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THE ONGOING DEBATE OVER EXPORT PERFORMANCE: AN INVESTIGATION OF NEW ZEALAND SMALL INDUSTRIAL FIRMS

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Abstract

The purpose of this study is to examine differences between low vs. high-performance exporters. For this purpose, the effects of selected firm-related and export strategy-related variables on three selected measures of export performance (i.e., annual export sales, export growth, percentage of total sales from export) are tested. The results of discriminant analysis demonstrate significant differences between low vs. high-performance exporters.

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1. Introduction

As the role of exporting in a nation's economy becomes increasingly important, interest in the export behavior of firms has grown. According to previous researchers (e.g., Kaynak 1982; O'Rouke 1985), this increased attention in the literature may be partially explained by the growth in the number of countries experiencing actual or anticipated balance of payments' deficits. It is generally accepted that an increase in the exports of a country has a positive effect on the growth of a country's economy, as well as the prosperity of the individual firms involved.

Export development or internationalization may be viable growth alternative for many countries. However, for New Zealand, with its consumer base a mere 3.6 million (New Zealand Department of Statistics 1997), it is more of an imperative than an alternative. This realization is also accepted by policy makers that New Zealand's economic history is characterized by her dependence on export markets and that dependence will remain in the future (The New Zealand Exporters Handbook 1992, p.1).

The increased interest in exporting has been driven by changes in the world economy, and is characterized by the spread of new technology around the world, reducing trade barriers, the formulation of multiple country trade agreements (e.g., GATT, NAFTA, etc.), financial market deregulation, and the convergence of consumer tastes (Naisbitt 1984). Drucker (1986) contends that from now on any country and any business, especially a large one- that wants to do well economically will have to accept that it is the world economy that leads and that domestic economic policies will succeed only if they strengthen, or at least not impair, the country's international competitive position.

The emerging borderless world, characterized by the free flow of information and resources, has been characterized as a double edged sword increasing exposure to both opportunities and threats (Ohmae 1989). This emergent trading environment has created foreign market opportunities for many New Zealand firms, but those same firms have little protection in their domestic market. New Zealand producers and manufacturers are now faced with international competition in their domestic market, forcing them to raise competitive standards and develop exporting as a strategy for both growth and defence.

Paralleling the increased attention given to export development has been the struggle for success of multinational giants and the emergence of the perception that small business is a vital ingredient of a flourishing and enterprising economy (Anon 1993). This is especially relevant to New Zealand which, by most definitions, would be regarded as a nation of small businesses (Linowes and Dixon 1992). As of 1997, 82% of businesses employed less than five people, 98.5% employed less than fifty people, and 99.5% employed less than one hundred persons (New Zealand Department of Statistics 1997). Hence, New Zealand's dependence on small business can be seen as an important factor contributing to the well being of the New Zealand economy (Martin 1983). Accompanying the increased dependence on small business has been the recognition of their export potential. A 1983 study of New Zealand firms identified a high number of smaller firms not exporting, which represents a large untapped reservoir of potential export opportunities (Martin 1983).

2. The Crucial Role of Small and Medium-Sized Firms In Exporting

In recent years, small and medium-sized firms have taken their first step toward internationalization. Exporting, the preferred mode of internationalization of smaller firms, has become more important and increasingly more difficult due to increased global competition. Thus, it is important to understand all the factors that make a small firm a successful exporter (Nakos et al. 1998). Since trade deficits have not eliminated or significantly reduced on a long term basis simply by increasing the volume of export activities of present exporting firms, the argument goes that it is necessary to increase the number of exporting firms (Namiki 1988; Ortiz-Buonafina 1990). Statistics show that many larger firms engage in exporting; however, smaller firms have shown little inclination to do business abroad. It is not surprising to find such a large body of research concentrated in exploring the export behavior of small and medium-sized firms. The research suggests that many small and medium-sized firms are export capable and by identifying motivations and behavior, export promotion efforts directed at non-exporting firms can serve as a catalyst for their involvement in export activities. Consequently, the export behavior literature focuses on describing the firm’s behavior in an attempt to profile the exporting small firm (Namiki 1988; Ortiz-Buonafina 1990).

The impact of previous research on export promotion programs has been significant. Over the past three decades, the number of export promotion programs aimed at the small and medium-sized firms has proliferated at every level (i.e., local and state level). If one is to judge from such efforts and budget deficit problems, however, it can be said that such programs have had little or a very limited impact in promoting exporting among small and medium-sized firms. While the adequacy of these programs has been questioned (e.g., Czinkota and Ricks 1981), the concept of export capability by small and medium-sized firms has not been challenged. There appears a need to explore the premise that small firms' export behavior is an important area to study. Moreover, it appears that it is important to understand the interaction of size and marketing activities in the internationalization stages of export firms (Ortiz-Buonafina 1990). Consequently, a small firm's marketing capabilities are crucial to their abilities to serve and develop export markets successfully. However like other researchers, Keng and Jiuan (1989) point out that despite these advantages and the apparent benefits of exporting, many small firms do not appear to be fully maximizing their potential gains from international trade. One reason for this may be that external factors such as entry barriers are responsible for the export decisions of smaller firms (O'Rouke 1985). One may also argue that such factors are responsible for different levels of export performance enjoyed by small firms.

