
EXPORT COMMITMENT AND PERFORMANCE IN SMALL FIRMS

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ABSTRACT

This study extends empirical evidence on the relationship between export commitment and export intensity. Data collected through a mail survey of 173 U.S. small exporters indicates significant correlations between export intensity and three factorized measures of organizational commitment to exporting: interest in foreign markets, domestic and overseas export-related marketing activities. A discussion of the findings is presented within the behavioral framework of export performance and implications and direction for future research are discussed.

INTRODUCTION

Engaging small- and medium-sized enterprises (SMEs) in foreign markets and understanding the determinants of export intensity are important policy and research issues of growing interest in view of the economic growth effect of exports (Wilson, Mann, & Otsuki, 2005). Therefore, it is no surprise that government agencies offer export facilitation programs and research to explain export intensity is growing (Gourlay, Seaton, & Suppakitjarak, 2005; Morgan, Kaleka & Katsikeas, 2004; Sharma, Young, & Wilkinson, 2006; Wolff & Pett, 2000). Export intensity refers to the ratio of export sales to total sales of a firm (Gourlay et al., 2005; Ural & Acaravci, 2006, Wolff & Pett, 2000). SMEs that have a high export intensity ratio expand their markets beyond national borders and are likely to foster sales growth, job creation, and economic development. However, what are the key determinants of export intensity? Factors both in the firm's external and internal environments are likely significant factors from a contingency perspective (Cavusgil & Zou, 1994; Sharma et al., 2006; Walters & Samiee, 1990).

Although a few studies have examined factors within the firm that may explain export behavior (e.g. Cavusgil & Zou, 1994; Cavusgil & Noar, 1987; Dichtl, Leibold, Koglmayr, & Muller, 1984; Erramilli & Rao, 1990; Holzmuller & Kasper, 1991; Gripsrud, 1990; Johanson & Vahlne, 1977), research that has focused on the relationship between decision-maker export commitment is still very limited (Cavusgil & Zou, 1994; Moen & Servais, 2002, Walters & Samiee, 1990). More studies are needed for generalization. The commitment of a firm to exporting refers to its orientation to exporting. Walters and Samiee (1990) studied a small sample of U.S. firms and found that the variables that correlated with export success vary according to the dimension of export performance being examined. A significant relationship was found between the export proportion of sales and strategic planning but no significant relationship was found between

commitment and export sales growth. However, Cavusgil & Zou (1994) found a positive relationship between export performance and commitment, as well as support of foreign distributors and subsidiaries. In view of the inconclusive findings in these and other studies, additional research is needed to enhance understanding regarding behavioral determinants of firm export performance. The present study addresses this gap with a focus on an expanded operationalization of organizational commitment and extends available knowledge on the relationship between organizational commitment and export intensity.

In the next sections of the paper, a review of the relevant literature is presented and hypotheses are developed. The research methodology is discussed and the results are presented and discussed. The paper concludes with a section on implications and suggestions for future studies.

RELEVANT LITERATURE AND HYPOTHESES

Organizational commitment to exporting in this study refers to the interest the decision makers of a firm have in foreign markets and their investment of time and resources in carrying out export-related activities (Sharma et al. 2006, Cavusgil & Nevin, 1981; Walters & Samiee, 1990). The concept of organizational commitment to exporting falls within the framework of the behavioral considerations of the internationalization process (Cavusgil & Nevin, 1981; Cavusgil & Noar, 1987; Diethl et al., 1984; Johanson & Vahlne, 1977; Olson & Wiedersheim-Paul, 1978). Behavioral scholars argue that factors within the firm and not in its external environment are critical to exporting. In this regard, Johanson and Vahlne (1977) proposed that foreign market commitment is an underlying mechanism that determines export behavior. Similarly, Cavusgil and Nevin (1981) considered organizational commitment a meaningful internal determinant of exporting and proposed a model that causally links commitment and exporting. In their model, commitment was measured by items on marketing planning, the systematic exploration of the possibility of exporting, formal structure for evaluating export opportunities and policy regarding exports. A test of the proposed model showed that the level of a firm's commitment to export marketing was an explainable factor of whether the firm was currently exporting or not (Cavusgil & Nevin, 1981). Moen and Servais (2002) found that the future export involvement of a firm is influenced by its behavior. These findings suggest that the interest decision makers have in exporting may be a key determinant of exporting. This proposition is supported by Lim, Sharkey, and Kim (1991) who found a significant direct effect of interest on export adoption. These results suggest the following hypothesis:

Hypothesis 1: Interest in foreign markets is positively associated with export intensity.

