

## **Entrepreneurial perceptions and bias of SME exporting opportunities for manufacturing exporters: a UK study**

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**Entrepreneurial perceptions and bias of SME exporting opportunities for manufacturing exporters: a UK study**

## **Abstract**

**Purpose** – Success in export ventures has been linked to managerial capabilities. This study seeks to examine the influence of exporting motivators on managerial perceptions of United Kingdom (UK) manufacturing small and medium-sized enterprises (SME) by investigating the links between export motivators and decision bias (i.e. predictable behaviour) .

**Design/methodology/approach** – Based on the Uppsala and Resource-based view perspectives (using a sample of UK independent manufacturing SMEs and utilizing a survey, correlation analysis and factor analysis), this study finds and describes the effect of the most recurrent motivators and clusters of motivators from the literature on the SMEs' decision to export by investigating the dimensions.

**Findings** – This study finds that export motivators can be separated into specific dimensions leading to potential selection bias. In addition, the importance of size, knowledge of foreign markets and unsolicited orders show an association with the perceptions of motivator stimuli towards specific dimensions (research, external, reactive).

**Practical implications** – Government policy and SME export strategy need to understand managerial perceptions and bias better in order to allocate resources efficiently towards stimulating exporting.

**Originality/value** – The literature and empirical work on the topic has been fragmented and conflicting focusing on specific motivators but not necessarily explaining the selection or origin of motivators even less on SMEs. Dimensions have not been taken into account as clusters of motivators.

**Keywords** – Small to medium-sized enterprises, entrepreneurship, export, motivation, United Kingdom, manufacturing.

**Paper Type** – Research paper

## **Introduction**

Due to the nature of today's marketplace, SMEs are increasingly facing similar international problems as larger firms. For many SMEs, especially those operating in high-technology and manufacturing sectors, it is no longer possible to engage in the marketplace without taking into account the risks and opportunities presented by foreign and/or global competition. The study focuses on the new emerging area of international entrepreneurship and its theoretical basis within internationalization research. International entrepreneurship places more importance on entrepreneurship and entrepreneurs (and their characteristics), widely considered as the main variable in SME export research due to the decisions they face in a globalized environment (Oviatt and McDougall, 2005).

We can distinguish three aspects directly linked to the firm's management that the literature has addressed as factors explaining the firm's export behavior (Albaum et al., 2008): the importance attached to determined business objectives, the managerial perceptions, and the management characteristics. As Chetty and Blankenburg (2000) state, the manager, especially in small and medium enterprises, plays an important role in identifying the stimuli for the firm to export. In fact, we can say that decisions regarding the internationalization process ultimately depend on the motivations and skills of the managers involved in the process (Savaneviciene and Duoba, 2004; Salavou and Halikias, 2009). Consequently, the decision to operate in multiple markets increases the skill and knowledge requirement of top management including the reactivity to perceived motivators.

Most dominant approaches to the study of entrepreneurship assume that the career choices of potential entrepreneurs are rational in the face of risk (Knight, 1921). Yet, contrary to the focus on entrepreneurial firm growth in the literature, many new ventures do not, or never, grow and stop trading after inception (Storey, 2011), or even persistently

underperform in their lifespan (McCarthy *et al.*, 1993). As Debrulle *et al.* (2014) and Lechner and Gudmundsson (2014) state, management experience, entrepreneurial orientation, and its choices has a significant effect on the SME both in dynamic and static environments. As Hilmersson (2014) suggests, experiential knowledge in managers and SMEs is a multidimensional construct and in need of further research as SMEs develop heterogeneous types of experiential knowledge.

Earlier empirical studies have demonstrated high levels of business failure and rates of exit from self-employment which can be related to export initiation. Three main explanations are provided for this by Camerer and Lovallo (1999): firstly, some entrants are impulse “hit and run” cases enjoying only short opportunities in order to make profits. Secondly, entries can be viewed as expensive lottery tickets from some as most entrants expect to make negative returns and thus fail, entry still maximises the expected profits due to the expected rewards being substantial. Thirdly, many entry decisions can be mistakes founded on overconfidence or unrealistic optimism. Thus, the study examines, using export motivators gathered from the literature (e.g. Leonidou *et al.*, 2007) and following the dimensions presented by Stouraitis *et al.* (2017), the existence of bias towards particular sets of motivators (external, internal etc) in the manufacturing SME manager’s choice to export when affected by exporting motivators, i.e. opportunities or risks.