Exporting is increasingly seen as an opportunity for firm growth and increased profitability among small to medium-sized firms in many industries in New Zealand. Many New Zealand markets have become or are becoming international, mainly because of reduced market differences among such major trade partners as the US, Japan, and the European Union member countries. Many New Zealand firms look to foreign markets because of intensified competition at home, maturing domestic markets, or limited domestic market opportunities. Although competition in export markets has become important for many small firms in New Zealand, studies have rarely been conducted of firm-level characteristics-export marketing strategy-performance relationship in export markets. Many studies in this field for US small firms have found that firms competing in the same industry or similar environments tend to use more than one type of strategy, and that certain types of firm competencies, and certain types of firm characteristics, lead to better performance than others (Namiki 1988).

The main purpose of this study is to explore why some New Zealand small manufacturing firms experience better export performance than others. In so doing, this study will examine variations in export performance in accordance with the operating environment (i.e., organizational characteristics and perceived level of trade barriers) and export marketing strategy. Another intent of this study is to examine the effect of perceived level of trade barriers on export performance and how the effect of the perceived trade barriers on export performance differs relative to low and high performing firms. From this perspective, the study is also of importance as there are a limited number of studies in the literature that deal with the relationship between perceived level of trade barriers and export performance.

3. Literature Review

Studies on export performance have a long tradition in international marketing literature. Despite the extensive research, consensus about the strength, significance, and generalizability of relationships involving firm-, industry-, export marketing strategy-, and performance-related constructs has not been fully established by integrating results across the research stream (Aaby and Slater 1989; Kaynak and Kuan 1993; Madsen 1989). From this standpoint, a quantitative assessment involving these relationships across a variety of country settings seems to be worthwhile. Such an assessment may contribute to the empirical literature by extending the generalizability of individual study findings, and account for variability in study effects stemming from methodological decisions made by researchers. It may also afford some summary conclusions about nomological effects involving the organizational characteristics-export marketing strategy-performance relationship (Cavusgil and Zou 1994).

Several measures of export performance used in the previous empirical studies can be classified into one of the following three dimensions of export performance: export level, export growth and export profitability (Cavusgil and Zou 1994; Reid 1982), among others. Export level (or volume) has been regarded as a traditional indicator of the overall importance of exports to a firm, while export sales growth and profitability are the dynamic and crucial indicators of export performance respectively. Previous researchers (e.g., Cavusgil and Zou 1993; Dominguez and Sequeira 1993) have also suggested that relative measures of export performance would be more reliable than traditionally used absolute measures of export performance.

Selected Determinants of Export Performance. This study employs the classification scheme used by Aaby and Slater (1989). Aaby and Slater (1989) define two broad categories of predictors: external influences (environment) and internal influences (firm competencies, firm characteristics, and strategy). This study defines internal influences using their dichotomies. Similarly, this study defined: firm competencies as export experience (measured by years of exporting), firm characteristics as firm size (measured by annual sales), number of years in business), and perceived level of export barriers, export marketing strategy as market diversification vs. concentration (measured by number of countries to which firm exports, number of clients in main export markets, and number of annual export transactions completed on average) and motivation for exporting (measured by proactiveness vs. reactiveness). Consequently, the following review will be mainly based upon relationships between its selected determinants and export performance. Furthermore, the literature review of this section will clarify inconsistencies in findings that previous studies have reached.

4. Firm Characteristics

Firm Size. The relationship between firm size and export behavior has been one of the most extensively studied in the export marketing literature (e.g., Calof 1994; Missenbock 1988; Ortiz-Buonafina 1990). The probability that a firm is an exporter increases with firm size (Wagner 1995). Moreover, size affects a firm's marketing capabilities, attitudes, needs, problems and practices (e.g., Bonaccorsi 1992; Howard and Borgia 1990; Reid 1985), which are important determinants of successful exporting (e.g., Bilkey 1987; Howard and Borgia 1990; Reid and Rosson 1987).

Kaynak and Kuan (1993) argue that the connection between firm size and performance is still a controversial issue. They also argue that there is little in common with the measurement of firm size while the traditional concept of size is usually indicated by assets, employees, and sales. However, considerable attention has focused on the proposition that export intensity is positively correlated with firm size. Although this appears quite plausible, support for the proposition has been less than convincing. Bonaccorsi (1992) summarizes the major findings of five studies based on an extensive review of existing literature (Bilkey 1978; Reid 1982; Germunden 1991; Missenbock 1988; Aaby and Slater 1989) with all authors concluding that the empirical findings on the relationship between firm size and export intensity are mixed or conflicting. However, there remains support for the contention that very small firms tend not to export, up to a certain minimum size the probability of exporting in industries with export potential rises with increasing size, but beyond this limit, there is only a weak association between size and exporting (Germunden 1991; Bilkey 1978; Withey 1980; Cavusgil 1984). Other studies that have investigated the use of firm size to identify between group differences have also produced mixed results. Czinkota and Johnston (1985) and Reid (1985) found size to make no difference in terms of exporting activities, needs, or attitudes. On the other hand, Culpan (1989) and Nakos et al. (1998) found that firm size dictates differences in terms of export performance and information needs, while O'Rouke (1985) identified the existence of different exporting practices, attitudes and problems for different sized firms.

