

KNOWLEDGE AS A CORRELATE OF EXPORT INTENSITY: A STUDY OF SMES IN A SOUTHEASTERN STATE

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ABSTRACT

Studies investigating determinants of export involvement, success and performance have been useful in identifying a multitude of factors ranging from firm-specific variables to strategy/policy elements to external factors. The purpose of this study is to contribute to the body of research and investigate the role of export knowledge as a correlate of export intensity. Results of the study and their implications are discussed.

INTRODUCTION

Paralleling the growing liberalization and integration of the world trading system and the recognition that exporting is an attractive way of tapping foreign market opportunities, factors critical to firms' export involvement, success and performance have been the focus of increased research attention [1] [3]. The growing interest is fueled by the belief that identification of factors that impact export involvement, success and performance provides managers and public policy makers with valuable guidelines for design and implementation of pointed marketing strategies and public policies.

A plethora of studies examining factors associated with export intensity and performance across the globe has been conducted in the context of Small and Medium Sized Enterprises (SMEs) [2]. This is because SMEs are main providers of technological innovations and entrepreneurship. They can adapt to environmental changes more readily and flexibly than larger firms and can exploit selective market niches more effectively. Also, compared with larger firms which are already heavily involved in exporting, SMEs offer better prospects for sharp increases in exports. Past studies investigating determinants of export intensity and performance have been useful in identifying a multitude of factors ranging from firm-specific variables to strategy/policy elements to external factors. The purpose of this study is to contribute to the body of research and investigate the role of export knowledge as a correlate of export intensity. Despite its importance, few empirical studies in the past have looked into the relationships between knowledge and export outcome measures. Consequently, calls continue to be made for studies to sharpen our understanding in this area [4].

METHODOLOGY

The two key variables of this study are export knowledge and export intensity. While there is no generally accepted approach to the measurement of knowledge [4], a common method involves questioning respondents about the sources of information. In this study, we adopted this approach and measured knowledge as respondents' awareness with and use of 19 sources of information in their export operations.

From past research, three principal ways of measuring export performance/intensity are evident [3]. These are economic (e.g., export sales ratio, export sales volume), non-economic (e.g., contribution of exporting to product development) and generic (e.g., satisfaction with overall export performance). In

this study we used an economic measure (export sales as a percentage of total sales). This is the most frequently used measure of export performance and intensity.

Data pertaining to the key study variables as well as company characteristics and selected export activities of these companies were collected via mail questionnaires. Specifically, 441 questionnaires with postage guaranteed reply envelopes were mailed to the top official (i.e., president, owner) of SMEs listed in a directory compiled by a local chapter of the Small Business Administration in a Southeastern state. 112 usable responses were obtained resulting in a response rate of 25%. Of those companies, 51 were active exporters. These companies were dichotomized into two groups based on their export/sales ratios. Twenty-six SMEs reported that exports generated less than 5% of their sales and the remaining 25 reported an export intensity of 5% or more. A comparison of the characteristics of the two groups via chi-square and t-tests revealed that they were similar in many respects. However, as might be expected, companies with higher export intensity (5% or more) exported to more countries; enacted more export transactions in the previous year; were more likely to have an export budget; a person exclusively in charge of export operations and to promote exports.

RESULTS

In the initial stage of data analysis, the two groups of SMEs were compared in terms of awareness and use of the 19 information sources. The differences between the two groups were significant with respect to Agent/Distributor Service and marginally significant in the cases of Trade Opportunities Program and Export Trading Companies. While not statistically significant in each case, overall the level of awareness of various information sources and the incidence of use of information sources were slightly higher among those SMEs exporting 5% or more of their sales. Indeed, the level of awareness of 11 information sources was higher among this group and likewise, SMEs exporting 5% or more of their sales surpassed their counterparts in the utilization of 15 information sources.

To delve beyond this overall picture, in the second stage of data analysis, a knowledge index was formed by adding the number of information sources used by the SMEs. The difference between the two groups was significant. As might be expected, companies with relatively higher export intensity (5% or more) used more information sources compared with their low export intensity counterparts. However, it is interesting to note that the use of information sources is not a widespread practice in either group. While high export intensity group consulted about 3.5 information sources out of a maximum of 19, the comparable figure for the low intensity group was 1.23.

DISCUSSION

Overall, given the results that high export intensity group tends to use more information sources compared with their low export intensity counterparts, it can be concluded that export knowledge is a significant correlate of export intensity. However, another observation that stems from the findings is that use of export information is rather low among the SMEs surveyed here. While this can be partially attributable to low awareness levels, other factors (e.g., lack of a firm commitment to exporting) may also play a role. In future research it would be worthwhile to investigate if such factors as well as other antecedents to information use (e.g., decision-maker characteristics, information source characteristics, specificity of the firm's export structure) can explain low usage.

Regardless of the explanation, though, the public policy implications are clear. The fact that many of the SMEs did not seem to be aware of the availability of information and assistance programs and, consequently did not seem to take advantage of them, may point to a lack of adequate and effective

information dissemination by provider organizations. As such, from a public policy standpoint, what is needed may not be merely additional resources devoted to these programs, but a more systematic and concerted effort to get information about availability of the existing resources to those for whom the resources were originally created. The one-stop shop export assistance centers established by the U.S. Department of Commerce, the U.S. Small Business Administration, and other federal agencies represent a step in the right direction. These centers are designed to serve as repositories of information about federal, state, and private-sector programs to encourage exporting. Also, because firms' information and assistance needs vary with the extent of their prior experience in international trade, they should not all be treated with a "one-size fits all" approach. Rather, programs designed to provide assistance should be tailor-made and more narrowly targeted to better and more efficiently serve the needs of various exporter groups.

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