Factors Influencing SMEs’ Export Performance and Marketing strategy

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ABSTRACT: The present paper aims at identifying SMEs’ export marketing strategy (EMS) and export performance (EP). A consistent interest in international marketing has been to study factors influencing SMEs’ export performance. To this end, a survey of 216 Tunisian SMEs was conducted. The results indicate that technological benefits have a positive effect on SMEs adaptation, which positively affects EP. They also indicate that firm size positively relates to export growth.

KEYWORDS: International Marketing, Export Performance, Adaptation of Export Marketing Strategy, SMEs.

1 INTRODUCTION

Export is the most adapted internationalization mechanism by SMEs. Despite lack of resources, they value their flexible organizational structure that allows them to adapt themselves to the needs of foreign markets more quickly than large companies (Lages and Montgomery, 2004). One of the central questions that international marketing researchers were interested in is to explain why some SMEs are more successful than others (Navarro et al, 2010; Lages et al, 2008). Does this report to the effect of resources management mode, adaptation of an export-oriented marketing strategy or the effect of SMEs characteristics? Most of the previous studies on the topic have been conducted in developed countries (Singh, 2009). This explains our interest in studying factors influencing EMS of Tunisian SMEs. Our aim is to identify factors behind EMS and those behind exportation performance of SMEs. To this end, we developed a model that links the different variables included in previous research, using structural equations for its validation. Factors of EP are: size, age, international experience, resources, barriers, and EMS (Prasertsakul, 2013; Denicolai, Zucchella, Strange, 2014, Wu, 2013). The effect of these variables on export dimensions is captured directly (Cavusgil and Zou, 1994), and indirectly through EMS (Leonidou et al, 2002).

2 THEORETICAL FRAMEWORK, RESEARCH HYPOTHESES AND CONCEPTUAL MODEL

Lado et al. (2004) argue that research on EMS relies among others on source-based paradigm and the contingency approach. The approach resources states that it is company’s resources and expertise that are responsible for its competitive advantage. This approach sees the company as a combination of resources whose attributes and nature determine its strategy and performance (Navarro et al, 2010). The literature review shows, first, that the most cited factors of EP are size, age, international experience and resources, the barriers encountered in foreign markets, and adaptation of EMS (Aaby and Slater, 1989). Second, the effect of these variables on EP is captured either directly (Cavusgil and Zou, 1994), or indirectly through their influence on EMS adaptation (Lages et al., 2013). Calantone et al. (2006) and Aaby and Slater (1989), relate directly EMS to EP and indirectly company characteristics to EP through EMS. This latter depends on size, age, international experience, resources and barriers. In our study, we argue, like Rundh (2007), that size, age and international experience, resources and barriers influence EMS, which in turn determines EP (Cavusgil and Zou, 1994). As for size, it is assumed under EMS to have a direct effect on EP (Mavrogiannis et al, 2008).
2.1 Factors of EMS Adaptation

EMS adaptation is determined by age, international experience, resources and barriers (Hoang, 1998). Given the perception of opportunities and threats of the target export market, the company mobilizes resources to develop an EMS and chooses an adaptation degree (Lages et al., 2013). What follows examines successively the effect of resources, barriers, age and international experience on EMS adaptation.

2.1.1 Effect of resources on EMS

Company resources are important in the development and implementation of EMS. The allocation of adequate resources to EMS reduces uncertainty and leads to better performance. Knight and Cavusgil (2004) show that success in foreign markets is largely determined by intangible resources. Similarly, Camison and Villar- Lopez (2010), believe that technological and organizational resources are crucial to the success of EMS. The effect of resources on EP is captured directly by some researchers (Alvarez, 2004; Wilkinson and Brouthers, 2006) and indirectly through export strategy, among others (Cavusgil and Zou, 1994; Navarro et al., 2010). Thus, we formulate the first hypotheses H1: Company resources act positively on EMS.

H 1-1: Technological resources positively influence EMS.
H 1-2: Organizational resources positively affect EMS.