In the relevant literature, there appears to be a limited number of studies which examine the relationship between firm size and export performance, measured by annual sales. However, in terms of the effect of firms size measured by annual sales, the relationship has been shown to be fairly straightforward. In previous studies, Auquier (1980) who analyzed French firms, Hirsh and Adar (1974) who discussed Danish, Dutch, and Israeli firms, and Ito and Pucik (1993) who discussed Japanese firms all reported that increased size leads to increased exports because larger firms tend to have greater capabilities to search the world for new business opportunities. Cooper and Kleinschmidt (1985) found that firm size when measured by annual sales, is negatively correlated with its export growth and not significantly related to export intensity. However, Kaynak and Kuan (1993) and Naidu and Prasad (1994) found that firm size measured by annual sales had a strong positive impact on export sales.

Perceived Level of Entry Barriers. This study deals with the perceived level of export barriers as a firm-related characteristic. Leonidou (1995), for example, found that a number of organizational determinants exhibited a discriminating effect on certain export barriers. Specifically, there was a tendency by firms with no prior experience, of small size and with relatively few years in business, to overstress some of the export barriers addressed. Another study by Katsikeas and Morgan (1994) points out that less experienced firms appear to suffer more, and often fall victim to problems with national export policy and perceived procedural complexity in their exporting practices. More generally, it has been argued that there are good reasons for rejecting the widely accepted proposition that firm size is positively related to export intensity. Due to low entry barriers in export activity, easily accessible information on foreign markets, and imitative behavior, small firms reduce their export risk perception and make the decision to export. International competitiveness of small firms is based much more on general competitive factors than on explicit marketing strategies and policies. They maintain the flexibility to enter and exit foreign markets several times. Although there is no evidence on the impact of these factors on export performance, it has been argued that small firms may succeed in international markets despite their lack of internal specialized resources (Bonaccorsi 1992).

Though market entry barriers are crucial environmental factors that influence the market share and profit of firms already in the market (Karakaya and Stahl 1989, 1992), a growing interest in the study of market entry barriers can be seen in the export marketing literature. There is surprisingly little agreement in the relevant literature (i.e., economics, marketing, etc.) about the precise definition of an entry barrier. This is because it is difficult to capture a concept as complex and multi-faceted as an entry barrier in a succinct statement and there are genuine differences of emphasis. Myers (1997) points out that it is likely that different firms face different levels of barriers. These differences in perceiving entry barriers stem mainly from the distinctions among firms in terms of environmental surroundings.

Extensive economic theory on entry barriers postulates how various elements of industry structure can impose disadvantages on entrants relative to competitors. The presence of barriers to entry results in fewer entries and therefore enables competitors to have above-average profitability (Yip 1982). Mann (1966) and Shepherd (1979) support this view that barriers to entry influence profit rates and overall performance level of firms. Previous research covers different classifications of entry barriers. According to Kotler (1986), barriers in international markets may include discriminatory legal requirements, political favoritism, cartel agreements, social and cultural barriers, unfriendly distribution channels, and refusal to cooperate by both business executives and foreign governments. Yang et al. (1992) cite barriers to exporting in three categories, namely external barriers, internal barriers, and operational barriers. However, Karakaya and Stahl (1991) point out that barriers in international markets differ from domestic markets, including cultural barriers, language, government policy, promotion and product adaptation, stability of currency exchange rate, expected local and global competition, nationalism, political environment, economic environment, corruption, and cost advantages held by local companies. Porter (1980) proposed six barriers to market entry: cost advantages of competitors, product differentiation of competitors, capital requirements, customer switching costs, access to distribution channels, and goverment policy. Karakaya and Stahl (1989, 1992), in their studies, found that all six barriers were perceived as important factors to consider in making market entry decisions and influenced executive decision makers in the market entry decisions. However, barriers to entry vary by the characteristics of the market or market structure. Despite the presence of barriers to market entry, firms still try to enter markets and some even become more successful than the competitor firms. Some entry barriers are clearly more important than others in terms of their effects on performance. The results of Karakaya and Stahl (1989, 1992) revealed that the cost advantages of competitors barrier was the most critical for all market entry decisions, affecting the business-level strategy of cost leadership. Capital requirements barriers, on the other hand, were found to be some of the strategic determinants of firm profitability which was consistent with Schoeffler et al. (1974) and Schendel and Patton (1978). The product differentiation of competitors is another important barrier to market entry, where firms try to differentiate their products to deter other firms from entering markets and so increase market share. Myers (1997) points out that if entry barriers are high, it is possible for a firm with a modest market share to possess market power. If entry is easy, firms with large market shares need not possess market power. Madsen (1989) found that markets with high export barriers are typically also high growth markets and typically penetrated by large and highly comitted firms having quite strong products, marketed to a well defined target group. These circumstances affect performance positively and therefore tend to suppress a negative effect from the amount of export barriers. Another significant finding of his study is that the negative impact of the amount of trade barriers on export sales is particularly significant. The negative impact is due to hard barriers such as tariffs and physical distance. His study also indicates, however, that the firm’s experience with exporting to such buyer countries is typically leading to difficulties in finding a good distributor and problems with understanding the market in general. Karakaya (1993) argues that previous experience dealing with entry barriers may act as an important determinant of success for firms from developing countries.

