" label.	[ ]	[ ]	[ ]	[ ]	[ ]
Professional buyers bias against "Made in Malaysia" product.	[ ]	[ ]	[ ]	[ ]	[ ]
Other export barriers encountered , please describe _____					

Thank you. Please write your company's name and address below, or attached your business card here.

For attention of \_\_\_\_\_

Company Name and Address  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

## Appendix 5.2

Results of t-test - early versus late reply

GROUP 1 - COID EQ 1: early reply  
 GROUP 2 - COID EQ 2: late reply

Variable	Number of Cases	Mean	Standard Deviation	Standard Error	F Value	2-tail Prob.	Pooled Variance estimate	t Value	Degrees of Freedom	t Value	Degrees of Freedom	Separate Variance Estimate
* * * * *												
V2	NO. OF EMPLOYEES											
GROUP 1	127	387.4173	754.166	66.921	2.59	.000	.28	.28	187	.33	176.35	.745
GROUP 2	62	358.1935	468.420	59.489								
* * * * *												
V3	NO. OF YEARS IN OPERATION											
GROUP 1	127	17.5512	14.627	1.298	1.09	.712	-.19	-.19	188	.851	128.71	.849
GROUP 2	63	17.9683	14.005	1.764								
* * * * *												
V4	NO. OF YEARS HAS BEEN EXPORTING											
GROUP 1	127	10.5906	8.857	.787	2.05	.002	.58	.58	188	.565	167.04	.518
GROUP 2	63	9.8730	6.200	.781								
* * * * *												
V6	CAPITAL HELD BY FOREIGN COMPANY -PERCENT											
GROUP 1	127	34.1654	36.367	3.227	1.04	.867	.73	.73	188	.469	126.16	.466
GROUP 2	63	30.1270	35.604	4.486								
* * * * *												

## Appendix 6.1

Results of two-way anova of  
organisational variables on export sales  
growth and profitability

\*\*\* ANALYSIS OF VARIANCE \*\*\*

by V41 EXPORT SALES GROWTH  
V2 NO. OF EMPLOYEES  
V3 NO. OF YEARS IN OPERATION

Source of Variation	Sum of Squares	DF	Mean Square	F	Sig of F
Main Effects	6.993	4	1.748	2.317	.059
V2	5.647	2	2.824	3.743	.026
V3	1.404	2	.702	.930	.396
2-Way Interactions	3.013	4	.753	.999	.410
V2 V3	3.013	4	.753	.999	.410
Explained	10.006	8	1.251	1.658	.112
Residual	135.803	180	.754		
Total	145.810	188	.776		

0 BY V41 EXPORT SALES GROWTH  
V2 NO. OF EMPLOYEES  
V3 NO. OF YEARS IN OPERATION

TOTAL POPULATION  
2.92  
( 189)

V2  
1 2 3  
2.82 2.77 3.14  
( 38) ( 79) ( 72)

V3  
1 2 3  
2.81 3.08 2.89  
( 27) ( 40) ( 122)

V3  
V2 1 2 3  
1 2.57 2.86 2.88  
( 7) ( 14) ( 17)  
2 2.55 3.25 2.71  
( 11) ( 12) ( 56)  
3 3.33 3.14 3.10  
( 9) ( 14) ( 49)

\*\*\* MULTIPLE CLASSIFICATION ANALYSIS \*\*\*

by V41 EXPORT SALES GROWTH  
V2 NO. OF EMPLOYEES  
V3 NO. OF YEARS IN OPERATION

Grand Mean = 2.92

Variable + Category	N	Unadjusted Dev'n	Eta	Adjusted for Independents Dev'n	Beta
V2					
1 small	38	-.10		-.13	
2 medium	79	-.15		-.14	
3 large	72	.22		.22	
			.20		.20
V3					
1 new	27	-.11		-.09	
2 establish	40	.15		.16	
3 well established	122	-.03		-.03	
			.10		.10
Multiple R Squared					.048
Multiple R					.219

**Text cut off in original**

\*\*\* ANALYSIS OF VARIANCE \*\*\*

by V41 EXPORT SALES GROWTH  
 V2 NO. OF EMPLOYEES  
 V4 NO. OF YEARS HAS BEEN EXPORTING

Source of Variation	Sum of Squares	DF	Mean Square	F	Sig of F
Main Effects	6.964	4	1.741	2.337	.057
V2	5.263	2	2.632	3.533	.031
V4	1.374	2	.687	.923	.399
2-Way Interactions	4.747	4	1.187	1.594	.178
V2 V4	4.747	4	1.187	1.594	.178
Explained	11.713	8	1.464	1.965	.053
Residual	134.097	180	.745		
Total	145.810	188	.776		

7-Jan-94 SPSS-X RELEASE 3.1 FOR VAX/VMS  
 08:16:29 SPSS-X VAX/VMS Site on VAXA:: VMS V3.5

\*\*\* CELL MEANS \*\*\*

BY V41 EXPORT SALES GROWTH  
 V2 NO. OF EMPLOYEES  
 V4 NO. OF YEARS HAS BEEN EXPORTING

TOTAL POPULATION

2.92

( 189)

V2

1	2	3
2.82	2.77	3.14
( 38)	( 79)	( 72)

V4

1	2	3
2.80	3.03	2.93
( 66)	( 63)	( 60)

V4

V2	1	2	3
1	2.79	3.22	2.50
	( 19)	( 9)	( 10)
2	2.50	2.93	2.90
	( 28)	( 30)	( 21)
3	3.26	3.08	3.10
	( 19)	( 24)	( 29)

7-Jan-94 SPSS-X RELEASE 3.1 FOR VAX/VMS  
 08:16:29 SPSS-X VAX/VMS Site on VAXA:: VMS V3.5

\*\*\* MULTIPLE CLASSIFICATION ANALYSIS \*\*\*

by V41 EXPORT SALES GROWTH  
 V2 NO. OF EMPLOYEES  
 V4 NO. OF YEARS HAS BEEN EXPORTING

Grand Mean = 2.92

Variable + Category	N	Unadjusted Dev'n	Eta	Adjusted for Independents Dev'n	Beta
V2					
1 small	38	-.10		-.08	
2 medium	79	-.15		-.15	
3 large	72	.22		.21	
			.20		.19
V4					
1 new	66	-.12		-.09	
2 establish	63	.11		.12	
3 well established	60	.01		-.02	
			.11		.10
Multiple R Squared					.048
Multiple R					.219



## \* \* \* ANALYSIS OF VARIANCE \* \* \*

Source of Variation	Sum of Squares	DF	Mean Square	F	Sig of F
Main Effects	5.703	3	1.902	2.508	.060
V2	5.650	2	2.825	3.726	.026
V6	.116	1	.116	.153	.696
2-Way Interactions	1.352	2	.676	.892	.412
V2 V6	1.352	2	.676	.892	.412
Explained	7.057	5	1.411	1.861	.103
Residual	138.752	183	.758		
Total	145.810	188	.776		

7-Jan-94  
08:16:30SPSS-X RELEASE 3.1 FOR VAX/VMS  
SPSS-X VAX/VMS Site

on VAXA::

VMS V5.5

## \* \* \* CELL MEANS \* \* \*

V41  
BY V2  
V6EXPORT SALES GROWTH  
NO. OF EMPLOYEES  
CAPITAL HELD BY FOREIGN COMPANY -PERCENT

## TOTAL POPULATION

2.92

( 189)

## V2

1	2	3
2.82	2.77	3.14
( 38)	( 79)	( 72)

## V6

1	2
2.90	2.94
( 93)	( 96)

## V6

	1	2
V2	2.73	3.00
1	( 26)	( 12)
2	2.79	2.75
3	( 43)	( 36)
3	3.29	3.06
	( 24)	( 48)

7-Jan-94  
08:16:30SPSS-X RELEASE 3.1 FOR VAX/VMS  
SPSS-X VAX/VMS Site

on VAXA::

VMS V5.5

## \* \* \* MULTIPLE CLASSIFICATION ANALYSIS \* \* \*

V41  
by V2  
V6EXPORT SALES GROWTH  
NO. OF EMPLOYEES  
CAPITAL HELD BY FOREIGN COMPANY -PERCENT

Grand Mean = 2.92

Variable + Category	N	Unadjusted Dev'n	Eta	Adjusted for Independents Dev'n	Beta
V2					
1 small	38	-.10		-.11	
2 medium	79	-.15		-.15	
3 large	72	.22		.23	
			.20		.20
V6					
1 local	93	-.02		.03	
2 with foreign eq	96	.02		-.03	
			.02		.03
Multiple R Squared					.039
Multiple R					.198

\*\*\* ANALYSIS OF VARIANCE \*\*\*

by V41 EXPORT SALES GROWTH  
 V2 NO. OF EMPLOYEES  
 V164 type of product exported

Source of Variation	Sum of Squares	DF	Mean Square	F	Sig of F
Main Effects	2.121	3	.707	.903	.442
V2	.147	1	.147	.188	.666
V164	2.118	2	1.059	1.352	.263
2-Way Interactions	2.312	2	1.156	1.476	.233
V2 V164	2.312	2	1.156	1.476	.233
Explained	4.433	5	.887	1.132	.348
Residual	85.357	109	.783		
Total	89.791	114	.788		

\*\*\* CELL MEANS \*\*\*

BY V41 EXPORT SALES GROWTH  
 V2 NO. OF EMPLOYEES  
 V164 type of product exported

TOTAL POPULATION  
 2.81  
 ( 115)

V2

1	2
2.82 ( 38)	2.81 ( 77)

V164

1	2	3
2.70 ( 47)	2.78 ( 41)	3.04 ( 27)

V2 V164

	1	2	3
1	2.75 ( 20)	3.00 ( 14)	2.50 ( 4)
2	2.67 ( 27)	2.67 ( 27)	3.13 ( 23)

\*\*\* MULTIPLE CLASSIFICATION ANALYSIS \*\*\*

by V41 EXPORT SALES GROWTH  
 V2 NO. OF EMPLOYEES  
 V164 type of product exported

Grand Mean = 2.81

Variable + Category	N	Unadjusted Dev'n	Adjusted for Independents Dev'n	Eta Squared	Beta
V2					
1 small	38	.01	.05		
2 medium	77	.00	-.03		
				.01	.04
V164					
1 consumer product	47	-.11	-.11		
2 intermediate industrial pr	41	-.03	-.03		
3 final indust prod	27	.23	.24		
				.15	.16
Multiple R Squared					.024
Multiple R					.154

\*\*\* ANALYSIS OF VARIANCE \*\*\*

V41 EXPORT SALES GROWTH
by V3 NO. OF YEARS IN OPERATION
V4 NO. OF YEARS HAS BEEN EXPORTING

Table with 6 columns: Source of Variation, Sum of Squares, DF, Mean Square, F, Sig of F. Rows include Main Effects (V3, V4), 2-Way Interactions (V3, V4), Explained, Residual, and Total.

7-Jan-94 08:16:32

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on VAXA::

VMS V3.5

\*\*\* CELL MEANS \*\*\*

V41 EXPORT SALES GROWTH
BY V3 NO. OF YEARS IN OPERATION
V4 NO. OF YEARS HAS BEEN EXPORTING

TOTAL POPULATION

2.93
( 190)

V3
1 2 3
2.81 3.10 2.89
( 27) ( 41) ( 122)

V4
1 2 3
2.82 3.03 2.93
( 67) ( 63) ( 60)

V4
V3
1 2 3
2.81 0.00 0.00
( 27) ( 0) ( 0)
3.00 3.14 0.00
( 12) ( 29) ( 0)
2.75 2.94 2.93
( 28) ( 34) ( 60)

7-Jan-94 08:16:32

SPSS-X RELEASE 3.1 FOR VAX/VMS
SPSS-X VAX/VMS Site

on VAXA::

VMS V3.5

\*\*\* MULTIPLE CLASSIFICATION ANALYSIS \*\*\*

V41 EXPORT SALES GROWTH
by V3 NO. OF YEARS IN OPERATION
V4 NO. OF YEARS HAS BEEN EXPORTING

Grand Mean = 2.93

Table with 5 columns: Variable + Category, N, Unadjusted Dev'n, Eta, Adjusted for Independents Dev'n, Beta. Rows include V3 (1 new, 2 establish, 3 well established) and V4 (1 new, 2 establish, 3 well established).