2.1.2 Effect of export barriers on EMS

Leonidou (2004) distinguishes between internal and external barriers. Internal barriers relate to the attitude of the manager and lack of resources and trained personnel. Ortiz and Ortiz (2010), categorize barriers into four groups: those related to resources, to knowledge, to procedures and to external barriers. Research on managers’ perception of export barriers and their effect on EP reached mixed results. Madsen (1987) found that perception of barriers has a negative effect on EMS and EP while Zou and Stan (1998) found that the perception of barriers is not connected to EP. We line ourselves with Madsen (1987) and formulate the second hypothesis of our research H2 : Barriers to export negatively influence EMS adaptation.

H2 -1 : Internal barriers have a negative effect on EMS adaptation.
H2 -2 : External barriers have a negative influence on EMS adaptation.

2.1.3 Effect of international experience

International experience relates to SME’s experience as an actor in international trade (Cavusgil and Zou, 1994). This experience enables the company to detect differences between markets and take them into account to develop a suitable marketing strategy (Park, 2006). It allows the company to accumulate knowledge about foreign markets and to better respond to customer needs. Camison and Villar- Lopez (2010) argue that international experience influences choice of EMS. International experience facilitates understanding markets and results in a tailored EMS. Several authors such as Cavusgil and Zou (1994), Sousa and Bradley (2008) indicate that international experience positively relates to EMS adaptation. Like Camison and Villar- Lopez (2010), we formulate the following hypothesis: H3: The firm’s international experience positively affects EMS.

2.1.4 Effect of firm age on EMS

Research that has examined the effect of firm age on EP led to mixed results. Some researchers found that older and more experience firms are more likely to develop an appropriate strategy and export successfully (Kaynak and Kuan, 1993). Seifert and Ford (1989) found a positive relationship between firm age and PE. Old but innovative firms can be dynamic and successful in exporting. However, younger firms are more open to the exterior and act dynamically and pro-actively than older firms (Zahra et al., 2000). Contractor et al (2005) find no significant relationship between firm age and PE. Then, it is not so much firm age which directly affects its performance, but rather through its dynamism in terms of resources and distinctive competencies. Thus, we support the following hypothesis: H4: Firm age positively affects EMS.
2.2 FACTORS OF EP

Several studies highlighted the central role of EMS as a factor of EP (Lages et al, 2013; Cavusgil and Zou, 1994). It is EMS which allows the firm to achieve the export objectives. We examine, in what follows, first the effect of EMS on EP and second the relationship between size, EMS and EP.

2.2.1 EFFECT OF EMS ON EP

Marketing research has long focused on the standardization - adaptation debate of MS in foreign markets. Standardization and adaptation are the two poles of the same continuum (Jain, 1989). Tantong et al. (2010) argue that adaptation of marketing mix positively affects EP. Mavrogiannis et al. (2008) found that adaptation of EMS positively affects EP of Greek SMEs. Similarly, Zou and Cavusgil (2002) found a positive relationship between full adaptation of MS and PE. Navarro et al. (2010) use an aggregate measure of the of EMS adaptation degree to evaluate its effect on PE of Spanish companies. Like this line of this research, we put forward the following hypothesis H5 : EMS adaptation positively affects EP.

H5- 2: EMS adaptation positively determines EP competitiveness

2.2.2 EFFECT OF SIZE ON EMS AND EP

The relationship between size and EP has been widely studied by international marketing researchers. However, researchers do not agree on the nature of this relationship. Some found a positive correlation between size and EP (Aaby and Slater, 1989), others found a negative relationship (Mavrogiannis et al, 2008) while others found no significant relationship between them(Contractor et al. 2005). Despite these conflicting empirical findings, Hoang (1998) note that most of the research points to a positive relationship between size, measured by the number of employees, and EP. Aaby and Slater (1989), consider the direct and indirect effect of size on EP, through EMS, whereas proponents of the resources approach support the presence of a direct positive relationship between company size and performance (Barney, 1991). We propose, like Aaby and Slater (1989), that SMEs size positively influences EMS (H6- 1) and PE (H6 -2).