In the relevant literature, findings on the relationship between perceived level of entry barriers and export performance show no consistency. Madsen (1989) found that the amount of export barriers showed no immediate association with export performance. However, Hirsch and Adar (1974) and Kacker (1975/76) concluded that such factors as trade barriers influenced export performance, often defined as export sales as a proportion of total sales. Perceived barriers to exporting reflect management's perceived importance of various export barriers (Cavusgil and Nevin 1981; Shoham and Gerald 1995) and their attitude toward exporting. Donthu and Kim (1993) and Moini (1997) point out that a firm which does not perceive export barriers to be significant, generally has a positive attitude toward exporting and this will be reflected in their export performance, which is measured by export growth. Katsikeas (1994) found a number of significant differences in perceived export problems and barriers between different exporter categories in terms of export involvement measured by annual turnover from export sales. He concluded that low involvement exporters perceive more export barriers and problems than do firms engaged in relatively high levels of exporting.

Number of Years in Business. Kaynak and Kuan (1993) found that number of years in business is positively related to export sales.

5. Firm Competency

Export experience. Like other determinants of export performance, results of previous studies dealing with the relationship between export experience and performance are also controversial. For example, many previous researchers (e.g., Amine and Cavusgil 1986; Cavusgil 1984; Denis and Depleteau 1985; Diamantopoulos and Inglis 1988; Diamantopoulos and Schlegelmilch 1994; Dominguez and Sequeira 1993; Madsen 1989; McDougall and Stenning 1975; Reid 1982; Ursic and Czinkota 1984) found a positive relationship between export experience and performance whereas Cooper and Kleinschmidt (1985) and Naidu and Prasad (1994) found export experience to be negatively related to export performance. Moreover, Cooper and Kleinschmidt (1985) indicated that the most significant feature of high performance is the shorter period of experience in exporting. However, Cavusgil (1984) found that export experience is not associated with the development stage in the process of internalization. More specifically, Fenwick and Amine (1979) concluded that years of export experience tied to export performance measured by export sales as a proportion of total sales.

6. Export Marketing Strategies

Market Concentration vs. Diversification. In the relevant literature, there is no consensus on whether to concentrate or diversify markets. Risk spreading and market coverage appear to be key reasons for diversification. The question is whether concentration results in more effective use of resources (e.g., Dominguez and Sequeira 1993). Madsen (1989) and Piercy (1981) contend that this mainly depends on the resource base of the firms along with the product category.

Discussion about market concentration vs. diversification has adopted three standpoints. The first standpoint was derived from early studies by Robinson (1967) Tookey (1975) and Day (1976), which recommended concentration on the basis of larger market shares in the view of more intensive development (ITI 1979). The second standpoint is in favor of market spreading (Hamermesh et al. 1978; Piercy 1981). Hirsch and Lev (1973) found that higher profitability was associated with larger export market numbers in their study of Denmark, the Netherlands and Israel. Cooper and Kleinschmidt's (1985) 'world orientation' was found to be associated to both higher export growth and level of exports. Lee and Yang (1991) found that market diversification was associated with higher export level but, neither market concentration nor diversification was found to be related to export growth and profitability. The third standpoint is in favor of a contingency approach based upon Ayal and Zif's (1979) and Thomas' (1977) argument. The latter identified worldwide exploitation of a technical advantage, but also cases of firm concentration upon a few key markets, particularly when the degree of product standardization is low. Piercy (1982) further argued that market concentration or diversification depends upon situational and industry factors such as company, market, product and other marketing factors.

Researchers have made contradictory recommendations as to which strategy, either export market concentration or market diversification, would lead to better export performance. Some studies (Robinson 1967; Tookey 1975: Day 1976) recommended a market concentration strategy based on the traditional notion that larger market shares in a few key markets are associated with higher profitability in the long run. This recommendation was empirically supported by three non-US based studies (ITI Report 1979). Others (e.g., Hamermesh et. al. 1978; Piercy 1981) recommended a market diversification strategy based on the rationale that taking low market shares in widely dispersed markets may be more profitable than concentrating on a few key markets.

An important aspect of a firm's export strategy relates to the number of export markets that the firm chooses to serve (Diamontopoulos and Inglis 1988). Amine and Cavusgil (1986), Beamish et al. (1993), Cooper and Kleinschmidt (1985), Diamantopoulos and Inglis (1988), Kaynak and Kuan (1993), Piercy (1981), and Lee and Yang (1989) found a positive relationship between export market numbers and export sales contribution which suggests that high-involvement exporters may differ with respect to the number of export markets served.

Proactiveness vs. Reactiveness. Previous researchers report that motivation for exporting measured by proactiveness vs. reactiveness has a positive effect on export performance (Axinn 1988; Barrett and Wilkinson 1985; Cavusgil 1984; Christensen et al. 1987; Cooper and Kleinschmidt 1985; Diamantopoulos and Inglis 1988; Dichtl et al. 1990; Kirpalani and Macintosh 1980; Koh 1991; Piercy 1981). Moreover, Johnston and Czinkota (1982) delve into potential linkages between decision-makers' motivation to export and a variety of business variables. Companies are classified as proactive, reactive, or sustaining. The analysis reveals that proactive exporters enjoy larger sales volume, follow more cohesive export marketing strategies, and place more emphasis upon customer service. According to Czinkota and Ronkainen (1993), the proactive firm is also more likely to be service oriented than are reactive firms. Further, it is frequently more marketing and strategy oriented than reactive firms, which have as their major concern operational issues. The clearest differentiation between the two types of firms can probably be made *ex post facto* by determining how they initially entered international markets. Proactive firms are more likely to solicit their first international marketing order, whereas reactive firms frequently begin international marketing activities receiving an unsolicited order from abroad (Czinkota and Ronkainen 1993).