Regarding the relationship between management interest and export market entry, Cavusgil and Nevin (1981) had earlier found that the reluctance of firms to export might be largely attributable to top management's lack of determination to export. Bello and Barksdale (1986) also found that the ability to sell to foreign buyers is associated with commitment to exporting. Commitment was defined as the importance attached to exporting as reflected in the firm's willingness to invest time and resources in its dealing with foreign buyers (Ford, 1984). Based on similar findings, Cavusgil and Nevin (1981) remarked that a firm's top management should be able to increase its probability of exporting by investing resources in market planning and by systematically exploring the possibility of exporting. The exploration of export opportunities

involves carrying out export-related activities locally and in overseas markets. Foreign market visits by top executives, salespeople and engineers (Serinhaus, 1987), for example, have been considered important dimension of organizational commitment to exporting. Based on the preceding discussion, the following hypotheses can be posited.

Hypothesis 2: Domestic export effort is positively associated with export intensity.

Hypothesis 3: Overseas export effort is positively associated with export intensity.

In general, export-related activities are generally considered indicators of organizational commitment to exporting although the results of a few studies that have examined the relationship between commitment and export intensity are mixed (Cavusgil & Zou, 1994; Moen & Servais, 2002; Walters & Samiee, 1990). To extend these findings, the following proposition was examined in the present study:

Hypothesis 4: Organizational commitment to exporting is positively associated with export intensity.

SAMPLE AND DATA COLLECTION

A field study was conducted to examine the hypotheses outlined in the preceding section. A systematic random sample of 300 small export firms was selected from the United States Importers and Exporters Directory. The sample was restricted to a single U.S. state due to a need to reduce variance that may be contingent on state-specific conditions. In addition, the sampling of just one state provides results that state officials might consider insightful and useful for practical implications. The sample was also restricted to firms that are engaged in trading goods abroad.

A pretested mail questionnaire was sent to the president of each firm included in the survey. The presidents were chosen as respondents because, as top-level officers, they would be in a position to be fully aware of the international marketing efforts and policies of their firm. An initial mail out and a follow-up to nonrespondents were employed, resulting in a return of 173 questionnaires. Thus, the final responses rate was approximately 58%. An analysis of the responses indicated no significant problem of nonresponse bias.

MEASURES

EXPORT INTENSITY

The export intensity of a firm was measured by the ratio of export sales to total sales (Burton & Schlegelmilch, 1987; Walters & Samiee, 1990). Thus, respondents for the firms surveyed were required to indicate the approximate percentage of their firm's annual sales that was derived from exporting.

ORGANIZATION COMMITMENT

Interest in foreign markets. The organizational commitment of a firm to exporting was measured using three sets of indicators. The first indicator is the interest of the decision makers in exporting (Seringhaus, 1987). It was measured by asking respondents to use a Likert-type scale item to indicate their agreement to the statement “my firm wants to win internationally.” Response choices ranged from *strongly agree* (5) to *strongly disagree* (1).

Domestic export effort. The second indicator is the international marketing activities carried out by a firm in the domestic market. This was measured using a nominal scale. Respondents were required to indicate whether their firm carried out marketing planning, and a systematic exploration of the possibility of exporting (Cavusgil & Nevin 1981). It was also measured by a firm’s frequency of developing sales from trade shows, trade fairs, and conferences organized in the domestic markets (Seringhaus, 1987).

Overseas export effort. The third indicator of organizational commitment to exporting is export related effort in overseas markets. Respondents were asked to indicate how often their firm carried out overseas export related activities (trade fairs, trade shows and exhibits, trade missions, market visits for matters relating to agents and distributors, and sales). Likert-type scale items were used and the response choices ranged from *very often* (5) to *very rarely* (1). An index of commitment was developed by summing the scores on the scale items and then dividing by the total number of items. The reliability estimate for the commitment measure was 0.71. With respect to the validity of the overall scale, a pilot study was conducted even though the operationalization of commitment in this study is consistent with prior studies. The results of the pilot study indicated that the content validity of the questionnaire was satisfactory.