H6- 1: Firm size positively affects EMS
H6 -2: Firm size positively affects the EP.

2.3 THE MODEL

The aim of the study is to identify factors behind choosing EMS and factors affecting EP while validating the structure of our conceptual model. This model (Figure 1) includes, first, age and international business experience, resources and barriers to EMS, and second, firm size and EMS with EP and examines the hypotheses formulated above.
3 DATA COLLECTION AND MEASUREMENT OF VARIABLES

We will specify in what follows the data collection method and measurement scales of the variables in our model.

3.1 DATA COLLECTION

The data needed for the analysis were being collected through a survey questionnaire, with managers of a sample of 206 Tunisian partially-exporting SMEs. The questionnaire was developed from the literature review. It was then revised and corrected after being tested with two teachers and eight export experts of Tunisian SMEs to ensure clarity and consistency.

3.2 MEASUREMENT OF VARIABLES

Most of the variables integrated into our model are defined as latent variables measured by multiple-item scales based on managers’ perception of (Katsikeas et al, 1996). The latent variables are EP resources, barriers and EMS adaptation degree. The retained EP measurement scale is taken from previous work. It consists of sales growth rates (Sousa and Bradley, 2008) and export profits (Mavrogiannis et al, 2008), manager’s satisfaction with export sales growth (Katsikeas et al, 2000), exports profitability, export sales (Katsikeas et al, 2000), firm competitiveness and export objectives achievement (Lages et al, 2008). This scale uses a of 1 to 5 scale (Camison and Villar-Lopez, 2010). EP is measured by both competitiveness and export activity growth. EMS adaptation is measured by Mavrogiannis et al. (2008) three-item scale, that was used by Navarro et al. (2010). We included into it importance of allocated exportation budget compared to that of competitors (Lages et al., 2008). EMS adaptation degree is measured using a five-point scale ranging from 1 "no adaptation" to 5 "very high adaptation". The importance of allocated exportation budget compared to that of competitors was measured by a scale ranging from 1 "very small" 5 "very important". Firm size was measured by the number of full-time employees (Mavrogiannis et al, 2008) while the variable firm age was assessed by the number of years from the foundation of the. As for international experience, it was measured by the number of years from the start of the export activity (Contractor et al, 2005). The scale of the variable resources was developed based on the work of Katsikeas et al, (2002), as well as that of Camison and Villar-Lopez (2010). Managers were asked to rate on a five-point scale the level of resources committed for export compared to key competitors. The scale of barriers to export was developed from the scales of Leonidou (2004), Rutihenda (2008), and Tesf on and Lutz (2006). A 5-point likert-type scale ranging from 1: “very high negative effect” to 5 “very small negative effect” was used.
4 DATA PROCESSING AND INTERPRETATION OF RESULTS

We will specify in what follows the methods of data processing and interpretation of the obtained results.

4.1 DATA PROCESSING

The aim of our research is to identify factors that explain marketing strategy adaptation and EP. To this end, data analysis consisted of an exploratory and confirmatory factor analysis and an estimation of the global model using structural equation modelling.

4.1.1 THE EXPLORATORY FACTOR ANALYSIS

The number of factors to be extracted is shown by the KMO index. Clustering of variables around common factors are the measurement scales of the latent variables associated with the different factors. Reliability of measurement instruments is checked using alpha Cronbach’s alpha which measures consistency of the set of positively correlated variables.

4.1.2 THE CONFIRMATORY FACTOR ANALYSIS

Confirmatory factor analysis (CFA) is used to validate measurement instruments of the latent variables and the theory on which they are based. The LISREL 8.80 software provides a set of statistical tests to decide on the quality of a model and to validate hypotheses (Ralph , 1999). The most commonly used indices to validate a theoretical model are Chi-square/dl, RMSEA, GFI, AGFI, NNFI and CMA.