7. Research Methodology

Questionnaire Design and Measures. The format and the content of the questionnaire was directed by the research purposes. These required data on firms' organizational characteristics, competency, and their perceptions of the problems (i.e., export barriers) constraining export development. As a result, the questionnaire was organized into three major sections. The first section of the questionnaire focused on respondent firms' characteristics. These questions asked respondents to indicate their firm's main line of business, the number of people they employ, the length of time their firm has been operating, and their annual sales turnover. The second section of the questionnaire use predominantly closed ended questions to characterize respondent firms' export experience and strategies. Specific information obtained from this section included export experience (years), number of export customers, number of export transactions, export destinations, order attraction methods, and export revenue information (real and as a percentage of sales). These variables were selected after reviewing similar studies conducted by, among others, Bilkey and Tesar (1977), Czinkota and Johnston (1981), and Vozikis and Mescon (1985). The final section of the questionnaire focused on firms' perceived barriers to initiating or expanding exports. A five point Likert scale was used to assess the importance to each firm of a list of 32 predetermined export barriers (with 1 being "not important" and 5 being "very important"). This use of a five point Likert scale adapts the approach used in past studies of export barriers (Davie 1990; Harrison 1990; Keida and Chokkar 1986).

Sampling and Data Collection Procedure. In order to concentrate on differences in export characteristics and to control two potentially confounding influences, namely location-specific and industry-specific influences, the study was limited to a specific geographic location and a single industry. As a result, the Canterbury Manufacturers Association (CMA) database was used to obtain the sample. After consultation with members of the CMA and an investigation of past studies that have sought to specifically target smaller firms it was decided to only include firms employing less than one hundred employees in the study. The selection of one hundred employees as benchmark between small and large firms has been used previously in similar studies in overseas (Kau and Tan 1986; Walters and Samiee 1990) and in New Zealand (Chaney 1993). Because the CMA database does not contain information on a firm's number of employees, questionnaires were mailed out to all CMA member firms (260 firms in total).

A mail questionnaire was used to collect data for this study. Crucial to the analysis were turnover and export revenue figures, for which a mail questionnaire offers an amount of anonymity and provides a greater likelihood of avoiding nonresponse problems with commercially sensitive information. The mailing consisted of a questionnaire, a freepost return envelope, and a letter addressed to the top management. The letter was written to explain the purpose of the survey, the importance of its return, and to validate the reason for selecting that individual. A total of 95 useable questionnaires were returned, providing a response rate of 36.5 percent. The response rate of 36.5% (95 responses) was considered to be satisfactory for the purposes of this study and is comparable with other studies exploring small business exporting (e.g., Kau and Tan 1988; Harrison 1990).

8. Analysis and Results

Initial Findings. Most of the 95 firms who identified a current involvement in exporting exhibited a low degree of experience. All firms had been exporting for less than 30 years, while 45 percent had been exporting for less than five years. The exporting firms tended to have a small number of export customers, 72 percent had less than ten customers. They also completed relatively few export transactions annually, 17 percent completed less than five export transactions and 58 percent completed less than 25 transactions. The primary export destination was Australia with 87 percent of firms exporting to this market. This was followed, in order of significance, by South Pacific (34 percent), Asia, excluding Japan and China (30 percent), North America (27 percent), Japan (25 percent), Great Britain (16 percent), and Western Europe (13 percent). All other export destinations received less than 5 percent each. Consistent with this narrow spread of export destinations was the small number of countries that firms exported to; 84 percent of firms exported to less than five countries, 20 percent exported to two countries, and 32 percent exported to only one country.

Methods of attracting new export orders were similar for both current and potential export destinations. Twenty-seven percent of firms obtained unsolicited export orders from existing markets, while 28 percent obtained unsolicited orders from new markets. The number of export orders that were actively obtained from New Zealand were quite similar for current and new markets, 45 percent for current export destinations, and 47 percent for new export destinations. Overseas based agents accounted for a larger number export orders for current export destinations than new export destinations. Forty-eight percent of firms gained export orders from overseas based agents in existing markets, while only 33 percent of firms obtained orders from overseas agents in new markets.

Export revenue figures in New Zealand dollar terms were well spread. Twenty-one percent of the firms received less than $50,000 from exports, 32 percent received between $50,000 and $250,000, 14 percent between $250,000 and $500,000, 28 percent received between $500,000 and $5,000,000, while 5 percent received more than $5,000,000.

An increase in export sales as a percentage of total sales was observed across three time periods (current: most recent 12 month period; past: 12 month period prior to the most recent; future: projected 12 month period). For example, 18 percent of firms projected their export earnings to account for more than 50 percent of total sales in the future 12 month period. This is large compared to the current and past time periods where 13 percent and 12 percent of firms, respectively, achieved greater than 50 percent of their revenue from export sales.