ANALYSIS AND RESULTS

Regression analysis was used to examine the hypothesis advanced for the present study. Overall, the hypotheses proposed a positive association between organizational commitment to exporting and export intensity. The same relationship was posited with respect to three indicators of organizational commitment. The first step in analyzing the data consisted of examining correlations among the variables to check for problems of multicollinearity. As shown in Table 1, decision makers’ interest is moderately correlated with both export-related markets activities conducted locally and overseas. Thus, there was the presence of only a small level of multicollinearity. As a result, the variables were treated as independent in the analysis.

HYPOTHESES 1–3.

Regression analysis was used to examine these hypotheses. Hypotheses 1–3 posit that export intensity is a function of the decision makers’ interest in exporting as well as export marketing activities conducted in the domestic and overseas markets. The results of the analysis reported in Table 2 show significant positive correlations. The overall F test statistic of 41.6 is significant at the .05 level of significance. Thus, support was found for the three hypotheses.

The relative importance of each of the three variables with respect to their impact on export intensity is indicated by the magnitude of the beta coefficients reported in Table 2.

TABLE 1. CORRELATION MATRIX OF MEASURES OF ORGANIZATIONAL COMMITMENT AND EXPORT INTENSITY

Variables	1	2	3	4
1. Overseas export effort	1.00			
2. Interest in foreign markets	.52*	1.00		
3. Domestic export effort	.43*	.29*	1.00	
4. Export intensity	.57*	.52*	.41*	1.00

* Significant at 0.05 level.

TABLE 2. RESULTS OF MULTIPLE REGRESSION ANALYSIS OF MEASURES OF ORGANIZATIONAL COMMITMENT AND EXPORT INTENSITY

Variables	Beta coefficient	t value	Significance level
Overseas export effort	.349	4.82	.0001
Interest in foreign markets	.286	4.19	.0001
Domestic export effort	.181	2.78	.0001

Note: R-Square = .651; Adjusted R-Square = .425; F = 41.6, significant at the .0001 level.

As indicated, overseas export-related marketing activities have the strongest impact on export intensity. The second most important variable is decision makers' interest in exporting. Export-related marketing activities carried out in the local market are least important.

HYPOTHESIS 4

Hypothesis 4 proposed that the overall organizational commitment of a firm to exporting is positively associated with export intensity. Organizational commitment to exporting was defined as a firm's interest in exporting as reflected in its investment of time and resources in export related activities conducted locally and overseas.

TABLE 3. RESULTS OF A MULTIPLE REGRESSION PATH ANALYSIS OF ORGANIZATIONAL COMMITMENT AND EXPORT INTENSITY

Independent variables	Dependent variables			
	Overseas activities	Domestic activities	Commitment	Export intensity
	Beta coefficients			
Interest in foreign markets	0.51**	0.29***	0.30***	0.28***
Overseas export effort		0.43***	0.49***	0.35***
Domestic export effort	0.43***		0.33***	0.18***
Organizational commitment				0.60***

Note: ** Significant at the 0.001 level. *** Significant at the 0.0001 level.

The results of a regression path analysis performed to determine the structure of organizational commitment and relationships with export intensity are shown in Table 3. It shows the causal path of export intensity. As indicated, decision makers' interest in exporting directly affects the frequency of conducting domestic export-related marketing activities ($\beta = .29$) and overseas export related activities ($\beta = .51$). In addition, overseas activities directly affect commitment ($\beta = .49$) and domestic export marketing activities directly affect commitment ($\beta = .33$). The direct correlation between organizational interest and commitment is also shown (.30). All t values were significant at the .05 level. A much stronger relationship was found between overall commitment and export intensity ($R\text{-square} = .367$, $F = 99.2$; $p < .001$).

This combined impact of decision makers' interest in domestic and overseas export related activities have a stronger correlation with export intensity than the individual measures. The β for both the domestic and overseas activities are .10 and .34 respectively (see Table 3). Overall, organizational commitment accounted for about 36% of the variance in export intensity.

DISCUSSION

International business researchers with an interest in the export process have tended to focus on export behavior and market entry considerations (e.g., Dichtl et al., 1984, Holzmüller & Kasper, 1990; Lim et al., 1991) but have paid limited attention to export performance beyond the export adoption stage. Despite the relevance of this emphasis, theoretical and practical work on the determinants of export performance postexport adoption is lacking. The present study examined the organizational commitment to exporting as determinant of export intensity, which is a measure of export performance postexport adoption. The results indicated a significant correlation at the .0001 level and provide strong support for the relevance of organizational commitment in exporting, as indicated by previous empirical studies. For example, Cavusgil and Nevin (1981) and Seringhaus (1987) found commitment to be an important consideration in the export process.