4.1.3 ESTIMATION OF THE STRUCTURAL MODEL

The model estimation is conducted through the use of structural equation models.

a- Resources measurement model

To identify the "Firm Resources' 'variable, we took into account factors related to the organization, as well as those characterizing technology. Jöreskog's Rho allows for assessing the good reliability of the measurement scale of resources. Fit indices, presented in Appendix 1,show acceptable values and allow us to validate the measurement model of the variable "Resources".

b- Barriers measurement model

The variable " Barriers " is measured by seven items and is structured around two dimensions: "internal barriers" and "external barriers". Fit indices allow us to accept the measurement model of the variable "Barriers".

c- EMS measurement model

EMS includes the following four items: promotion adaptation, price adaptation, original product adaptation and importance of export budget. EMS fit indices indicate a good fit between the data and the measurement model, as well as a low residuals.

d- EP measurement model

Data on EP are structured around two dimensions: "growth" and "competitiveness". Growth includes three items while competitiveness includes two. EP fit indices (Appendix1) indicate a good fit between data and model. Relationships between variables are presented in the diagram representing the analytical model in Figure 2 (Appendix 3). The ability of the model to reproduce the data is evaluated using fit indices of Appendix 1. Results in the diagram confirm the structure of our model.

4.2 PRESENTATION OF THE RESULTS

Structural equations reflect the direct effects of independent latent variables on the dependent variables and / or between dependent variables. The obtained structural relationships are below.
Both equations (1) and (2) indicate that there is a significant positive relationship between EP and EMS. A high level of WMS adaptation enables SMEs to achieve high EP. As indicated in the table in Appendix 2, this result indicates that EMS adaptation has a positive effect on EP. This is consistent with several researchers (Lages, 2000; Lages, et al, 2013; Beleska - Spasova et al, 2011) who found a positive relationship between EMS adaptation and EP. Concerning the effect of firm size on EP, the result is mixed. Equation (1) indicates that firm size positively influences EP growth. This is similar to research establishing a positive relationship between size and EP (Lages and Melewar, 1999). Equation (2) indicates that the relationship between size and EP competitiveness is not significant joining findings that suggest that EP is independent of the firm size (Lages and Melewar, 1999). Moreover, it shows that firm size has a significant positive effect on EP growth, i.e. the largest Tunisian SMEs are able to obtain a strong growth in export sales and profits. Finally, equation (3) links EMS adaptation with technological and organizational resources, barriers, age, international experience, firm size. It shows, first, that technological resources positively affect EMS and, second, that international experience negatively affects EMS. The first relationship that links resources and EMS adaptation joins the assumptions of the resource-based theory and the findings of Beleska - Spasova et al. (2011), which highlighted the presence of a positive effect of technological resources on export strategy. This result supports the critical role of technological resources in the success of SMEs international operations. As to the second relationship, it reflects the rigidity induced by the large size of SMEs and expresses the larger SMEs’ preference for a standardization strategy. Equation 3 also indicates a significant negative relationship between EMS and international experience. It suggests that SMEs with a wide international experience tend to adopt a low adaptation degree of their marketing strategy and to put in place strategies that have already proven to work in the past. It suggests, however, non-significant relationships between internal and external barriers, organizational benefits and firm age and EMS adaptation degree. It follows from the three previous equations shown in Appendix 2 the main results concerning the validation of our research hypotheses.