Factor Analysis Results. Principal components factor analysis was utilized for two reasons: (1) scale items purification and (2) reliability check. A total of 27 items consisting of the relevant importance of perceived barriers to internationalization was included. The analysis was performed in an attempt to condense and summarize these barriers into a smaller number of underlying dimensions, using a procedure proposed by Anderson and Gerbing (1987) and Gerbing and Anderson (1988). First, to test the adequacy of the New Zealand data set for factor analysis, both the Kaiser-Meyer-Olkin measure of sampling adequacy (.79812) and Bartlett test of sphericity (703.91, $p < .000$) were utilized. The findings of both tests revealed that the specific data set had adequate features for factor analysis. Second, for item purification (or reduction) purpose, item-to-total correlations were checked and the ones with less than .40 were deleted from the item set (see, Churchill 1979). This procedure retained a total of 18 items. Finally, a principal components analysis with a varimax rotation was utilized 18 items to several constructs, which typically represented the underlying dimensions of perceived export barriers by the New Zealand manufacturing firms. As a result of this procedure, 5 factors with eigenvalues higher than 1.0 were obtained, accounting for 67.5 percent of the variance. Table 1 provided the details of the factor labels, factor loadings for each item, the variance explained by each factor, and internal consistency coefficients (i.e., Cronbach's alpha) for each factor.

Discriminant Analysis Results. Cooper and Kleinschmidt (1985) contend that many studies tend to identify potential predictors of firm export performance and assess their significance. However, the relevant literature suggests that reliable and valid predictions of successful export marketing performance has been difficult to achieve (e.g., Kaynak and Kuan, 1993). This study includes both high and low performers because studies of high performers alone cannot identify those characteristics that make the high performers unique. By including both groups, the derived strategy-structure-performance differences between high and low performers can be highlighted. High and low export performance was determined based on three export performance variables (see Table 2). The first performance variable is *export sales* where high performance is determined to be those companies with annual export sales greater than NZ$250,000. *Export percentage of sales* is the second measure where high performers are those with export sales higher than 20% of total sales. The third measure is export sales growth where high performance is determined by an increasing export percentage of sales from the previous year. The findings of the three discriminant analyses will be discussed in the following sections.

Table 1
Factor Solution of Perceived Export Barrier Items

Dimension/Item	**Factor Loading**	**% of variance explained**	**Cronbach Alpha**
Factor 1. Foreign Restrictions and Standards		*65.6*	*.82*
Foreign Government Restrictions and Regulations	.845		
Foreign Non-tariff Barrier	.829		
Foreign Tariff Barrier	.765		
Competing NZ Firms in Overseas	.571		
Factor 2. Lack of Focus and Commitment on Foreign Markets		*59.6*	*.77*
Lack of Export Marketing Commitment	.801		
Providing After-sales Service and Support	.782		
Lack of Export Marketing Effort	.782		
Management Focus on Domestic Market Development	.468		
Factor 3. Product-Related Problems		*59.7*	*.78*
Insufficient Productive Capacity	.768		
Technically Inferior Products	.690		
Product Usage Differences	.640		
Need to Adapt Products for Overseas Markets	.624		
Factor 4. Financial Impediments		*55.9*	*.73*
High Cost of Overseas Travel	.706		
High Cost of Labor	.685		
Inflation and Interest Rates	.685		
Low Cost / Benefit Expectation	.654		
Factor 5. Foreign Exchange Concerns		*71.3*	*.60*
Dealing with a Strong NZ Dollar	.827		
Minimizing Foreign Exchange Risk	.721		

Table 2
Performance Group Classification

	Group Membership	
Criterion	**Low Performer**	
Annual Export Sales	>NZ$250,000	≤NZ$250,000
Percentage of Total Sales from Export	>20%	<20%
Export Sales Percentage Growth	Increasing	Stable or Decreasing

Export Sales. The discriminant analysis results show that firm characteristics, perceived trade barriers, and export marketing strategies have a significant discriminant coefficient (Table 3). Within firm characteristics, *annual sales* is higher for the high performance group suggesting that larger firms (in sales terms) have higher export sales performance. Two perceived trade barriers have significant coefficients including *lack of focus/commitment on foreign markets* and *foreign exchange concerns*. However, the first is reported as less important for the high performers and the latter reported as more important for the high performers. All of the export marketing strategy variables are significant (e.g., number of foreign countries, clients, transactions and level of proactiveness) and for each, the higher performers were found to have higher means.