Multiple R Squared
Multiple R

.017
.132

\*\*\* ANALYSIS OF VARIANCE \*\*\*

by V41 EXPORT SALES GROWTH  
 V3 NO. OF YEARS IN OPERATION  
 V6 CAPITAL HELD BY FOREIGN COMPANY -PERCENT

Source of Variation	Sum of Squares	DF	Mean Square	F	Sig of F
Main Effects	1.761	3	.587	.759	.518
V3	1.736	2	.868	1.123	.328
V6	.091	1	.091	.118	.732
2-Way Interactions	2.915	2	1.457	1.885	.155
V3 V6	2.915	2	1.457	1.885	.155
Explained	4.676	5	.935	1.209	.307
Residual	142.293	184	.773		
Total	146.968	189	.778		

7-Jan-94 SPSS-X RELEASE 3.1 FOR VAX/VMS  
 08:16:33 SPSS-X VAX/VMS Site on VAXA:: VMS V5.5

\*\*\* CELL MEANS \*\*\*

by V41 EXPORT SALES GROWTH  
 V3 NO. OF YEARS IN OPERATION  
 V6 CAPITAL HELD BY FOREIGN COMPANY -PERCENT

TOTAL POPULATION  
 2.93  
 ( 190)

V3

1	2	3
2.81	3.10	2.89
( 27)	( 41)	( 122)

V6

1	2
2.91	2.94
( 94)	( 96)

V6

1	2
2.38	3.00
( 8)	( 19)
2	2.94
( 23)	( 18)
3	2.92
( 63)	( 59)

7-Jan-94 SPSS-X RELEASE 3.1 FOR VAX/VMS  
 08:16:33 SPSS-X VAX/VMS Site on VAXA:: VMS V5.5

\*\*\* MULTIPLE CLASSIFICATION ANALYSIS \*\*\*

by V41 EXPORT SALES GROWTH  
 V3 NO. OF YEARS IN OPERATION  
 V6 CAPITAL HELD BY FOREIGN COMPANY -PERCENT

Grand Mean = 2.93

Variable + Category	N	Unadjusted Dev'n	Eta	Adjusted for Independents Dev'n	Beta
V3					
1 new	27	-.11		-.12	
2 establish	41	.17		.17	
3 well established	122	-.03		-.03	
			.11		.11
V6					
1 local	94	-.01		-.02	
2 with foreign eq	96	.01		.02	
			.01		.03
Multiple R Squared					.012
Multiple R					.109

\*\*\* ANALYSIS OF VARIANCE \*\*\*

V41 EXPORT SALES GROWTH  
 by V4 NO. OF YEARS HAS BEEN EXPORTING  
 V6 CAPITAL HELD BY FOREIGN COMPANY -PERCENT

Source of Variation	Sum of Squares	DF	Mean Square	F	Sig of F
Main Effects	1.462	3	.487	.617	.605
V4	1.439	2	.719	.910	.404
V6	.014	1	.014	.018	.893
2-Way Interactions	.090	2	.045	.057	.945
V4 V6	.090	2	.045	.057	.945
Explained	1.553	5	.311	.393	.853
Residual	145.416	184	.790		
Total	146.968	189	.778		

\*\*\* CELL MEANS \*\*\*

V41 EXPORT SALES GROWTH  
 BY V4 NO. OF YEARS HAS BEEN EXPORTING  
 V6 CAPITAL HELD BY FOREIGN COMPANY -PERCENT

TOTAL POPULATION  
 2.93  
 ( 190)

V4

	1	2	3
	2.82	3.03	2.93
	( 67)	( 63)	( 60)

V6

	1	2
	2.91	2.94
	( 94)	( 96)

V4 V6

	1		2	
1	2.84	( 37)	2.80	( 30)
2	3.00	( 33)	3.07	( 30)
3	2.92	( 24)	2.94	( 36)

\*\*\* MULTIPLE CLASSIFICATION ANALYSIS \*\*\*

V41 EXPORT SALES GROWTH  
 by V4 NO. OF YEARS HAS BEEN EXPORTING

Grand Mean = 2.93

Variable + Category	N	Unadjusted		Adjusted for	
		Dev'n	Eta	Dev'n	Beta
V4					
1 new	67	-.11		-.10	
2 establish	63	.11		.11	
3 well established	60	.01		.01	
			.10		.10
V6					
1 local	94	-.01		-.01	
2 with foreign eq	96	.01		.01	
			.01		.01

Multiple R Squared .010  
 Multiple R .100

\*\*\* ANALYSIS OF VARIANCE \*\*\*

by V41 EXPORT SALES GROWTH  
 V3 NO. OF YEARS IN OPERATION  
 V164 type of product exported

Source of Variation	Sum of Squares	DF	Mean Square	F	Sig of F
Main Effects	3.660	4	.915	1.193	.316
V3	1.863	2	.934	1.218	.298
V164	1.777	2	.888	1.158	.316
2-Way Interactions	.696	4	.174	.227	.923
V3 V164	.696	4	.174	.227	.923
Explained	4.355	8	.544	.710	.683
Residual	135.736	177	.767		
Total	140.091	185	.757		

\*\*\* CELL MEANS \*\*\*

BY V41 EXPORT SALES GROWTH  
 V3 NO. OF YEARS IN OPERATION  
 V164 type of product exported

TOTAL POPULATION

2.93  
 ( 186)

V3

	1	2	3
Mean	2.77	3.10	2.91
N	( 26)	( 41)	( 119)

V164

	1	2	3
Mean	2.82	2.95	3.06
N	( 71)	( 66)	( 49)

V164

	V164		
	1	2	3
V3			
1	2.76	2.75	3.00
N	( 17)	( 8)	( 1)
2	2.90	3.18	3.40
N	( 20)	( 11)	( 10)
3	2.79	2.94	2.97
N	( 34)	( 47)	( 38)

\*\*\* MULTIPLE CLASSIFICATION ANALYSIS \*\*\*

by V41 EXPORT SALES GROWTH  
 V3 NO. OF YEARS IN OPERATION  
 V164 type of product exported

Grand Mean = 2.93

Variable + Category	N	Unadjusted Dev'n	Eta	Adjusted for Independents Dev'n	Beta
V3					
1 new	26	-.16		-.10	
2 establish	41	.17		.19	
3 well established	119	-.02		-.04	
			.12		.12
V164					
1 consumer product	71	-.11		-.12	
2 interim industrial pr	66	.02		.04	
3 final indust prod	49	.13		.13	
			.11		.12

Multiple R Squared .026  
 Multiple R .162

\*\*\* ANALYSIS OF VARIANCE \*\*\*

by V41 EXPORT SALES GROWTH  
 V4 NO. OF YEARS HAS BEEN EXPORTING  
 V164 type of product exported

Source of Variation	Sum of Squares	DF	Mean Square	F	Sig of F
Main Effects	2.925	4	.731	.954	.434
V4	1.133	2	.567	.740	.479
V164	1.633	2	.816	1.065	.347
2-Way Interactions	1.553	4	.388	.507	.731
V4 V164	1.553	4	.388	.507	.731
Explained	4.478	8	.560	.731	.664
Residual	135.613	177	.766		
Total	140.091	185	.757		

7-Jan-94 SPSS-X RELEASE 3.1 FOR VAX/VMS  
 08:16:35 SPSS-X VAX/VMS Site on VAXA:: VMS V5.5

\*\*\* CELL MEANS \*\*\*

by V41 EXPORT SALES GROWTH  
 V4 NO. OF YEARS HAS BEEN EXPORTING  
 V164 type of product exported

TOTAL POPULATION

2.93 ( 186)				
V4				
1	2	3		
2.83	3.03	2.93		
( 65)	( 63)	( 58)		
V164				
1	2	3		
2.82	2.95	3.06		
( 71)	( 66)	( 49)		
	V164			
	1	2	3	
V4	1	2.79	2.75	3.08
	( 28)	( 24)	( 13)	
	2	2.83	3.09	3.24
	( 24)	( 22)	( 17)	
	3	2.84	3.05	2.89
	( 19)	( 20)	( 19)	

7-Jan-94 SPSS-X RELEASE 3.1 FOR VAX/VMS  
 08:16:35 SPSS-X VAX/VMS Site on VAXA:: VMS V5.5

\*\*\* MULTIPLE CLASSIFICATION ANALYSIS \*\*\*

by V41 EXPORT SALES GROWTH  
 V4 NO. OF YEARS HAS BEEN EXPORTING  
 V164 type of product exported

Grand Mean = 2.93

Variable + Category	N	Unadjusted Dev'n	Eta	Adjusted for Independents Dev'n	Beta
V4					
1 new	65	-.10		-.09	
2 establish	63	.10		.10	
3 well established	58	.00		-.01	
			.10		.09
V164					
1 consumer product	71	-.11		-.11	
2 interm industrial pr	66	.02		.03	
3 final indust prod	49	.13		.12	
			.11		.11
Multiple R Squared					.021
Multiple R					.144

\*\*\* ANALYSIS OF VARIANCE \*\*\*

by V41 EXPORT SALES GROWTH  
 V6 CAPITAL HELD BY FOREIGN COMPANY -PERCENT  
 V164 type of product exported

Source of Variation	Sum of Squares	DF	Mean Square	F	Sig of F
Main Effects	1.811	3	.604	.791	.500
V6	.019	1	.019	.025	.873
V164	1.803	2	.904	1.185	.308
2-Way Interactions	.894	2	.447	.586	.558
V6 V164	.894	2	.447	.586	.558
Explained	2.705	5	.541	.709	.618
Residual	137.386	180	.763		
Total	140.091	185	.757		

\*\*\* CELL MEANS \*\*\*

BY V41 EXPORT SALES GROWTH  
 V6 CAPITAL HELD BY FOREIGN COMPANY -PERCENT  
 V164 type of product exported

TOTAL POPULATION  
 2.93  
 ( 186)

V6  
   1 2  
   2.93 2.93  
   ( 91) ( 95)

V164  
   1 2 3  
   2.82 2.95 3.06  
   ( 71) ( 66) ( 49)

    V164  
   1 2 3  
   2.87 2.86 3.13  
   ( 39) ( 28) ( 24)

    2 2.75 3.03 3.00  
   ( 32) ( 38) ( 25)

\*\*\* MULTIPLE CLASSIFICATION ANALYSIS \*\*\*

by V41 EXPORT SALES GROWTH  
 V6 CAPITAL HELD BY FOREIGN COMPANY -PERCENT  
 V164 type of product exported

Grand Mean = 2.93

Variable + Category	N	Unadjusted Dev'n	Unadjusted Eta	Adjusted for Independents Dev'n	Adjusted for Independents Beta
V6					
1 local	91	.00		.01	
2 with foreign eq	95	.00		-.01	
			.00		.01
V164					
1 consumer product	71	-.11		-.11	
2 interm industrial pr	66	.02		.03	
3 final indust prod	49	.13		.13	
			.11		.11
Multiple R Squared					.013
Multiple R					.114