The study is based on the findings of Stouraitis *et al.* (2017) which examined the influence of EU regulations on exporting decisions of UK manufacturing SMEs by investigating the home and host country based motivators behind SMEs’ choice to export. This study investigates managerial capabilities in exporting through perceptions and bias among export motivation and categorizes the motivators into dimensions presenting a clearer description of each. This study finds that the motivators can be separated into dimensions according to the literature on export motivation but finds no significant association between the motivators and the dimensions. The importance of size (See: Blackburn *et al.*, 2013), knowledge of foreign markets and unsolicited orders as biases towards exporting and selecting specific dimensions show a weak association with specific dimensions (research, external, reactive). These three motivators stand out according to their importance in the literature; firm size (Calof, 1993), knowledge of foreign markets (Leonidou *et al.*, 2007), and unsolicited orders (Johanson and Vahlne, 1990). The associations are discussed below.

## **Literature Review**

The difference between *must* and *want* determines which category of motivators should in theory affect the firm and which should not; these motivators are situational (i.e. act at one point in time) and generally consist of variables (reactive and proactive, home and host) such as unsolicited orders, unique products, size, excess capacity and common market membership (Driscoll, 1995; Kuada and Sørensen, 2000). The 32 motivators examined by the study and shown in table 1 are some of the most significant and most recurring motivators from the literature (Driscoll, 1995; Leonidou *et al.*, 2007; Stouraitis *et al.*, 2017). They are subdivided into firm level, external and managerial level. The nature of the stimulus also determines the firm’s internationalization direction (Leonidou and Katsikeas, 1996) and hence its survival and success; e.g. Ill-prepared or weakly stimulated firms will be more likely to struggle. According to Leonidou *et al.* (2007) motivators can be separated into proactive/reactive and internal/external; internal being those that derive from within the firm and external from the environment. The 32 variables selected, as seen in table 1, are recurring in the literature (Driscoll, 1995; Kuada and Sørensen, 2000; Leonidou *et al.*, 2007) and either deemed of very high and high impact by Leonidou *et al.* (2007) or are clearly host country-specific. In addition, host country-specific lower impact motivators may complement other higher impact

motivators or affect the firm in other ways not related to internationalization which makes our focus on them more significant.

### [Table 1]

Understanding how barriers, bias or inhibitors impede the exporting process is of vital importance in the attempt to understand why and how firms become involved in overseas host markets (Bilkey 1978). Seringhaus and Rosson (1989) divide export barriers into four large categories: motivational, informational, operational/resource-based, and knowledge. Leonidou (2004) divides exports barriers into internal and external. As Leonidou *et al.* (2007) state that the stimulation effort is generally based on reactive factors and this may lead the firm into problematic export paths, the effort should be based on proactive factors (e.g. firm-specific advantages, foreign market knowledge) as each opportunity is examined carefully to ensure that it conforms to the company's goals for profits, sales and is overall strategic export plans.

#### *Opportunity Recognition*

Several empirical studies have examined the impact of export related activities (Gray, 1997; Leonidou and Katsikeas, 1996; Trimeche, 2003) yet much less on SMEs than larger firms (Javalgi and Todd, 2012). The factors influencing export involvement are not the same during all stages, thus export performance and export initiation differ. The relationship between managerial attitude and behaviour has been the subject of debate (Eshghi, 1992), yet most recent studies focus on the relationship between managerial attitude and export performance, but not the decision to export per se and the pre-export phase. As Morgan and Katsikeas (1997) state, motivators (or stimuli) differ in impact among non-exporters and those maintaining a position, something government policy has not been aware of. As Ates *et al.* (2013) state, SMEs are more focused on short term planning which is the manager's responsibility. International entrepreneurial orientation tends to promote the development of a strategic competence, as well as internationalization preparation and technology acquisition; SMEs that prepare in advance to enter foreign markets tend to enjoy better performance (Knight, 2001).

#### *Entrepreneurship and perception*

*"International entrepreneurship is a combination of innovative, proactive, and riskseeking behavior that crosses national borders and is intended to create value in organizations"* (McDougall and Oviatt, 2000). Studies have shown a direct link between entrepreneurial orientation and degree of internationalization, in advanced and emerging economies (e.g. Autio *et al.*, 2000; Javalgi and Todd, 2012, Zucchella *et al.*, 2007). Entrepreneurship per se differs from SMEs in that entrepreneurship is a process leading to the creation of SMEs and business ventures while SMEs only represent firms or businesses in small and medium sizes (Olusegun, 2012). The two complement each other. The advantages that the manager or entrepreneur could perceive in exporting have generally fallen into three elements: profitability, risk and cost (Basche, 1971). This, therefore, has an effect on how motivators to export are perceived. These perceived obstacles have three significant effects on business behavior (Ortiz *et al.*, 2012); Firstly, many small firms perceive exporting with great skepticism and refuse to initiate or develop activities overseas. Secondly, new exporters develop a negative attitude and perception toward exporting. Thirdly, consolidated exporters

experience a fall in, or loss of, their performance, which could even entail a risk to their survival in international markets.