The results of the present study also support several conceptual considerations of the behavioral framework of the internationalization process. This framework emphasizes that factors within the firm are important determinants of export behavior and performance (see Gripsrud [1990] for a brief review of relevant literature). Presently, however, evidence on the ability of various firm and management characteristics to discriminate between exporting and nonexporting firms is mixed (Cavusgil & Noar, 1987). However, decision-maker characteristics, in general, have been found to influence the foreign market orientation of a firm (Dichtl et al., 1984; Holzmüller & Kasper, 1990, 1991). In particular, decision-maker interest in foreign markets, doing business with overseas customers, and exploring market opportunities has been found to be significantly related to export adoption (Lim et al., 1991).

In addition to decision-maker interest in foreign markets, investment in export-related marketing activities was found to influence export intensity. This impact may be because environmental scanning activities enhance the market knowledge needed for export decision making (Reid, 1984). Overseas marketing activities, for example, provide several benefits. They are a means for gaining knowledge about the market opportunities and threats and provide opportunities for

personal contact with prospective buyers and participants in the channel of distribution. Furthermore, overseas activities facilitate the development of trust and credibility, which seem to be important considerations in buyer-seller relationships across national borders (Ford, 1984).

IMPLICATIONS AND CONCLUSION

The present study provides major contributions to the conceptual framework of exporting in many regards. First, it supports normative considerations pertaining to the relevance of behavioral factors in export behavior and performance. Second, it points to the need for additional conceptual work that emphasizes post export-market entry considerations such as export intensity. Unlike previous studies, the present study extended the aggregate analysis of organizational commitment. Its indicators, firm interest in foreign markets, the conduct of domestic and overseas export-related activities, were all found to be significant determinants of export intensity. In addition, as shown in Table 1, the results suggest an export-intensity model with behavioral factors as important variables.

Considering the increasing competitive global market, and interest in what exporters need to do to expand their exports, the results of the present study provide useful practical guidelines. They suggest that firms would increase their export sales if they increased the level of their interest in foreign markets and their involvement in export-related activities. However, emphasis should be placed on overseas activities because they had a stronger influence on export intensity. The findings also suggest that firms should emphasize overseas sales efforts such as frequent participation in overseas trade fairs, trade missions and government activities, and programs that bring U.S. firms and foreign prospective buyers together in both domestic and overseas markets.

Furthermore, regarding programs geared toward educating small and medium-sized firms to start exporting or to improve their export performance, the findings suggest that export training efforts should emphasize the active engagement of small firms in export related activities. It would be important to also stress the need to maintain a persistent interest in exporting. This consideration might be predicated on the fact that Americans live too much in the present, they put too much emphasis on short-term goals, and will not make long-term commitments for the future. This value orientation may not guarantee success in foreign markets in which export development takes time and requires a continuous effort. In this regard, de Silva (1988) pointed out that export market development is not a short-term commitment. In fact, in many foreign markets, success might be experienced only through a strong commitment by management and efforts over a period of one to three years. Thus, temporal considerations in export development are important and Americans must be trained to be patient when exploring foreign market opportunities.

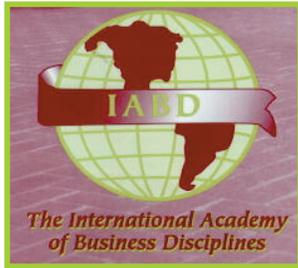
The generalization of the results of this study, however, is limited because the sample was selected only from one American state. Data obtained from firms in other states and non-U.S. firms may provide different results. However, in the context of previous studies that have examined organizational commitment and export market entry (Moen & Servais, 2002) this study provides insightful findings. The strong support for the correlation between organizational interest in exporting, domestic and overseas export-related activities on export intensity validates the contention of behavioral scholars that factors within the firm are key determinants of export performance. However, considering that previous studies have focused mainly on considerations

at the export market, entry level in the context of developed countries, post-export adoption examinations of export intensity are needed to enhance normative and practical knowledge needed in the increasingly global economy of the new millennium. Recommended are studies focusing on export behavior in emerging economies and firms that are not yet engaged in exporting.

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