\*\*\* ANALYSIS OF VARIANCE \*\*\*

by V42 EXPORT PROFITABILITY  
 V2 NO. OF EMPLOYEES  
 V3 NO. OF YEARS IN OPERATION

Source of Variation	Sum of Squares	DF	Mean Square	F	Sig of F
Main Effects	3.285	4	.821	1.182	.320
V2	2.302	2	1.151	1.656	.194
V3	.626	2	.313	.451	.638
2-Way Interactions	1.550	4	.387	.537	.694
V2 V3	1.550	4	.387	.537	.694
Explained	4.835	8	.604	.870	.543
Residual	125.080	180	.695		
Total	129.915	188	.691		

\*\*\* CELL MEANS \*\*\*

by V42 EXPORT PROFITABILITY  
 V2 NO. OF EMPLOYEES  
 V3 NO. OF YEARS IN OPERATION

TOTAL POPULATION

2.84  
 ( 189)

V2

1	2	3
2.95	2.70	2.93
( 38)	( 79)	( 72)

V3

1	2	3
2.81	2.97	2.80
( 26)	( 40)	( 123)

V3

V2	V3	1	2	3
1	3.00	2.93	2.94	
	( 7)	( 14)	( 17)	
2	2.64	3.08	2.63	
	( 11)	( 12)	( 56)	
3	2.88	2.93	2.94	
	( 8)	( 14)	( 50)	

\*\*\* MULTIPLE CLASSIFICATION ANALYSIS \*\*\*

by V42 EXPORT PROFITABILITY  
 V2 NO. OF EMPLOYEES  
 V3 NO. OF YEARS IN OPERATION

Grand Mean = 2.84

Variable + Category	N	Unadjusted Dev'n	Eta	Adjusted for Independents Dev'n	Beta
V2					
1 small	38	.11		.09	
2 medium	79	-.14		-.13	
3 large	72	.09		.10	
			.14		.13
V3					
1 new	26	-.03		-.03	
2 establish	40	.14		.11	
3 well established	123	-.04		-.03	
			.09		.07
Multiple R Squared					.025
Multiple R					.159

\*\*\* ANALYSIS OF VARIANCE \*\*\*

by V42 EXPORT PROFITABILITY  
 V2 NO. OF EMPLOYEES  
 V6 CAPITAL HELD BY FOREIGN COMPANY -PERCENT

Source of Variation	Sum of Squares	DF	Mean Square	F	Sig of F
Main Effects	2.657	3	.886	1.283	.282
V2	2.647	2	1.324	1.916	.150
V6	.000	1	.000	.000	.986
2-Way Interactions	.813	2	.407	.588	.556
V2 V6	.813	2	.407	.588	.556
Explained	3.472	5	.694	1.005	.416
Residual	126.443	183	.691		
Total	129.915	188	.691		

\*\*\* CELL MEANS \*\*\*

BY V42 EXPORT PROFITABILITY  
 V2 NO. OF EMPLOYEES  
 V6 CAPITAL HELD BY FOREIGN COMPANY -PERCENT

TOTAL POPULATION  
 2.84  
 ( 189)

V2

1	2	3
2.95	2.70	2.93
( 38)	( 79)	( 72)

V6

1	2
2.83	2.84
( 93)	( 96)

V6

1	2
2.88	3.08
( 26)	( 12)

V2

2	2.67	2.72
( 43)	( 36)	

V2

3	3.04	2.88
( 24)	( 48)	

\*\*\* MULTIPLE CLASSIFICATION ANALYSIS \*\*\*

by V42 EXPORT PROFITABILITY  
 V2 NO. OF EMPLOYEES  
 V6 CAPITAL HELD BY FOREIGN COMPANY -PERCENT

Grand Mean = 2.84

Variable + Category	N	Unadjusted Dev'n	Eta	Adjusted for Independents Dev'n	Beta
V2					
1 small	38	.11		.11	
2 medium	79	-.14		-.14	
3 large	72	.09		.09	
			.14		.14
V6					
1 local	93	-.01		.00	
2 with foreign eq	96	.01		.00	
			.01		.00
Multiple R Squared					.020
Multiple R					.143

\*\*\* ANALYSIS OF VARIANCE \*\*\*

by V42 EXPORT PROFITABILITY  
 V2 NO. OF EMPLOYEES  
 V4 NO. OF YEARS HAS BEEN EXPORTING

Source of Variation	Sum of Squares	DF	Mean Square	F	Sig of F
Main Effects	2.921	4	.730	1.061	.377
V2	2.597	2	1.300	1.888	.154
V4	.262	2	.131	.190	.827
2-Way Interactions	3.107	4	.777	1.128	.345
V2 V4	3.107	4	.777	1.128	.345
Explained	6.027	8	.753	1.095	.369
Residual	123.883	180	.688		
Total	129.915	188	.691		

\*\*\* CELL MEANS \*\*\*

BY V42 EXPORT PROFITABILITY  
 V2 NO. OF EMPLOYEES  
 V4 NO. OF YEARS HAS BEEN EXPORTING

TOTAL POPULATION

2.84  
 ( 189)

V2

1	2	3
2.95	2.70	2.93
( 38)	( 79)	( 72)

V4

1	2	3
2.78	2.84	2.89

		V4		
		1	2	3
V2	1	3.05 ( 19)	3.11 ( 9)	2.60 ( 10)
	2	2.54 ( 28)	2.70 ( 30)	2.90 ( 21)
	3	2.89 ( 18)	2.92 ( 24)	2.97 ( 30)

\*\*\* MULTIPLE CLASSIFICATION ANALYSIS \*\*\*

by V42 EXPORT PROFITABILITY  
 V2 NO. OF EMPLOYEES  
 V4 NO. OF YEARS HAS BEEN EXPORTING

Grand Mean = 2.84

Variable + Category	N	Unadjusted		Adjusted for	
		Dev'n	Eta	Independents	Beta
V2					
1 small	38	.11		.12	
2 medium	79	-.14		-.14	
3 large	72	.09		.09	
			.14		.14
V4					
1 new	65	-.05		-.05	
2 establish	63	.01		.02	
3 well established	61	.05		.03	
			.05		.05
Multiple R Squared					.022
Multiple R					.150

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\*\*\* ANALYSIS OF VARIANCE \*\*\*

by V42 EXPORT PROFITABILITY  
 V2 NO. OF EMPLOYEES  
 V164 type of product exported

Source of Variation	Sum of Squares	DF	Mean Square	F	Sig of F
Main Effects	2.247	3	.749	1.117	.345
V2	1.053	1	1.053	1.570	.213
V164	1.014	2	.507	.756	.472
2-Way Interactions	1.080	2	.540	.806	.449
V2 V164	1.080	2	.540	.806	.449
Explained	3.327	5	.665	.993	.426
Residual	73.073	109	.670		
Total	76.400	114	.670		

\*\*\* CELL MEANS \*\*\*

BY V42 EXPORT PROFITABILITY  
 V2 NO. OF EMPLOYEES  
 V164 type of product exported

TOTAL POPULATION

2.80  
 ( 115)

V2

1	2
2.93	2.73
( 38)	( 77)

V164

1	2	3
2.77	2.93	2.67
( 47)	( 41)	( 27)

V164

	1	2	3
V2			
1	2.85	3.21	2.50
2	2.70	2.78	2.70
	( 20)	( 14)	( 4)
	( 27)	( 27)	( 23)

\*\*\* MULTIPLE CLASSIFICATION ANALYSIS \*\*\*

by V42 EXPORT PROFITABILITY  
 V2 NO. OF EMPLOYEES  
 V164 type of product exported

Grand Mean = 2.80

Variable + Category	N	Unadjusted Dev'n	Eta	Adjusted for Independents Dev'n	Beta
V2					
1 small	38	.15		.14	
2 medium	77	-.07		-.07	
			.13		.12
V164					
1 consumer product	47	-.03		-.05	
2 interm industrial pr	41	.13		.12	
3 final indust prod	27	-.13		-.10	
			.13		.12
Multiple R Squared					.029
Multiple R					.171

\*\*\* ANALYSIS OF VARIANCE \*\*\*

by V42 EXPORT PROFITABILITY  
 V3 NO. OF YEARS IN OPERATION  
 V4 NO. OF YEARS HAS BEEN EXPORTING

Source of Variation	Sum of Squares	DF	Mean Square	F	Sig of F
Main Effects	1.971	4	.493	.711	.585
V3	1.667	2	.834	1.204	.302
V4	.962	2	.481	.694	.501
2-Way Interactions	.411	1	.411	.593	.442
V3 V4	.411	1	.411	.593	.442
Explained	2.382	5	.476	.687	.634
Residual	127.560	184	.693		
Total	129.942	189	.688		

7-Jan-94 SPSS-X RELEASE 3.1 FOR VAX/VMS  
 06:14:33 SPSS-X VAX/VMS Site on VAXA:: VMS V5.5

\*\*\* CELL MEANS \*\*\*  
 EXPORT PROFITABILITY  
 NO. OF YEARS IN OPERATION  
 NO. OF YEARS HAS BEEN EXPORTING

TOTAL POPULATION

2.84		
( 190)		
V3		
1	2	3
2.81	2.98	2.80
( 26)	( 41)	( 123)
V4		
1	2	3
2.79	2.84	2.89
( 66)	( 63)	( 61)

	V4			
V3		1	2	3
1	2.81	0.00	0.00	
( 26)	( 0)	( 0)	( 0)	
2	3.08	2.93	0.00	
( 12)	( 29)	( 0)		
3	2.64	2.76	2.89	
( 28)	( 34)	( 61)		

7-Jan-94 SPSS-X RELEASE 3.1 FOR VAX/VMS  
 08:14:34 SPSS-X VAX/VMS Site on VAXA:: VMS V5.5

\*\*\* MULTIPLE CLASSIFICATION ANALYSIS \*\*\*

by V42 EXPORT PROFITABILITY  
 V3 NO. OF YEARS IN OPERATION  
 V4 NO. OF YEARS HAS BEEN EXPORTING

Grand Mean = 2.84

Variable + Category	N	Unadjusted Dev'n	Eta	Adjusted for Independents Dev'n	Beta
V3					
1 new	26	-.03		.04	
2 establish	41	.14		.19	
3 well established	123	-.04		-.07	
			.09		.13
V4					
1 new	66	-.05		-.07	
2 establish	63	.00		-.04	
3 well established	61	.05		.12	
			.05		.10
Multiple R Squared					.015
Multiple R					.123

\*\*\* ANALYSIS OF VARIANCE \*\*\*

by V42 EXPORT PROFITABILITY  
 V3 NO. OF YEARS IN OPERATION  
 V6 CAPITAL HELD BY FOREIGN COMPANY -PERCENT

Source of Variation	Sum of Squares	DF	Mean Square	F	Sig of F
Main Effects	1.035	3	.345	.495	.686
V3	1.026	2	.513	.737	.480
V6	.026	1	.026	.037	.847
2-Way Interactions	.765	2	.382	.549	.578
V3 V6	.765	2	.382	.549	.578
Explained	1.800	5	.360	.517	.763
Residual	128.142	184	.696		
Total	129.942	189	.688		

7-Jan-94 SPSS-X RELEASE 3.1 FOR VAX/VMS  
 08:14:35 SPSS-X VAX/VMS Site on VAXA:: VMS V5.5

\*\*\* CELL MEANS \*\*\*

V42 EXPORT PROFITABILITY  
 BY V3 NO. OF YEARS IN OPERATION  
 V6 CAPITAL HELD BY FOREIGN COMPANY -PERCENT

TOTAL POPULATION

2.84  
 ( 190)

V3

1	2	3
2.81	2.98	2.80
( 26)	( 41)	( 123)