Hypothesis H2, which assumes the presence of a positive effect of technological resources on EMS adaptation, is validated and confirming the results obtained by Mavrogianis et al, (2008) and Beleska - Spasova et al.(2011). H3 hypothesis, which assumes that managerial resources positively affect EMS adaptation, is not validated. Hypotheses H4 and H5, which assume that internal and external barriers have a negative effect on EMS adaptation, have not been verified since the results indicate that the relationship between these variables is not significant. Regarding H6 hypothesis on the positive effect of international experience on EMS adaptation, the results indicate that it is not accepted and indicate that international experience results in a significant negative effect on EMS adaptation. In other words, the more the company is internationally experienced, the more it will tend to standardize its EMS. As for the H7 hypothesis, which links firm age and EMS adaptation and suggests a positive relationship between age and EMS, it is not significant. Regarding H8 and H9, which assume the positive influence of EMS adaptation on the two dimensions of EP, namely growth and competitiveness, the results indicate they are validated for growth and size and for competitiveness. Finally, for H10, H11 and H12 on the effect of size on EMS and EP, only H12 hypothesis that assumes the effect of firm size on EP growth dimension, is validated. However, H11 and H12 were not validated because the statistics obtained respectively on the relationship between, on the one hand, size and EP competitiveness dimension and, on the other, size and EMS adaptation are not significant.
5 DISCUSSION AND CONCLUSION

The aim of this work is to identify the factors that determine EMS and EP of Tunisian SMEs and validate the structural model developed from previous research. The choice of SMEs as an object of research is justified by the fact that the Tunisian industrial fabric is made up of more than 85% of SMEs. A questionnaire survey was conducted on 206 partially-exporting SMEs. As for factors of PE export, the obtained results indicate that EP is positively influenced by EMS adaptation degree. The SMEs that are able to adapt their marketing strategies to foreign markets requirements have higher performance in terms of growth and competitiveness, than those that simply export the same, without an effort to adapt.

The results indicate that technological resources, which generate a competitive advantage, are EMS adaptation and alignment factors to target market requirements and allow obtaining high EP. Thus, SMEs that have technological resources and tend to adapt their EMS are able to obtain a strong growth in export sales and profits. Adaptation of the marketing strategy is an export success factor in a context of market volatility (Prasertsakul, 2013). These results also indicate that firm size directly and positively affect the EP growth dimension. They also show that barriers, organizational benefits, age and size are perceived by managers as not having an effect on EMS. They suggest that SMEs in emerging countries that adjust their marketing strategy to the requirements of foreign customers are able to achieve better performance in terms of growth and competitiveness, as than that use a standardization strategy. These results are identical to the results obtained, among others, by Cavusgil and Zou (1994), Lee and Griffith (2004), Lages, Jap and Griffith (2008) and Lges et al. (2013). Furthermore, partially-exporting Tunisian SMEs with extensive international experience adopt a low level of EMS and reach nevertheless high performance. This result seems to be explained by the reluctance of managers to change strategies that have been proven and they trend to standardize products and consumption worldwide.

On a practical level, a high level of EMS adaptation allows SMEs to compete internationally and to achieve high sales growth. Therefore, exporting SMEs managers are encouraged to adapt their EMS to achieve the objectives they seek and be satisfied with the achievements. They are also expected to be equipped with the best technological resources to give them an edge to enhance their competitive ability against competitors.

LIMITATIONS AND FUTURE RESEARCH

Given the complexity of export and the multiplicity of factors which could determine the choice of EMS and EP level, our study did not include these factors in the theoretical model. Therefore, we have not taken into account the effect of external factors in the environment on EMS and EP. Further research could include, for example, external factors related to the domestic market and examine their effect on EMS and EP. Moreover, the results of our study can be biased due to the fact they examined data on managers’ perceptions about their satisfaction with the achievement of their export activities referring to the main export market. Moreover, our findings are not generalizable given the relatively small sample size. Non-salient relationships may result from non-linear relationships between the variables of the model and the specificities of the studied countries: level of development, small market, etc. They could also be due to sample heterogeneity, which is not made up of companies belonging to the same sector, not exporting the same products and not operating in the same country or region.
REFERENCES