According to the OECD (2009), knowledge of international markets and the ability to identify foreign opportunities (i.e. the entrepreneur's role), are seen as the top barriers for SMEs. Entrepreneurs are distinct and have specific biases and views of individualism which must be taken into consideration when assessing and promoting entrepreneurship and when understanding that decisions are affected by these preconceptions (Petersen, 1988). According to Reid (1981) the firm's structure and the level of innovative behaviour of the manager are the key to international performance for the firm. Entrepreneurial opportunities are defined as "*situations in which new goods, services, raw materials, and organizing methods can be introduced and sold at greater than their cost of production*" (Shane and Venkataraman, 2000:108). Shane and Venkataraman (2000) argue that the discovery of an opportunity is not enough, the manager must decide to exploit the opportunity with correct timing. The current literature treats opportunity recognition and exploitation as distinct steps (Jarvis, 2016). The gap between the two is what the study examines as shown in figure 1. As Smit and Watking (2012) observed while investigating SMEs in South Africa, SME owner-managers are primarily responsible for the management of their enterprises' activities.

### [Figure 1]

As Debrulle *et al.* (2014) and Lechner and Gudmundsson (2014) state, management experience, entrepreneurial orientation, and its choices has a significant effect on the SME both in dynamic and static environments (Ruzzier *et al.*, 2006). As Hilmersson (2014) suggests, experiential knowledge in managers and SMEs is a multidimensional construct and in need of further research as SMEs develop heterogeneous types of experiential knowledge. Researchers have sought to investigate cognitive bias in the decision-making of new and established entrepreneurs by drawing on established ideas on bounded rationality and biased expectations (Adomdza *et al.*, 2016; Mitchell *et al.*, 2002; Simon, 1955). In addition, few studies have considered why an entrepreneurial manager in an established firm, as opposed to a new venture, is motivated to undertake international market entry (Perks and Hughes, 2008).

#### *Exporting (Opportunity Exploitation)*

Within the market entry strategy, exports represent a relevant stage which allows SMEs to gain international experience and to reduce uncertainty in foreign markets (Majocchi *et al.*, 2005). According to the literature (Johanson and Vahlne, 1977;1990) the international expansion of firms is a learning process in which firms progressively gain international experience, which in turn leads them to then increase their commitment to foreign markets (Forsgren,2002). Therefore, exports are regarded as an optimal, and most recurrent (Jones, 2001) basis for SMEs to begin internationalization as the international expansion of SMEs is regarded as a process whose activities develop incrementally over time. As Hilmersson (2014) states, strategy of firm internationalisation can be seen as a relevant predictor of performance particularly during market turbulence. As Aremu and Adeyemi (2011) state, SMEs are the engine of growth for the economy, not only in the developed world but also in

developing countries. The study focuses on firms exporting through traditional pathways, more prone to inertia, and not born globals (Bell *et al.*, 2003).

### *Bias/Perception*

Researchers have sought to investigate cognitive bias in the decision-making of new and established entrepreneurs by drawing on reputable ideas on bounded rationality and biased expectations (Simon, 1955). In addition, few studies have considered why an entrepreneurial manager in an established firm, as opposed to a new venture, is motivated to undertake international market entry (Perks and Hughes, 2008). As Ortiz *et al.* (2012) state, perception is the cornerstone of export initiation and SMEs are most susceptible to barriers. Resources are critical to exporting SMEs and higher rates of success can be seen in repeat exporters. An organism or agent will want to attend to stimuli in order to avoid a dangerous situation or miss a valuable opportunity. An action towards that stimulus that leads to a successful response will ultimately reinforce that behavior, and if performed long enough will turn into a habit. However, a successful agent should also be flexible enough to break away from repetitive behavior in search of new opportunities, through trial and error. In other words, an agent should exploit what it already knows, but also risk exploring for even better opportunities in the future (Mahadevan and Kaelbling, 1996; Delgado *et al.* 2005).

Despite the fundamental mechanisms involved in risk-taking across organisms, individuals differ in their willingness to take risks. Past research has suggested that perhaps entrepreneurs are individuals who are more willing to take risks because they perceive actions as less risky (Kahneman and Lovallo, 1993), other studies have argued that this is not the case, since entrepreneurs do not view themselves as being more predisposed towards risk taking than others (Palich and Bagby, 1995). Instead, there is evidence to support that the increase in risk-taking is associated with cognitive biases. These biases result in a decrease in the perception of risk (Simon *et al.* 2000; Dali and Harbi, 2016).