V6

1	2
2.83	2.84
( 94)	( 96)

V6

V3

	1	2
1	3.00	2.72
	( 8)	( 18)
2	3.00	2.94
	( 23)	( 18)
3	2.75	2.85
	( 63)	( 60)

7-Jan-94 SPSS-X RELEASE 3.1 FOR VAX/VMS  
 08:14:35 SPSS-X VAX/VMS Site on VAXA:: VMS V5.5

\*\*\* MULTIPLE CLASSIFICATION ANALYSIS \*\*\*

by V42 EXPORT PROFITABILITY  
 V3 NO. OF YEARS IN OPERATION  
 V6 CAPITAL HELD BY FOREIGN COMPANY -PERCENT

Grand Mean = 2.84

Variable + Category	N	Unadjusted Dev'n	Eta	Adjusted for Independents Dev'n	Beta
V3					
1 new	26	-.03		-.03	
2 establish	41	.14		.14	
3 well established	123	-.04		-.04	
			.09		.09
V6					
1 local	94	-.01		-.01	
2 with foreign eq	96	.01		.01	
			.01		.01
Multiple R Squared					.008
Multiple R					.089

\*\*\* ANALYSIS OF VARIANCE \*\*\*

by V42 EXPORT PROFITABILITY  
 V4 NO. OF YEARS HAS BEEN EXPORTING  
 V6 CAPITAL HELD BY FOREIGN COMPANY -PERCENT

Source of Variation	Sum of Squares	DF	Mean Square	F	Sig of F
Main Effects	.303	3	.101	.145	.933
V4	.294	2	.147	.211	.810
V6	.001	1	.001	.001	.978
2-Way Interactions	1.503	2	.751	1.079	.342
V4 V6	1.503	2	.751	1.079	.342
Explained	1.805	5	.361	.519	.762
Residual	128.137	184	.696		
Total	129.942	189	.688		

\*\*\* CELL MEANS \*\*\*  
 EXPORT PROFITABILITY  
 NO. OF YEARS HAS BEEN EXPORTING  
 CAPITAL HELD BY FOREIGN COMPANY -PERCENT

TOTAL POPULATION  
 2.84  
 ( 190)

V4

1	2	3
2.79 ( 66)	2.84 ( 63)	2.89 ( 61)

V6

1	2
2.83 ( 94)	2.84 ( 96)

V6

	1	2
V4	2.89 ( 37)	2.66 ( 29)
	2	2.93 ( 30)
	3	2.92 ( 37)

\*\*\* MULTIPLE CLASSIFICATION ANALYSIS \*\*\*

by V42 EXPORT PROFITABILITY  
 V4 NO. OF YEARS HAS BEEN EXPORTING

Grand Mean = 2.84

Variable + Category	N	Unadjusted Dev'n	Adjusted Independents Dev'n	Eta Beta
V4				
1 new	.66	-.05	-.05	
2 establish	.63	.00	.00	
3 well established	.61	.05	.05	
			.05	.05
V6				
1 local	.94	-.01	.00	
2 with foreign eq	.96	.01	.00	
			.01	.00
Multiple R Squared				.002
Multiple R				.048



\*\*\* ANALYSIS OF VARIANCE \*\*\*

by V42 EXPORT PROFITABILITY  
 V3 NO. OF YEARS IN OPERATION  
 V164 type of product exported

Source of Variation	Sum of Squares	DF	Mean Square	F	Sig of F
Main Effects	3.228	4	.807	1.194	.315
V3	1.136	2	.568	.840	.433
V164	2.331	2	1.165	1.724	.181
2-Way Interactions	.979	4	.245	.362	.835
V3 V164	.979	4	.245	.362	.835
Explained	4.206	8	.526	.778	.623
Residual	120.296	178	.676		
Total	124.503	186	.669		

7-Jan-94  
 08:14:36

SPSS-X RELEASE 3.1 FOR VAX/VMS  
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on VAXA::

VMS V5.5

\*\*\* CELL MEANS \*\*\*

by V42 EXPORT PROFITABILITY  
 V3 NO. OF YEARS IN OPERATION  
 V164 type of product exported

TOTAL POPULATION

2.84 ( 187)				
V3	1	2	3	
	2.81	2.98	2.81	
	( 26)	( 41)	( 120)	
V164	1	2	3	
	2.79	2.98	2.73	
	( 72)	( 66)	( 49)	
	V164	1	2	3
V3	1	2.76	3.00	2.00
	( 17)	( 8)	( 1)	
	2	3.00	3.00	2.90
	( 20)	( 11)	( 10)	
	3	2.69	2.98	2.71
	( 35)	( 47)	( 38)	

7-Jan-94  
 08:14:36

SPSS-X RELEASE 3.1 FOR VAX/VMS  
 SPSS-X VAX/VMS Site

on VAXA::

VMS V5.5

\*\*\* MULTIPLE CLASSIFICATION ANALYSIS \*\*\*

by V42 EXPORT PROFITABILITY  
 V3 NO. OF YEARS IN OPERATION  
 V164 type of product exported

Grand Mean = 2.84

Variable + Category	N	Unadjusted Dev'n	Eta	Adjusted for Independents Dev'n	Beta
V3					
1 new	26	-.04		-.04	
2 establish	41	.13		.15	
3 well established	120	-.04		-.04	
			.08		.10
V164					
1 consumer product	72	-.05		-.06	
2 interm industrial pr	66	.14		.15	
3 final indust prod	49	-.11		-.11	
			.13		.14
Multiple R Squared					.026
Multiple R					.161

\*\*\* ANALYSIS OF VARIANCE \*\*\*

by V42 EXPORT PROFITABILITY  
 V4 NO. OF YEARS HAS BEEN EXPORTING  
 V164 type of product exported

Source of Variation	Sum of Squares	DF	Mean Square	F	Sig of F
Main Effects	2.287	4	.572	.847	.497
V4	.195	2	.098	.144	.866
V164	2.151	2	1.075	1.593	.206
2-Way Interactions	2.019	4	.505	.747	.561
V4 V164	2.019	4	.505	.747	.561
Explained	4.305	8	.538	.797	.606
Residual	120.197	178	.675		
Total	124.503	186	.669		

\*\*\* CELL MEANS \*\*\*

by V42 EXPORT PROFITABILITY  
 V4 NO. OF YEARS HAS BEEN EXPORTING  
 V164 type of product exported

TOTAL POPULATION

2.84  
 ( 187)

V4

1	2	3
2.82	2.84	2.88
( 65)	( 63)	( 59)

V164

1	2	3
2.79	2.98	2.73
( 72)	( 66)	( 49)

V4	V164		
	1	2	3
1	2.82 ( 28)	2.96 ( 24)	2.54 ( 13)
2	2.88 ( 24)	2.86 ( 22)	2.76 ( 17)
3	2.65 ( 20)	3.15 ( 20)	2.84 ( 19)

\*\*\* MULTIPLE CLASSIFICATION ANALYSIS \*\*\*

by V42 EXPORT PROFITABILITY  
 V4 NO. OF YEARS HAS BEEN EXPORTING  
 V164 type of product exported

Grand Mean = 2.84

Variable + Category	N	Unadjusted Dev'n	Eta	Adjusted for Independents Dev'n	Beta
V4					
1 new	65	-.03		-.04	
2 establish	63	.00		.00	
3 well established	59	.04		.04	
			.03		.04
V164					
1 consumer product	72	-.05		-.05	
2 interm industrial pr	66	.14		.14	
3 final indust prod	49	-.11		-.12	
			.13		.13

Multiple R Squared  
 Multiple R

.018  
 .136

\*\*\* ANALYSIS OF VARIANCE \*\*\*

V42 EXPORT PROFITABILITY  
 by V6 CAPITAL HELD BY FOREIGN COMPANY -PERCENT  
 V164 type of product exported

Source of Variation	Sum of Squares	DF	Mean Square	F	Sig of F
Main Effects	2.110	3	.703	1.040	.376
V6	.018	1	.018	.027	.870
V164	2.110	2	1.055	1.560	.213
2-Way Interactions	.005	2	.002	.004	.996
V6 V164	.005	2	.002	.004	.996
Explained	2.115	5	.423	.626	.680
Residual	122.388	181	.676		
Total	124.503	186	.669		

\*\*\* CELL MEANS \*\*\*

V42 EXPORT PROFITABILITY  
 BY V6 CAPITAL HELD BY FOREIGN COMPANY -PERCENT  
 V164 type of product exported

TOTAL POPULATION

2.84  
 ( 187)

V6

1	2
2.85	2.84
( 91)	( 96)

V164

1	2	3
2.79	2.98	2.73
( 72)	( 66)	( 49)

V164

	1	2	3
V6			
1	2.79	3.00	2.75
2	2.79	2.97	2.72
	( 39)	( 28)	( 24)
	( 33)	( 38)	( 25)

\*\*\* MULTIPLE CLASSIFICATION ANALYSIS \*\*\*

V42 EXPORT PROFITABILITY  
 by V6 CAPITAL HELD BY FOREIGN COMPANY -PERCENT  
 V164 type of product exported

Grand Mean = 2.84

Variable + Category	N	Unadjusted Dev'n	Eta	Adjusted for Independents Dev'n	Beta
V6					
1 local	91	.00		.01	
2 with foreign eq	96	.00		-.01	
			.00		.01
V164					
1 consumer product	72	-.05		-.05	
2 interm industrial pr	66	.14		.14	
3 final indust prod	49	-.11		-.11	
			.13		.13
Multiple R Squared					.017
Multiple R					.130

## Appendix 6.2

Results of two-way anova of export  
marketing policy variables on export  
sales growth and profitability

\*\*\* ANALYSIS OF VARIANCE \*\*\*

by V41 EXPORT SALES GROWTH  
 V27 TOTAL NO. OF COUNTRIES EXPORTING TO  
 MKTGO mktg orientation

Source of Variation	Sum of Squares	DF	Mean Square	F	Sig of F
Main Effects	8.437	2	4.219	5.694	.004
V27	7.623	1	7.623	10.289	.002
MKTGO	.351	1	.351	.474	.492
2-Way Interactions	.071	1	.071	.096	.757
V27 MKTGO	.071	1	.071	.096	.757
Explained	8.509	3	2.836	3.828	.011
Residual	135.588	183	.741		
Total	144.096	186	.775		

14-Jan-94  
 08:18:57

SPSS-X RELEASE 3.1 FOR VAX/VMS  
 SPSS-X VAX/VMS Site

on VAXA::

VMS V5.5

\*\*\* CELL MEANS \*\*\*

BY V41 EXPORT SALES GROWTH  
 V27 TOTAL NO. OF COUNTRIES EXPORTING TO  
 MKTGO mktg orientation

TOTAL POPULATION

2.93  
 ( 187)

V27

1	2
2.78	3.22
( 124)	( 63)

MKTGO

1	2
2.88	3.01
( 115)	( 72)

MKTGO

	1	2
V27		
1	2.74	2.86
	( 81)	( 43)
2	3.21	3.24
	( 34)	( 29)

14-Jan-94  
 08:18:57

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 SPSS-X VAX/VMS Site

on VAXA::

VMS V5.5

\*\*\* MULTIPLE CLASSIFICATION ANALYSIS \*\*\*

by V41 EXPORT SALES GROWTH  
 V27 TOTAL NO. OF COUNTRIES EXPORTING TO  
 MKTGO mktg orientation

Grand Mean = 2.93

Variable + Category	N	Unadjusted Dev'n	Eta	Adjusted for Independents Dev'n	Beta
V27					
1 concentration strate	124	-.15		-.14	
2 diversification stra	63	.29		.28	
			.24		.23
MKTGO					
1 selling orientation	115	-.05		-.03	
2 mktg orientation	72	.08		.06	
			.08		.05
Multiple R Squared					.059
Multiple R					.242