Table 3
Difference Between High/Low Performers In Export Sales

Entering Variables	**Discriminant Function Coefficient**	**Group High**	**Means Low**	**t-value**
Firm Characteristics				
Annual Sales	.280	5.04	4.44	6.912**
Number of Years in Business	-.385	25.10	26.38	.068
Firm Competency				
Years Engaged in Exporting	.029	9.38	7.67	1.526
Perceived Trade Barriers				
Foreign Restrictions and Standards	-.185	2.86	2.83	.012
Lack of Focus and Commitment on Foreign Markets	-.498	3.09	3.72	12.825***
Product-Related Problems	.333	2.84	2.77	.135
Financial Impediments	-.054	3.13	3.33	1.427
Foreign Exchange Concerns	.374	3.98	3.50	6.426*
Export Marketing Strategy				
Number of Foreign Countries	.455	4.76	2.18	11.406***
Number of Clients in Main Export Markets	.131	14.02	6.58	8.068**
Number of Annual Export Transactions Completed (on average)	.329	3.04	1.93	35.162***
Proactiveness vs. Reactiveness	.323	6.40	4.56	12.634***
Number of Cases		50	45	

*p<.05, **p<.01, ***p<.001

Percentage of Total Sales from Exporting. For this analysis, the export marketing strategies are found to have significant discriminant coefficients (Table 4). As in the export sales discriminant analysis (Table 3), all of the export marketing strategy variables are significant (e.g., number of foreign countries, clients, transactions and level of proactiveness). However the mean differences are in the opposite direction as the higher performers are found to have lower means for each variable.

Table 4

Difference Between High/Low Performers In Percentage of Total Sales from Exporting

Entering Variables	Discriminant Function Coefficient	Group High	Means Low	t-value
Firm Characteristics				
Annual Sales	-.156	4.73	4.79	.065
Number of Years in Business	-.576	27.75	23.23	.851
Firm Competency				
Years Engaged in Exporting	.363	7.54	9.81	2.709
Perceived Trade Barriers				
Foreign Restrictions and Standards	-.187	2.85	2.84	.000
Lack of Focus and Commitment on Foreign Markets	-.367	3.51	3.23	2.206
Product-Related Problems	.621	2.69	2.94	1.580
Financial Impediments	-.084	3.26	3.17	.290
Foreign Exchange Concerns	.137	3.65	3.87	1.251
Export Marketing Strategy				
Number of Foreign Countries	.364	2.48	4.81	9.044**
Number of Clients in Main Export Markets	.189	7.83	13.72	4.870*
Number of Annual Export Transactions Completed (on average)	.304	2.15	2.95	15.436***
Proactiveness vs. Reactiveness	.339	4.87	6.33	7.485**
Number of Cases		52	43	

*p<.05, **p<.01, ***p<.001

Table 5

Difference Between High/Low Performers In Export Growth

Entering Variables	Discriminant Function Coefficient	Group High	Means Low	t-value
Firm Characteristics				
Annual Sales	.410	4.68	4.84	.493
Number of Years in Business	-.058	29.24	22.52	1.919
Firm Competency				
Years Engaged in Exporting	.765	10.69	6.66	9.119**
Perceived Trade Barriers				
Foreign Restrictions and Standards	.370	2.87	2.83	.043
Lack of Focus and Commitment on Foreign Markets	-.022	3.44	3.32	.394
Product-Related Problems	-.521	2.93	2.67	1.773
Financial Impediments	.355	3.20	3.24	.056
Foreign Exchange Concerns	-.197	3.78	3.72	.087
Export Marketing Strategy				
Number of Foreign Countries	.320	3.00	4.13	1.999
Number of Clients in Main Export Markets	-.375	11.14	9.78	.249
Number of Annual Export Transactions Completed (on average)	-.074	2.56	2.47	.182
Proactiveness vs. Reactiveness	-.355	5.76	5.27	.803
Number of Cases		50	45	

*p<.05, **p<.01, ***p<.001

Export Growth. Only the firm competency variable shows significant discriminant coefficients (Table 5). The firms experiencing export growth (high performers) have more experience than the low performers.

Table 6 summarizes all of the significant coefficients across the four discriminant analyses. The patterns of significant coefficients suggest that none of the variables are significant across all three of the performance measures. It is interesting to note that all of the *export marketing strategy* variables are significant across the *export sales* and *percentage of export sales* performance variables but not for the performance measure *growth*. Also, only two of the *perceived trade barriers* have significant coefficients and this is only with the *export sales* performance measure. Only *firm competency* (years engaged in exporting) has a significant discriminant coefficient for the performance measure *growth*.

9. Discussion

Theoretical and Methodological Implications. This research has broken new theoretical ground in several areas and in doing so provides a number of implications for researchers. First, the study used a variety of firm characteristics and multiple performance measures. The relevant literature suggests that export development and the process of internationalization is a complex phenomenon in which narrow or focused research approaches may over-emphasize a particular facet of the process. By measuring several organizational dimensions including firm characteristics, firm competency, perceptions, strategy, and motivations, the research is likely to give a more complete view of the internationalization process.

This broad approach has two distinct advantages. First, it provides a more conservative test for each of the individual dimensions in discriminating between high and low performers. When several competing explanations are used in the same discriminant model, the variance of the dependent variable (discriminant function) is split among several groups of independent variables. Second, the literature has reported inconsistencies in the relationship between strategy, other related variables, and export performance. By broadening the approach to several dimensions, the results of this research has been found to be consistent with previous research, reducing inconsistencies. Perhaps the pervious inconsistency could be attributed to the narrow focus of much of the research in the area.