APPENDICES

APPENDIX 1: FIT INDICES OF MEASUREMENT MODELS

<table>
<thead>
<tr>
<th>Indices</th>
<th>Critical levels</th>
<th>Resources</th>
<th>Barriers</th>
<th>EMS</th>
<th>EP</th>
<th>Global Model</th>
</tr>
</thead>
<tbody>
<tr>
<td>$\chi^2$/df</td>
<td>Inf. or = 5</td>
<td>1,54</td>
<td>4,2</td>
<td>0,94</td>
<td>3,58</td>
<td>3,3</td>
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<tr>
<td>RMSEA</td>
<td>Inf. or = 0,05</td>
<td>0,047</td>
<td>0,036</td>
<td>0,0</td>
<td>0,0</td>
<td>0,05</td>
</tr>
<tr>
<td>GFI</td>
<td>Sup. or = 0,9</td>
<td>0,99</td>
<td>0,98</td>
<td>1,0</td>
<td>1,0</td>
<td>0,86</td>
</tr>
<tr>
<td>AGFI</td>
<td>Sup. or = 0,9</td>
<td>0,95</td>
<td>0,95</td>
<td>0,98</td>
<td>0,98</td>
<td>0,81</td>
</tr>
<tr>
<td>RMR</td>
<td>Inf. or = 0,05</td>
<td>0,035</td>
<td>0,05</td>
<td>0,021</td>
<td>0,044</td>
<td>0,05</td>
</tr>
<tr>
<td>NNFI</td>
<td>Sup. or = 0,9</td>
<td>0,99</td>
<td>0,90</td>
<td>1,0</td>
<td>1,0</td>
<td>0,93</td>
</tr>
</tbody>
</table>

APPENDIX 2: VALIDATION OF RESEARCH HYPOTHESES

<table>
<thead>
<tr>
<th>Hypotheses</th>
<th>Relationships</th>
<th>Expected Sign</th>
<th>Obtained Result</th>
<th>Observation</th>
</tr>
</thead>
<tbody>
<tr>
<td>$H_{1.1}$</td>
<td>Resources affect + EMS</td>
<td>+</td>
<td>+ Significant</td>
<td>Accepted.</td>
</tr>
<tr>
<td>$H_{1.2}$</td>
<td>Organizational resources affect + EMS</td>
<td>+</td>
<td>Non significant</td>
<td>Rejected</td>
</tr>
<tr>
<td>$H_{2.1}$</td>
<td>Internal barriers affect - EMS;</td>
<td>-</td>
<td>Non significant</td>
<td>Rejected</td>
</tr>
<tr>
<td>$H_{2.2}$</td>
<td>External barriers affect - EMS;</td>
<td>-</td>
<td>Non significant</td>
<td>Accepted.</td>
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<tr>
<td>$H_3$</td>
<td>Firm international experience affects + EMS.</td>
<td>+</td>
<td>- Significant</td>
<td>Rejected</td>
</tr>
<tr>
<td>$H_4$</td>
<td>Firm age affect +EMS</td>
<td>+</td>
<td>Non significant</td>
<td>Rejected</td>
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<tr>
<td>$H_{5.1}$</td>
<td>EMS adaptation affects + EP growth dimension.</td>
<td>+</td>
<td>+ significant</td>
<td>Accepted.</td>
</tr>
<tr>
<td>$H_{5.2}$</td>
<td>EMS adaptation affects + EP competitiveness dimension.</td>
<td>+</td>
<td>+ Significant</td>
<td>Accepted.</td>
</tr>
<tr>
<td>$H_{6.1}$</td>
<td>Firm size acts + on EMS</td>
<td>+</td>
<td>Non significant</td>
<td>Rejected</td>
</tr>
<tr>
<td>$H_{6.2.1}$</td>
<td>Firm size acts + on EP growth dimension.</td>
<td>+</td>
<td>+ Significant</td>
<td>Accepted.</td>
</tr>
<tr>
<td>$H_{6.2.2}$</td>
<td>Firm size acts + on EP competitiveness dimension.</td>
<td>+</td>
<td>Non significant</td>
<td>Rejected</td>
</tr>
</tbody>
</table>

Figure 2: The structural model