\*\*\* ANALYSIS OF VARIANCE \*\*\*

by V42 EXPORT PROFITABILITY  
 V27 TOTAL NO. OF COUNTRIES EXPORTING TO  
 MKTGO mktg orientation

Source of Variation	Sum of Squares	DF	Mean Square	F	Sig of F
Main Effects	6.193	2	3.097	4.772	.010
V27	4.958	1	4.958	7.640	.006
MKTGO	.738	1	.738	1.137	.288
2-Way Interactions	.144	1	.144	.223	.638
V27 MKTGO	.144	1	.144	.223	.638
Explained	6.338	3	2.113	3.255	.023
Residual	118.764	183	.649		
Total	125.102	186	.673		

\*\*\* CELL MEANS \*\*\*

by V42 EXPORT PROFITABILITY  
 V27 TOTAL NO. OF COUNTRIES EXPORTING TO  
 MKTGO mktg orientation

TOTAL POPULATION

2.86  
 ( 187)

V27

1 2  
 2.73 3.10  
 ( 124) ( 63)

MKTGO

1 2  
 2.79 2.96  
 ( 115) ( 72)

MKTGO

V27 1 2  
 1 2.70 2.79  
 ( 81) ( 43)  
 2 3.00 3.21  
 ( 34) ( 29)

\*\*\* MULTIPLE CLASSIFICATION ANALYSIS \*\*\*

by V42 EXPORT PROFITABILITY  
 V27 TOTAL NO. OF COUNTRIES EXPORTING TO  
 MKTGO mktg orientation

Grand Mean = 2.86

Variable + Category	N	Unadjusted Dev'n	Eta	Adjusted for Independents Dev'n	Beta
V27					
1 concentration strate	124	-.12		-.12	
2 diversification stra	63	.24		.23	
			.21		.20
MKTGO					
1 selling orientation	115	-.06		-.05	
2 mktg orientation	72	.10		.08	
			.10		.08
Multiple R Squared					.050
Multiple R					.223

## Appendix 6.3

Results of two-way anova of  
organisational variables and export  
marketing policy variables on export  
sales growth and profitability

\*\*\* ANALYSIS OF VARIANCE \*\*\*

by V41 EXPORT SALES GROWTH  
 V2 NO. OF EMPLOYEES  
 MKTGO mktg orientation

Source of Variation	Sum of Squares	DF	Mean Square	F	Sig of F
Main Effects	5.820	3	1.940	2.640	.051
V2	5.071	2	2.535	3.451	.034
MKTGO	.231	1	.231	.314	.576
2-Way Interactions	5.533	2	2.768	3.767	.025
V2 MKTGO	5.533	2	2.768	3.767	.025
Explained	11.355	5	2.271	3.091	.011
Residual	134.454	183	.735		
Total	145.810	188	.776		

1-Sep-93 16:00:52 SPSS-X RELEASE 3.1 FOR VAX/VMS  
 SPSS-X VAX/VMS Site on VAXA:: VMS V3.5

\*\*\* CELL MEANS \*\*\*

BY V41 EXPORT SALES GROWTH  
 V2 NO. OF EMPLOYEES  
 MKTGO mktg orientation

TOTAL POPULATION  
 2.92  
 ( 189)

V2

	1	2	3
2.82	2.77	3.14	
( 38)	( 79)	( 72)	

MKTGO

	1	2
2.87	3.00	
( 116)	( 73)	

V2

	MKTGO	
	1	2
1	2.94	2.29
( 31)	( 7)	
2	2.61	3.03
( 49)	( 30)	
3	3.17	3.11
( 36)	( 36)	

1-Sep-93 16:00:53 SPSS-X RELEASE 3.1 FOR VAX/VMS  
 SPSS-X VAX/VMS Site on VAXA:: VMS V3.5

\*\*\* MULTIPLE CLASSIFICATION ANALYSIS \*\*\*

by V41 EXPORT SALES GROWTH  
 V2 NO. OF EMPLOYEES  
 MKTGO mktg orientation

Grand Mean = 2.92

Variable + Category	N	Unadjusted Dev'n	Eta	Adjusted for Independents Dev'n	Beta
V2					
1 small	38	-.10		-.09	
2 medium	79	-.15		-.15	
3 large	72	.22		.21	
			.20		.19
MKTGO					
1 selling orientation	116	-.05		-.03	
2 mktg orientation	73	.08		.05	
			.07		.04
Multiple R Squared					.040
Multiple R					.200



\*\*\* ANALYSIS OF VARIANCE \*\*\*

by V41 EXPORT SALES GROWTH  
 V3 NO. OF YEARS IN OPERATION  
 MKTGO mktg orientation

Source of Variation	Sum of Squares	DF	Mean Square	F	Sig of F
Main Effects	2.638	3	.879	1.127	.340
V3	1.716	2	.858	1.100	.335
MKTGO	.968	1	.968	1.241	.267
2-Way Interactions	.740	2	.370	.474	.623
V3 MKTGO	.740	2	.370	.474	.623
Explained	3.378	5	.676	.866	.505
Residual	143.590	184	.780		
Total	146.968	189	.778		

1-Sep-93 SPSS-X RELEASE 3.1 FOR VAX/VMS  
 16:00:53 SPSS-X VAX/VMS Site on VAXA:: VMS V5.5

\*\*\* CELL MEANS \*\*\*

V41 EXPORT SALES GROWTH  
 BY V3 NO. OF YEARS IN OPERATION  
 MKTGO mktg orientation

TOTAL POPULATION  
 2.93  
 ( 190)

V3

1	2	3
2.81	3.10	2.89
( 27)	( 41)	( 122)

MKTGO

1	2
2.87	3.01
( 116)	( 74)

V3

	MKTGO	
	1	2
1	2.65	3.10
	( 17)	( 10)
2	3.04	3.20
	( 26)	( 15)
3	2.86	2.94
	( 73)	( 49)

1-Sep-93 SPSS-X RELEASE 3.1 FOR VAX/VMS  
 16:00:53 SPSS-X VAX/VMS Site on VAXA:: VMS V5.5

\*\*\* MULTIPLE CLASSIFICATION ANALYSIS \*\*\*

by V41 EXPORT SALES GROWTH  
 V3 NO. OF YEARS IN OPERATION  
 MKTGO mktg orientation

Grand Mean = 2.93

Variable + Category	N	Unadjusted Dev'n	Eta	Adjusted for Independents Dev'n	Beta
V3					
1 new	27	-.11		-.11	
2 establish	41	.17		.17	
3 well established	122	-.03		-.03	
			.11		.11
MKTGO					
1 selling orientation	116	-.06		-.06	
2 mktg orientation	74	.09		.09	
			.08		.08
Multiple R Squared					.018
Multiple R					.134

## \* \* \* A N A L Y S I S O F V A R I A N C E \* \* \*

by V41 EXPORT SALES GROWTH  
V4 NO. OF YEARS HAS BEEN EXPORTING  
MKTGO mktg orientation

Source of Variation	Sum of Squares	DF	Mean Square	F	Sig of F
Main Effects	2.220	3	.740	.943	.421
V4	1.298	2	.649	.827	.439
MKTGO	.772	1	.772	.984	.323
2-Way Interactions	.422	2	.211	.269	.764
V4 MKTGO	.422	2	.211	.269	.764
Explained	2.642	5	.528	.674	.644
Residual	144.327	184	.784		
Total	146.968	189	.778		

1-Sep-93  
16:00:54SPSS-X RELEASE 3.1 FOR VAX/VMS  
SPSS-X VAX/VMS Site

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VMS V5.5

## \* \* \* C E L L M E A N S \* \* \*

BY V41 EXPORT SALES GROWTH  
MKTGO NO. OF YEARS HAS BEEN EXPORTING  
mktg orientation

## TOTAL POPULATION

2.93

( 190)

## V4

1	2	3
2.82	3.03	2.93
( 67)	( 63)	( 60)

## MKTGO

1	2
2.87	3.01
( 116)	( 74)

## MKTGO

	1	2
V4		
1	2.81	2.85
	( 47)	( 20)
2	3.00	3.08
	( 39)	( 24)
3	2.80	3.07
	( 30)	( 30)

1-Sep-93  
16:00:54SPSS-X RELEASE 3.1 FOR VAX/VMS  
SPSS-X VAX/VMS Site

on VAXA::

VMS V5.5

## \* \* \* M U L T I P L E C L A S S I F I C A T I O N A N A L Y S I S \* \* \*

by V41 EXPORT SALES GROWTH  
V4 NO. OF YEARS HAS BEEN EXPORTING  
MKTGO mktg orientation

Grand Mean = 2.93

Variable + Category	N	Unadjusted Dev'n	Adjusted for Independents Dev'n	Eta	Beta
V4					
1 new	67	-.11	-.09		
2 establish	63	.11	.11		
3 well established	60	.01	-.01		
				.10	.09
MKTGO					
1 selling orientation	116	-.06	-.05		
2 mktg orientation	74	.09	.08		
				.08	.07
Multiple R Squared					.015
Multiple R					.123

\*\*\* ANALYSIS OF VARIANCE \*\*\*

by V41 EXPORT SALES GROWTH  
 V6 CAPITAL HELD BY FOREIGN COMPANY -PERCENT  
 MKTGO mktg orientation

Source of Variation	Sum of Squares	DF	Mean Square	F	Sig of F
Main Effects	.937	2	.468	.610	.544
V6	.015	1	.015	.020	.889
MKTGO	.912	1	.912	1.189	.277
2-Way Interactions	3.350	1	3.350	4.366	.038
V6 MKTGO	3.350	1	3.350	4.366	.038
Explained	4.286	3	1.429	1.862	.137
Residual	142.682	186	.767		
Total	146.968	189	.778		

1-Sep-93 SPSS-X RELEASE 3.1 FOR VAX/VMS  
 16:00:55 SFSS-X VAX/VMS Site on VAXA:: VMS V3.5

\*\*\* CELL MEANS \*\*\*

BY V41 EXPORT SALES GROWTH  
 V6 CAPITAL HELD BY FOREIGN COMPANY -PERCENT  
 MKTGO mktg orientation

TOTAL POPULATION			
		2.93	( 190)
V6			
	1	2.91	( 94)
	2	2.94	( 96)
MKTGO			
	1	2.87	( 116)
	2	3.01	( 74)
	MKTGO		
V6			
	1	2.97	( 59)
	2	2.83	( 35)
	2	2.77	( 57)
		3.18	( 39)

1-Sep-93 SFSS-X RELEASE 3.1 FOR VAX/VMS  
 16:00:55 SFSS-X VAX/VMS Site on VAXA:: VMS V3.5

\*\*\* MULTIPLE CLASSIFICATION ANALYSIS \*\*\*

by V41 EXPORT SALES GROWTH  
 V6 CAPITAL HELD BY FOREIGN COMPANY -PERCENT  
 MKTGO mktg orientation

Grand Mean = 2.93

Variable + Category	N	Unadjusted Dev'n	Eta	Adjusted for Independents Dev'n	Beta
V6					
1 local	94	-.01		-.01	
2 with foreign eq	96	.01		.01	
			.01		.01
MKTGO					
1 selling orientation	116	-.06		-.06	
2 mktg orientation	74	.09		.09	
			.08		.08
Multiple R Squared					.006
Multiple R					.080