The results also demonstrate nomological effects between firm characteristics, export marketing strategy, and performance. Although the measurement of the criterion and predictor variables differ from other research (e.g. Cavusgil & Zou, 1994), the results are consistent. For example, this research used *total sales* as a surrogate for firm size whereas Cavusgil & Zou (1993) used the common and possibly overused *number of employees* measure and found consistent results. However, this consistency was not found across the three export performance measures. The literature suggests that relative measures of export performance may lead to results that differ from absolute measures (Cavusgil & Zou, 1993, Dominguez & Sequeira, 1993). The results of this research would support this notion. The marked difference between the absolute measures of performance (*export sales*) and the relative measures of performance (*percentage of export sales* and *growth*) indicate that the various facets of export performance may not be interchangeable.

Another contribution of this research is in the specific treatment of perceived export barriers. Among the abundant literature on perceived export barriers, few studies have explored their overlap with other organizational attributes. When formulating the models for this research, it became evident that many of the extensive perceived barriers in the literature were similar to other organizational attributes. For example, *top management's commitment* and *motivation toward exporting* are often cited as perceived barriers but in other research, such items could be included in a measure of *proactiveness/reactiveness*. This research attempted to limit the perceived export barriers to those that did not have a significant conceptual overlap with other recognized organizational predictors of export performance. In doing so, this study is among the first to look at a distilled list of export barriers, other organizational attributes and how these distinguish high from low export performers.

10. Managerial and Policy Implications

Much of the research in export development has concentrated on categorizing firms into stages of export development, distinguishing exporters from non-exporters, and constructing inventories of how exporters perceive various aspects of their organization, market, and their export processes. Unfortunately, the implication of such research has been more beneficial to those studying exporters than the firms themselves. In this study, the performance categories were chosen not only because they were consistent with past research but because they were tangible and could be meaningful for the exporters that were involved. For example, two perceived export barrier factors significantly discriminated high from low export sales performers. Low performers reported significantly higher scores on the factor *lack of focus and commitment on foreign markets*. Included in this factor were the barriers *lack of export marketing commitment, providing after-sales service and support, lack of export marketing effort*, and *management focus on domestic market development*. These may have contributed to lower export sales performance and their identification could prove to be a valuable diagnostic tool for the low performing exporters.

Policy makers can also benefit from results of this type of study. Government agencies have been supporting a proliferation of export promotion programs and the results of this type could provide insights into the success of such programs and directions of future endeavors. The first step in the research was determining what represented high and low performance. This exercise highlights the various dimensions of performance and should be consistent with what the export development programs are trying to achieve. While *annual export sales* may be an indication of short term performance, *percentage of total sales from export, an ongoing commitment to exporting,* and *export sales percentage growth* give an indication of whether this commitment is increasing or decreasing.

With the performance standard established, the ability to identify characteristics that distinguish high and low performers can help evaluate the types of programs that are offered to existing and potential exporters. Some of these organizational attributes, such as *number of years exporting*, are demographic variables that may not be addressed by an export program, but when the model combines them with other controllable variables such as *marketing strategies* and *perceived export barriers*, it produces a holistic picture of the attributes that distinguish high export performers from low export performers. The policy makers can use this information in two ways. The demographic or variables beyond the control of the organization that significantly distinguish performance could be used to target firms that might benefit from export development training. The controllable variables could then be used to identify the type of training that could increase export performance.

Limitations and Further Research Directions. This study has several limitations suggesting opportunities for future researchers. The strategy-performance relationship could be investigated by a longitudinal design, which would provide a richer understanding of the dynamic and complexity of the relationship. Not all potentially relevant variables have been explored in this study. For example, we have not investigated technology intensiveness, intensity of price competition in the industry, and channel strategies. Similarly, the effects of industry classification and organization structure, which are not assessed in this study due to the intragroup heterogeneity of the sample in terms of technology intensiveness of the industry or lack of measures, should be studied in the future. We relied heavily on managers' retrospective perceptions to operationalize the variables. Though it has been demonstrated that this approach to data collection is generally reliable and valid, the findings can be strengthened with more objective data.

The sample size limits the study's external validity and generality. Therefore, specific conclusions are attenuated primarily to those firms that participated in the study. The sample itself may be more heterogeneous than the researchers assume, as it includes a myriad of industries within the manufacturing category. In addition, the responses of the managers were not verified with a second data source and the assumption is made that accurate responses were given. It is realized, though, that managerial recall is not perfect. Hence, future research with an expanded sample size may generate many potentially illuminating comparisons of various industries within the manufacturing sector, as well as with the consumer goods sector. In addition, the potentially critical company variables of export strategy and export development stage should be closely analyzed.

Regarding future directions for study, much additional research would help evaluate the potential reliability of the association between the selected antecedents and firm export performance. There is also need for studies that recognize the interactive nature of the linear and non-linear association of different marketing strategy variables with export performance. Non-linear impact of certain strategy variables such as relative price, product-mix concentration on export performance should be examined. Furthermore, the complex quality-price relationship and interactions between product-mix strategy and market expansion strategy (concentration vs. diversification) should be looked into with a view to strengthen the predictability of marketing mix models of export performance.

The major premise of this study is that three measures of export performance have been used to differentiate between low vs. high performers. Previous research, on the other hand, has often defined some other measures of export performance (e.g., export profits, ratio of export profits to total profits, increase of importance of export to total business, acceptance of product by export distributor, etc.). Thus, future research should examine the effects of different firm, export strategy, environment, and industry-related variables on these measures as well. Finally, causal modeling methods, using more exhaustive variables, may be used in future studies to elaborate and refine the findings of previous research.

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