\*\*\* ANALYSIS OF VARIANCE \*\*\*

Source of Variation	Sum of Squares	DF	Mean Square	F	Sig of F
Main Effects	3.208	3	1.069	1.409	.242
V164	1.764	2	.882	1.162	.315
MKTGO	1.417	1	1.417	1.866	.174
2-Way Interactions	.230	2	.115	.151	.860
V164 MKTGO	.230	2	.115	.151	.860
Explained	3.438	5	.688	.906	.479
Residual	136.653	180	.759		
Total	140.091	185	.757		

0	V41 BY V164 MKTGO		EXPORT SALES GROWTH type of product exported mktg orientation	
TOTAL POPULATION				
	2.93			
	( 186)			
V164				
	1	2	3	
	2.82	2.95	3.06	
	( 71)	( 66)	( 49)	
MKTGO				
	1	2		
	2.86	3.04		
	( 115)	( 71)		
MKTGO				
		1	2	
V164	1	2.78	2.88	
	( 46)	( 25)		
	2	2.84	3.10	
	( 37)	( 29)		
	3	3.00	3.18	
	( 32)	( 17)		

1-Sep-93 SPSS-X RELEASE 3.1 FOR VAX/VMS  
 16:00:56 SPSS-X VAX/VMS Site on VAXA:: VMS V5.5

\*\*\* MULTIPLE CLASSIFICATION ANALYSIS \*\*\*

Variable + Category	N	Unadjusted Dev'n	Eta	Adjusted for Independents Dev'n	Beta
Grand Mean = 2.93					
V164					
1 consumer product	71	-.11		-.11	
2 interm industrial pr	66	.02		.01	
3 final indust prod	49	.13		.14	
			.11		.11
MKTGO					
1 selling orientation	115	-.07		-.07	
2 mktg orientation	71	.11		.11	
			.10		.10
Multiple R Squared					.023
Multiple R					.151

\*\*\* ANALYSIS OF VARIANCE \*\*\*

V42 EXPORT PROFITABILITY  
 by V2 NO. OF EMPLOYEES  
 MKTGO mktg orientation

Source of Variation	Sum of Squares	DF	Mean Square	F	Sig of F
Main Effects	3.789	3	1.263	1.871	.136
V2	2.748	2	1.374	2.035	.134
MKTGO	1.130	1	1.130	1.673	.197
2-Way Interactions	2.580	2	1.290	1.911	.151
V2 MKTGO	2.580	2	1.290	1.911	.151
Explained	6.369	5	1.274	1.887	.099
Residual	123.547	183	.675		
Total	129.915	188	.691		

1-Sep-93  
 16:02:58

SPSS-X RELEASE 3.1 FOR VAX/VMS  
 SPSS-X VAX/VMS Site

on VAXA::

VMS V5.5

\*\*\* CELL MEANS \*\*\*

V42 EXPORT PROFITABILITY  
 BY V2 NO. OF EMPLOYEES  
 MKTGO mktg orientation

TOTAL POPULATION  
 2.84  
 ( 189)

V2

1	2	3
2.95	2.70	2.93
( 38)	( 79)	( 72)

MKTGO

1	2
2.78	2.93
( 117)	( 72)

V2

	MKTGO	
	1	2
1	3.03	2.57
	( 31)	( 7)
2	2.59	2.87
	( 49)	( 30)
3	2.81	3.06
	( 37)	( 35)

1-Sep-93  
 16:02:58

SPSS-X RELEASE 3.1 FOR VAX/VMS  
 SPSS-X VAX/VMS Site

on VAXA::

VMS V5.5

\*\*\* MULTIPLE CLASSIFICATION ANALYSIS \*\*\*

V42 EXPORT PROFITABILITY  
 by V2 NO. OF EMPLOYEES  
 MKTGO mktg orientation

Grand Mean = 2.84

Variable + Category	N	Unadjusted Dev'n	Eta	Adjusted for Independents Dev'n	Beta
V2					
1 small	38	.11		.14	
2 medium	79	-.14		-.14	
3 large	72	.09		.08	
			.14		.15
MKTGO					
1 selling orientation	117	-.06		-.06	
2 mktg orientation	72	.09		.10	
			.09		.10
Multiple R Squared					.029
Multiple R					.171

\*\*\* ANALYSIS OF VARIANCE \*\*\*

V42 EXPORT PROFITABILITY  
 by V3 NO. OF YEARS IN OPERATION  
 MKTGO mktg orientation

Source of Variation	Sum of Squares	DF	Mean Square	F	Sig of F
Main Effects	2.117	3	.706	1.019	.386
V3	1.056	2	.528	.762	.468
MKTGO	1.109	1	1.109	1.600	.207
2-Way Interactions	.248	2	.124	.179	.836
V3 MKTGO	.248	2	.124	.179	.836
Explained	2.367	5	.473	.683	.637
Residual	127.575	184	.693		
Total	129.942	189	.688		

1-Sep-93 SPSS-X RELEASE 3.1 FOR VAX/VMS  
 16:02:59 SPSS-X VAX/VMS Site on VAXA:: VMS V3.5

\*\*\* CELL MEANS \*\*\*

V42 EXPORT PROFITABILITY  
 BY V3 NO. OF YEARS IN OPERATION  
 MKTGO mktg orientation

TOTAL POPULATION

2.84  
 ( 190)

V3

1	2	3
2.81	2.98	2.80
( 26)	( 41)	( 123)

MKTGO

1	2
2.78	2.93
( 117)	( 73)

		MKTGO	
		1	2
V3	1	2.71	3.00
		( 17)	( 9)
	2	2.96	3.00
		( 26)	( 15)
	3	2.73	2.90
		( 74)	( 49)

1-Sep-93 SPSS-X RELEASE 3.1 FOR VAX/VMS  
 16:02:59 SPSS-X VAX/VMS Site on VAXA:: VMS V3.5

\*\*\* MULTIPLE CLASSIFICATION ANALYSIS \*\*\*

V42 EXPORT PROFITABILITY  
 by V3 NO. OF YEARS IN OPERATION  
 MKTGO mktg orientation

Grand Mean = 2.84

Variable + Category	N	Unadjusted Dev'n	Eta	Adjusted for Independents Dev'n	Beta
V3					
1 new	26	-.03		-.02	
2 establish	41	.14		.14	
3 well established	123	-.04		-.04	
			.09		.09
MKTGO					
1 selling orientation	117	-.06		-.06	
2 mktg orientation	73	.09		.10	
			.09		.09
Multiple R Squared					.016
Multiple R					.128

\*\*\* ANALYSIS OF VARIANCE \*\*\*

by V42 EXPORT PROFITABILITY  
 V4 NO. OF YEARS HAS BEEN EXPORTING  
 MKTGO mktg orientation

Source of Variation	Sum of Squares	DF	Mean Square	F	Sig of F
Main Effects	1.207	3	.402	.593	.620
V4	.145	2	.072	.107	.899
MKTGO	.905	1	.905	1.334	.250
2-Way Interactions	3.936	2	1.968	2.901	.057
V4 MKTGO	3.936	2	1.968	2.901	.057
Explained	5.142	5	1.028	1.516	.187
Residual	124.800	184	.678		
Total	129.942	189	.688		

1-Sep-93 SPSS-X RELEASE 3.1 FOR VAX/VMS  
 16:02:59 SPSS-X VAX/VMS Site on VAXA:: VMS V5.5

\*\*\* CELL MEANS \*\*\*

BY V42 EXPORT PROFITABILITY  
 V4 NO. OF YEARS HAS BEEN EXPORTING  
 MKTGO mktg orientation

TOTAL POPULATION

2.84  
 ( 190)

V4

1	2	3
2.79	2.84	2.89
( 66)	( 63)	( 61)

MKTGO

1	2
2.78	2.93
( 117)	( 73)

MKTGO

V4	MKTGO	1	2
1	1	2.81	2.74
		( 47)	( 19)
2	1	2.87	2.79
		( 39)	( 24)
3	1	2.61	3.17
		( 31)	( 30)

1-Sep-93 SPSS-X RELEASE 3.1 FOR VAX/VMS  
 16:03:00 SPSS-X VAX/VMS Site on VAXA:: VMS V5.5

\*\*\* MULTIPLE CLASSIFICATION ANALYSIS \*\*\*

by V42 EXPORT PROFITABILITY  
 V4 NO. OF YEARS HAS BEEN EXPORTING  
 MKTGO mktg orientation

Grand Mean = 2.84

Variable + Category	N	Unadjusted Dev'n	Eta	Adjusted for Independents Dev'n	Beta
V4					
1 new	66	-.05		-.04	
2 establish	63	.00		.00	
3 well established	61	.05		.03	
			.05		.03
MKTGO					
1 selling orientation	117	-.06		-.06	
2 mktg orientation	73	.09		.09	
			.09		.08
Multiple R Squared					.009
Multiple R					.096

\*\*\* ANALYSIS OF VARIANCE \*\*\*

V42 EXPORT PROFITABILITY  
 by V6 CAPITAL HELD BY FOREIGN COMPANY -PERCENT  
 MKTGO mktg orientation

Source of Variation	Sum of Squares	DF	Mean Square	F	Sig of F
Main Effects	1.067	2	.534	.786	.457
V6	.005	1	.005	.008	.931
MKTGO	1.058	1	1.058	1.559	.213
2-Way Interactions	2.611	1	2.611	3.846	.051
V6 MKTGO	2.611	1	2.611	3.846	.051
Explained	3.678	3	1.226	1.806	.148
Residual	126.264	186	.679		
Total	129.942	189	.688		

1-Sep-93 SPSS-X RELEASE 3.1 FOR VAX/VMS  
 16:03:00 SPSS-X VAX/VMS Site on VAXA:: VMS V5.5

\*\*\* CELL MEANS \*\*\*

V42 EXPORT PROFITABILITY  
 BY V6 CAPITAL HELD BY FOREIGN COMPANY -PERCENT  
 MKTGO mktg orientation

TOTAL POPULATION

2.84  
 ( 190)

V6

1	2
2.83	2.84
( 94)	( 96)

MKTGO

1	2
2.78	2.93
( 117)	( 73)

V6	MKTGO	
	1	2
1	2.86	2.77
	( 59)	( 35)
2	2.69	3.08
	( 58)	( 38)

1-Sep-93 SPSS-X RELEASE 3.1 FOR VAX/VMS  
 16:03:00 SPSS-X VAX/VMS Site on VAXA:: VMS V5.5

\*\*\* MULTIPLE CLASSIFICATION ANALYSIS \*\*\*

V42 EXPORT PROFITABILITY  
 by V6 CAPITAL HELD BY FOREIGN COMPANY -PERCENT  
 MKTGO mktg orientation

Grand Mean = 2.84

Variable + Category	N	Unadjusted Dev'n	Eta	Adjusted for Independents Dev'n	Beta
V6					
1 local	94	-.01		-.01	
2 with foreign eq	96	.01		.01	
			.01		.01
MKTGO					
1 selling orientation	117	-.06		-.06	
2 mktg orientation	73	.09		.09	
			.09		.09
Multiple R Squared					.008
Multiple R					.091



\*\*\* ANALYSIS OF VARIANCE \*\*\*

V42 EXPORT PROFITABILITY  
 by V164 type of product exported  
 MKTGO mktg orientation

Source of Variation	Sum of Squares	DF	Mean Square	F	Sig of F
Main Effects	3.613	3	1.205	1.810	.147
V164	1.772	2	.886	1.330	.267
MKTGO	1.524	1	1.524	2.288	.132
2-Way Interactions	.346	2	.173	.259	.772
V164 MKTGO	.346	2	.173	.259	.772
Explained	3.961	5	.792	1.190	.316
Residual	120.542	181	.666		
Total	124.503	186	.669		

1-Sep-93 SPSS-X RELEASE 3.1 FOR VAX/VMS  
 16:03:01 SPSS-X VAX/VMS Site on VAXA:: VMS V5.5

\*\*\* CELL MEANS \*\*\*

V42 EXPORT PROFITABILITY  
 BY V164 type of product exported  
 MKTGO mktg orientation

TOTAL POPULATION

2.84  
 ( 187)

V164

1	2	3
2.79	2.98	2.73
( 72)	( 66)	( 49)

MKTGO

1	2
2.77	2.97
( 116)	( 71)

MKTGO

	1	2
V164		
1	2.77	2.84
	( 47)	( 25)
2	2.86	3.14
	( 37)	( 29)
3	2.66	2.88
	( 32)	( 17)

1-Sep-93 SPSS-X RELEASE 3.1 FOR VAX/VMS  
 16:03:01 SPSS-X VAX/VMS Site on VAXA:: VMS V5.5

\*\*\* MULTIPLE CLASSIFICATION ANALYSIS \*\*\*

V42 EXPORT PROFITABILITY  
 by V164 type of product exported  
 MKTGO mktg orientation

Grand Mean = 2.84

Variable + Category	N	Unadjusted Dev'n	Eta	Adjusted for Independents Dev'n	Beta
V164					
1 consumer product	72	-.05		-.05	
2 interm industrial pr	66	.14		.13	
3 final indust prod	49	-.11		-.10	
			.13		.12
MKTGO					
1 selling orientation	116	-.08		-.07	
2 mktg orientation	71	.13		.12	
			.12		.11
Multiple R Squared					.029
Multiple R					.170

\*\*\* ANALYSIS OF VARIANCE \*\*\*

by V41 EXPORT SALES GROWTH  
 V27 TOTAL NO. OF COUNTRIES EXPORTING TO  
 V3 NO. OF YEARS IN OPERATION

Source of Variation	Sum of Squares	DF	Mean Square	F	Sig of F
Main Effects	10.037	3	3.346	4.636	.004
V27	8.157	1	8.157	11.303	.001
V3	1.950	2	.975	1.351	.262
2-Way Interactions	3.433	2	1.716	2.378	.096
V27 V3	3.433	2	1.716	2.378	.096
Explained	13.470	5	2.694	3.733	.003
Residual	130.627	181	.722		
Total	144.096	186	.775		

\*\*\* CELL MEANS \*\*\*  
 EXPORT SALES GROWTH  
 TOTAL NO. OF COUNTRIES EXPORTING TO  
 NO. OF YEARS IN OPERATION

TOTAL POPULATION

2.93  
 ( 187)

V27

1 2  
 2.78 3.22  
 ( 124) ( 63)

V3

1 2 3  
 2.77 3.10 2.91  
 ( 26) ( 41) ( 120)

		V3		
		1	2	3
V27	1	2.50	3.07	2.75
		( 20)	( 29)	( 75)
	2	3.67	3.17	3.18
		( 6)	( 12)	( 45)

\*\*\* MULTIPLE CLASSIFICATION ANALYSIS \*\*\*

by V41 EXPORT SALES GROWTH  
 V27 TOTAL NO. OF COUNTRIES EXPORTING TO  
 V3 NO. OF YEARS IN OPERATION

Grand Mean = 2.93

Variable + Category	N	Unadjusted		Adjusted for Independents	
		Dev'n	Eta	Dev'n	Beta
V27					
1 concentration strate	124	-.15		-.15	
2 diversification stra	63	.29		.29	
			.24		.24
V3					
1 new	26	-.16		-.11	
2 establish	41	.17		.19	
3 well established	120	-.02		-.04	
			.11		.12
Multiple R Squared					.070
Multiple R					.264

\*\*\* ANALYSIS OF VARIANCE \*\*\*

by V41 EXPORT SALES GROWTH  
 V27 TOTAL NO. OF COUNTRIES EXPORTING TO  
 V2 NO. OF EMPLOYEES

Source of Variation	Sum of Squares	DF	Mean Square	F	Sig of F
Main Effects	11.379	3	3.793	5.280	.002
V27	6.009	1	6.009	8.366	.004
V2	2.947	2	1.474	2.052	.132
2-Way Interactions	2.276	2	1.138	1.584	.208
V27 V2	2.276	2	1.138	1.584	.208
Explained	13.654	5	2.731	3.802	.003
Residual	129.292	180	.718		
Total	142.946	185	.773		

\*\*\* CELL MEANS \*\*\*

by V41 EXPORT SALES GROWTH  
 V27 TOTAL NO. OF COUNTRIES EXPORTING TO  
 V2 NO. OF EMPLOYEES

TOTAL POPULATION

2.92  
 ( 186)  
 V27

OV27

1	2
2.77	3.22
( 123)	( 63)

V2

1	2	3
2.82	2.78	3.14
( 38)	( 78)	( 70)

V2

	1	2	3
V27			
1	2.78	2.58	3.06
	( 32)	( 55)	( 36)
2	3.00	3.26	3.24
	( 6)	( 23)	( 34)

\*\*\* MULTIPLE CLASSIFICATION ANALYSIS \*\*\*

by V41 EXPORT SALES GROWTH  
 V27 TOTAL NO. OF COUNTRIES EXPORTING TO  
 V2 NO. OF EMPLOYEES

Grand Mean = 2.92

Variable + Category	N	Unadjusted Dev'n	Eta	Adjusted for Independents Dev'n	Beta
V27					
1 concentration strate	123	-.15		-.13	
2 diversification stra	63	.30		.26	
			.24		.21
V2					
1 small	38	-.11		-.04	
2 medium	78	-.14		-.13	
3 large	70	.22		.16	
			.19		.15
Multiple R Squared					.080
Multiple R					.282

\*\*\* ANALYSIS OF VARIANCE \*\*\*

by V41 EXPORT SALES GROWTH  
 V27 TOTAL NO. OF COUNTRIES EXPORTING TO  
 V4 NO. OF YEARS HAS BEEN EXPORTING

Source of Variation	Sum of Squares	DF	Mean Square	F	Sig of F
Main Effects	9.265	3	3.088	4.251	.006
V27	7.542	1	7.542	10.381	.002
V4	1.179	2	.589	.811	.446
2-Way Interactions	3.330	2	1.665	2.292	.104
V27 V4	3.330	2	1.665	2.292	.104
Explained	12.596	5	2.519	3.467	.005
Residual	131.500	181	.727		
Total	144.096	186	.775		

14-Jan-94 SPSS-X RELEASE 3.1 FOR VAX/VMS  
 08:18:56 SPSS-X VAX/VMS Site on VAXA:: VMS V3.3

\*\*\* CELL MEANS \*\*\*

by V41 EXPORT SALES GROWTH  
 V27 TOTAL NO. OF COUNTRIES EXPORTING TO  
 V4 NO. OF YEARS HAS BEEN EXPORTING

TOTAL POPULATION  
 2.93  
 ( 187)

V27  
 1 2  
 2.78 3.22  
 ( 124) ( 63)

V4  
 1 2 3  
 2.82 3.05 2.93  
 ( 65) ( 62) ( 60)

V4  
 1 2 3  
 V27  
 1 2.67 3.00 2.69  
 ( 55) ( 40) ( 29)  
 2 3.60 3.14 3.16  
 ( 10) ( 22) ( 31)

14-Jan-94 SPSS-X RELEASE 3.1 FOR VAX/VMS  
 08:18:56 SPSS-X VAX/VMS Site on VAXA:: VMS V3.3

\*\*\* MULTIPLE CLASSIFICATION ANALYSIS \*\*\*

by V41 EXPORT SALES GROWTH  
 V27 TOTAL NO. OF COUNTRIES EXPORTING TO  
 V4 NO. OF YEARS HAS BEEN EXPORTING

Grand Mean = 2.93

Variable + Category	N	Unadjusted Dev'n	Eta	Adjusted for Independents Dev'n	Beta
V27					
1 concentration strate	124	-.15		-.15	
2 diversification stra	63	.29		.30	
			.24		.24
V4					
1 new	65	-.12		-.03	
2 establish	62	.12		.11	
3 well established	60	.00		-.08	
			.11		.09
Multiple R Squared					.064
Multiple R					.254

\*\*\* ANALYSIS OF VARIANCE \*\*\*

by V41 EXPORT SALES GROWTH  
 V27 TOTAL NO. OF COUNTRIES EXPORTING TO  
 V6 CAPITAL HELD BY FOREIGN COMPANY -PERCENT

Source of Variation	Sum of Squares	DF	Mean Square	F	Sig of F
Main Effects	8.197	2	4.099	5.549	.005
V27	8.191	1	8.191	11.089	.001
V6	.111	1	.111	.150	.699
2-Way Interactions	.723	1	.723	.978	.324
V27 V6	.723	1	.723	.978	.324
Explained	8.920	3	2.973	4.025	.008
Residual	135.177	183	.739		
Total	144.096	186	.775		

14-Jan-94  
 08:18:54

SPSS-X RELEASE 3.1 FOR VAX/VMS  
 SPSS-X VAX/VMS Site

on VAXA::

VMS V5.5

\*\*\* CELL MEANS \*\*\*

by V41 EXPORT SALES GROWTH  
 V27 TOTAL NO. OF COUNTRIES EXPORTING TO  
 V6 CAPITAL HELD BY FOREIGN COMPANY -PERCENT

TOTAL POPULATION

2.93

( 187)

V27

1 2

2.78 3.22

( 124) ( 63)

V6

1 2

2.92 2.94

( 93) ( 94)

V6

1 2

2.76 2.80

( 68) ( 56)

3.36 3.13

( 25) ( 38)

V27

1 2

2.76 2.80

( 68) ( 56)

3.36 3.13

( 25) ( 38)

14-Jan-94  
 08:18:54

SPSS-X RELEASE 3.1 FOR VAX/VMS  
 SPSS-X VAX/VMS Site

on VAXA::

VMS V5.5

\*\*\* MULTIPLE CLASSIFICATION ANALYSIS \*\*\*

by V41 EXPORT SALES GROWTH  
 V27 TOTAL NO. OF COUNTRIES EXPORTING TO  
 V6 CAPITAL HELD BY FOREIGN COMPANY -PERCENT

Grand Mean = 2.93

Variable + Category	N	Unadjusted Dev'n	Eta	Adjusted for Independents Dev'n	Beta
V27					
1 concentration strate	124	-.15		-.15	
2 diversification stra	63	.29		.30	
			.24		.24
V6					
1 local	93	-.01		.02	
2 with foreign eq	94	.01		-.02	
			.01		.03
Multiple R Squared					.057
Multiple R					.239

\*\*\* ANALYSIS OF VARIANCE \*\*\*

by V41 EXPORT SALES GROWTH  
 V27 TOTAL NO. OF COUNTRIES EXPORTING TO  
 V164 type of product exported

Source of Variation	Sum of Squares	DF	Mean Square	F	Sig of F
Main Effects	8.251	3	2.750	3.794	.011
V27	6.329	1	6.329	8.732	.004
V164	1.462	2	.731	1.008	.367
2-Way Interactions	1.063	2	.533	.735	.481
V27 V164	1.063	2	.533	.735	.481
Explained	9.316	5	1.863	2.571	.028
Residual	129.026	178	.725		
Total	138.342	183	.756		

14-Jan-94 SPSS-X RELEASE 3.1 FOR VAX/VMS  
 08:18:55 SPSS-X VAX/VMS Site on VAXA:: VMS V5.5

\*\*\* CELL MEANS \*\*\*

V41 EXPORT SALES GROWTH  
 BY V27 TOTAL NO. OF COUNTRIES EXPORTING TO  
 V164 type of product exported

TOTAL POPULATION

2.94  
 ( 184)

V27

1	2
2.80	3.21
( 122)	( 62)

V164

1	2	3
2.82	2.98	3.06
( 71)	( 64)	( 49)

V164

	1	2	3
V27			
1	2.76	2.83	2.85
2	2.95	3.41	3.30
	( 49)	( 47)	( 26)
	( 22)	( 17)	( 23)

14-Jan-94 SPSS-X RELEASE 3.1 FOR VAX/VMS  
 08:18:55 SPSS-X VAX/VMS Site on VAXA:: VMS V5.5

\*\*\* MULTIPLE CLASSIFICATION ANALYSIS \*\*\*

by V41 EXPORT SALES GROWTH  
 V27 TOTAL NO. OF COUNTRIES EXPORTING TO  
 V164 type of product exported

Grand Mean = 2.94

Variable + Category	N	Unadjusted Dev'n	Eta	Adjusted for Independents Dev'n	Beta
V27					
1 concentration strate	122	-.14		-.13	
2 diversification stra	62	.27		.26	
			.22		.22
V164					
1 consumer product	71	-.12		-.11	
2 interm industrial pr	64	.04		.07	
3 final indust prod	49	.12		.07	
			.12		.10
Multiple R Squared					.060
Multiple R					.244

\*\*\* ANALYSIS OF VARIANCE \*\*\*

by V42 EXPORT PROFITABILITY  
 V27 TOTAL NO. OF COUNTRIES EXPORTING TO  
 V2 NO. OF EMPLOYEES

Source of Variation	Sum of Squares	DF	Mean Square	F	Sig of F
Main Effects	8.133	3	2.711	4.198	.007
V27	5.107	1	5.107	7.910	.005
V2	2.627	2	1.313	2.034	.134
2-Way Interactions	.720	2	.360	.558	.574
V27 V2	.720	2	.360	.558	.574
Explained	8.853	5	1.771	2.742	.021
Residual	116.223	180	.646		
Total	125.081	185	.676		

14-Jan-94 SPSS-X RELEASE 3.1 FOR VAX/VMS  
 08:20:37 SPSS-X VAX/VMS Site on VAXA:: VMS V5.5

\*\*\* CELL MEANS \*\*\*

BY V42 EXPORT PROFITABILITY  
 V27 TOTAL NO. OF COUNTRIES EXPORTING TO  
 V2 NO. OF EMPLOYEES

TOTAL POPULATION  
 2.85  
 ( 186)

V27

1	2
2.73	3.10
( 123)	( 63)

V2

1	2	3
2.95	2.71	2.97
( 38)	( 78)	( 70)

V27

	V2		
	1	2	3
1	2.91	2.64	2.72
	( 32)	( 55)	( 36)
2	3.17	2.87	3.24
	( 6)	( 23)	( 34)

14-Jan-94 SPSS-X RELEASE 3.1 FOR VAX/VMS  
 08:20:37 SPSS-X VAX/VMS Site on VAXA:: VMS V5.5

\*\*\* MULTIPLE CLASSIFICATION ANALYSIS \*\*\*

by V42 EXPORT PROFITABILITY  
 V27 TOTAL NO. OF COUNTRIES EXPORTING TO  
 V2 NO. OF EMPLOYEES

Grand Mean = 2.85

Variable + Category	N	Unadjusted Dev'n	Eta	Adjusted for Independents Dev'n	Beta
V27					
1 concentration strate	123	-.12		-.12	
2 diversification stra	63	.24		.24	
			.21		.21
V2					
1 small	38	.09		.16	
2 medium	78	-.15		-.13	
3 large	70	.12		.06	
			.16		.14
Multiple R Squared					.065
Multiple R					.255

\*\*\* ANALYSIS OF VARIANCE \*\*\*

Source of Variation	Sum of Squares	DF	Mean Square	F	Sig of F
Main Effects	6.456	3	2.152	3.317	.021
V27	5.694	1	5.694	8.776	.003
V3	1.001	2	.501	.772	.464
2-Way Interactions	1.215	2	.608	.937	.394
V27 V3	1.215	2	.608	.937	.394
Explained	7.672	5	1.534	2.365	.042
Residual	117.430	181	.649		
Total	125.102	186	.673		

\*\*\* CELL MEANS \*\*\*

EXPORT PROFITABILITY  
TOTAL NO. OF COUNTRIES EXPORTING TO  
NO. OF YEARS IN OPERATION

TOTAL POPULATION  
( 187)

V27	V3	
	1	2
1	2.73 ( 124)	3.10 ( 63)
2	2.81 ( 26)	2.98 ( 41)
		2.83 ( 120)

V3	V27		
	1	2	3
1	2.70 ( 20)	2.97 ( 29)	2.65 ( 75)
2	3.17 ( 6)	3.00 ( 12)	3.11 ( 45)

\*\*\* MULTIPLE CLASSIFICATION ANALYSIS \*\*\*

EXPORT PROFITABILITY  
TOTAL NO. OF COUNTRIES EXPORTING TO  
NO. OF YEARS IN OPERATION

Grand Mean = 2.86

Variable + Category	N	Unadjusted Dev'n	Eta	Adjusted for Independents Dev'n	Beta
V27					
1 concentration strate	124	-.12		-.13	
2 diversification stra	63	.24		.25	
			.21		.21
V3					
1 new	26	-.05		-.01	
2 establish	41	.12		.14	
3 well established	120	-.03		-.04	
			.08		.09
Multiple R Squared					.052
Multiple R					.227



\*\*\* ANALYSIS OF VARIANCE \*\*\*

by V42 EXPORT PROFITABILITY  
 V27 TOTAL NO. OF COUNTRIES EXPORTING TO  
 V4 NO. OF YEARS HAS BEEN EXPORTING

Source of Variation	Sum of Squares	DF	Mean Square	F	Sig of F
Main Effects	5.496	3	1.832	2.808	.041
V27	5.162	1	5.162	7.912	.005
V4	.041	2	.020	.031	.969
2-Way Interactions	1.521	2	.761	1.166	.314
V27 V4	1.521	2	.761	1.166	.314
Explained	7.017	5	1.403	2.151	.061
Residual	118.085	181	.652		
Total	125.102	186	.673		

\*\*\* CELL MEANS \*\*\*

by V42 EXPORT PROFITABILITY  
 V27 TOTAL NO. OF COUNTRIES EXPORTING TO  
 V4 NO. OF YEARS HAS BEEN EXPORTING

TOTAL POPULATION  
 2.86  
 ( 187)

V27

1	2
2.73	3.10
( 124)	( 63)

V4

1	2	3
2.80	2.87	2.90
( 65)	( 62)	( 60)

V4

	1	2	3
V27	2.78	2.78	2.59
	( 55)	( 40)	( 29)
	2	3.05	3.19
	( 10)	( 22)	( 31)

\*\*\* MULTIPLE CLASSIFICATION ANALYSIS \*\*\*

by V42 EXPORT PROFITABILITY  
 V27 TOTAL NO. OF COUNTRIES EXPORTING TO  
 V4 NO. OF YEARS HAS BEEN EXPORTING

Grand Mean = 2.86

Variable + Category	N	Unadjusted Dev'n	Eta	Adjusted for Independents Dev'n	Beta
V27					
1 concentration strate	124	-.12		-.12	
2 diversification stra	63	.24		.25	
			.21		.21
V4					
1 new	65	-.06		.01	
2 establish	62	.02		.01	
3 well established	60	.04		-.02	
			.05		.02
Multiple R Squared					.044
Multiple R					.210

\*\*\* ANALYSIS OF VARIANCE \*\*\*

V42 EXPORT PROFITABILITY  
 by V27 TOTAL NO. OF COUNTRIES EXPORTING TO  
 V6 CAPITAL HELD BY FOREIGN COMPANY -PERCENT

Source of Variation	Sum of Squares	DF	Mean Square	F	Sig of F
Main Effects	5.520	2	2.760	4.223	.016
V27	5.513	1	5.513	8.436	.004
V6	.064	1	.064	.098	.754
2-Way Interactions	.000	1	.000	.000	.983
V27 V6	.000	1	.000	.000	.983
Explained	5.520	3	1.840	2.816	.041
Residual	119.582	183	.653		
Total	125.102	186	.673		

14-Jan-94  
 08:20:38

SPSS-X RELEASE 3.1 FOR VAX/VMS  
 SPSS-X VAX/VMS Site

on VAXA::

VMS V5.5

\*\*\* CELL MEANS \*\*\*

V42 EXPORT PROFITABILITY  
 BY V27 TOTAL NO. OF COUNTRIES EXPORTING TO  
 V6 CAPITAL HELD BY FOREIGN COMPANY -PERCENT

TOTAL POPULATION

2.86  
 ( 187)

V27

1	2
2.73	3.10
( 124)	( 63)

V6

1	2
2.85	2.86
( 93)	( 94)

V6

	1	2
V27		
1	2.75	2.71
	( 68)	( 56)
2	3.12	3.08
	( 25)	( 38)

14-Jan-94  
 08:20:38

SPSS-X RELEASE 3.1 FOR VAX/VMS  
 SPSS-X VAX/VMS Site

on VAXA::

VMS V5.5

\*\*\* MULTIPLE CLASSIFICATION ANALYSIS \*\*\*

V42 EXPORT PROFITABILITY  
 by V27 TOTAL NO. OF COUNTRIES EXPORTING TO  
 V6 CAPITAL HELD BY FOREIGN COMPANY -PERCENT

Grand Mean = 2.86

Variable + Category	N	Unadjusted Dev'n	Eta	Adjusted for Independents Dev'n	Beta
V27					
1 concentration strate	124	-.12		-.12	
2 diversification stra	63	.24		.24	
			.21		.21
V6					
1 local	93	-.01		.02	
2 with foreign eq	94	.01		-.02	
			.01		.02
Multiple R Squared					.044
Multiple R					.210

\*\*\* ANALYSIS OF VARIANCE \*\*\*

Source of Variation	Sum of Squares	DF	Mean Square	F	Sig of F
Main Effects	8.450	3	2.817	4.536	.004
V27	5.575	1	5.575	8.977	.003
V164	4.066	2	2.033	3.274	.040
2-Way Interactions	.610	2	.305	.491	.613
V27 V164	.610	2	.305	.491	.613
Explained	9.060	5	1.812	2.918	.015
Residual	110.543	178	.621		
Total	119.603	183	.654		

14-Jan-94 SPSS-X RELEASE 3.1 FOR VAX/VMS  
 08:20:39 SPSS-X VAX/VMS Site on VAXA: VMS V5.5

\*\*\* CELL MEANS \*\*\*  
 EXPORT PROFITABILITY  
 TOTAL NO. OF COUNTRIES EXPORTING TO  
 type of product exported

TOTAL POPULATION				
	2.86			
(	184)			
V27				
1	2.75	3.08		
(	122)	(	62)	
V164				
1	2.80	3.03	2.73	
(	71)	(	64)	(
			49)	
V164				
1	2.67	2.98	2.50	
2	3.09	3.18	3.00	
3				
4				
5				
6				
7				
8				
9				
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14-Jan-94 SPSS-X RELEASE 3.1 FOR VAX/VMS  
 08:20:39 SPSS-X VAX/VMS Site on VAXA: VMS V5.5

\*\*\* MULTIPLE CLASSIFICATION ANALYSIS \*\*\*

Variable + Category	N	Unadjusted Dev'n	Adjusted for Independents Dev'n	Beta
Grand Mean =	2.86			
V27				
1 concentration strate	122	-.11	-.13	
2 diversification stra	62	.22	.25	
		.19		.22
V164				
1 consumer product	71	-.06	-.05	
2 interm industrial pr	64	.17	.19	
3 final indust prod	49	-.13	-.18	
		.16		.19
Multiple R Squared				.071
Multiple R				.266