Decision-making is a critical aspect of the pre-internationalization phase and pre-export phase (Tan *et al.*, 2007) which in turn affects the future performance and strategy of the internationalizing SME. As Covin and Slevin (1989) state performance among small firms in hostile environments was positively related to an organic structure, an entrepreneurial strategic posture, and a competitive profile characterized by a long-term orientation. As Hodgkinson *et al.* (1999) point out framing bias is an important factor in strategic decision-making. Perks and Hughes (2008) present the entrepreneur's tacit knowledge and vision as one of the strongest influences in the decision to internationalize. Furthermore, Reid (1983) states that how foreign market information is utilized depends on the entrepreneur's capabilities and motivations.

### *Export motivators*

Existing research in the area of pre-export phase has mostly been theoretical (Anderson and Gatignon, 1986; Casillas *et al.*, 2010; Dunning, 1988; Hennart, 1989; Hill *et al.* 1990; Leonidou *et al.*, 2007; Root, 1987; Tan *et al.*, 2007) The existing empirical research has mostly focused on the manufacturing sector (Clegg, 1990; Gatignon and Anderson, 1988; Trimeche, 2003) or contained a mix of sectors and industries (Harrigan, 1985; Kogut and Singh, 1988). As McDougall and Oviatt (2000) state international business researchers have begun expanding their traditional focus on large multinational companies to also include entrepreneurial firms and SMEs in their research agendas.

It is generally suggested that there is a positive relationship between international involvement (including exporting) of SMEs and firm performance (Hilmersson, 2014). However, up until today the entry mode research conducted on MNEs is still much larger than on SMEs. This study focuses on the United Kingdom (UK) manufacturing sector as

manufacturing (although declining in importance domestically) still represents 54% of UK exports, employs 2.6million people and the UK remains the world's 11<sup>th</sup> largest manufacturer (United Kingdom House of Commons Library, 2015; United Kingdom Department for Business Innovation and Skills, 2015).

Most of the empirical research viewed the firm's involvement in international operations as an evolutionary and sequential process, based on the fundamental assumption that export activity develops from a series of incremental decisions. Theoretical development has been based largely on the "Uppsala Internationalization Model" (Johanson and Vahlne, 1977, Johanson and Weidersheim-Paul, 1975), suggesting that firms move through stages as they progress from being non-exporters to being actively involved in export markets. The Uppsala model has been challenged as lacking in explanatory power and testability (Andersen, 1993), as being overly simplified, and as being out of date and inaccurate due to the new "Born Global" phenomenon. As Leonidou *et al.* (2007) state in their review of the motivator literature, the literature till now has been non programmatic (with duplication of work), fragmented, inconsistent, and approached only partially specific motivators while neglecting other critical ones and finally did not offer an analysis of the importance of each stimulus to exporting. It is evident that unification of the most important and significant existing motivators within the literature (whilst looking at each in detail) and a closer look at the more recent topics of SMEs and exporting is necessary. A clarification amongst the motivators is necessary to show the forces at work in the model that lead the firms to select specific options in international markets. In addition as Francioni *et al.* (2016) state in their review of the motivator literature, the future agenda should focus more on the entrepreneur's characteristics.

### **Research question**

Based on the above models, a resource-based perspective on internationalization is currently emerging as a useful tool to explain export strategy. The RBV (resource based view), developed within the field of strategic management, has roots in Edith Penrose's (1959) work, characterizing firms as a collection of heterogeneous or firm-specific resources (Foss *et al.*, 1995).

The motivator variables that instigate exporting have been analyzed in the literature, yet they have not been subdivided or tested for links between them. The manager's attitude towards certain motivators and his/her perception of them is in need of investigation. In addition, as Francioni *et al.* (2016) state, Leonidou *et al.* (2007)'s work on motivators did not focus on specific motivators which are included in this study such as R&D , purchasing (i.e. Sourcing) and the subdivision between host and home country motivators (Stouraitis *et al.*, 2017). As per studies on export behaviour (Pan and David, 2000; Barkema and Drogendijk, 2007; Andersson *et al.*, 2004) this study is not process based (Welch and Paavilainen-Mäntymäki, 2014) but contributes to the internationalization process research using variance data with variance theory accessing present export choices at one point in time (e.g. Barkema and Drogendijk, 2007).

Following the reactive Uppsala model perspective common amongst SMEs (Bilkey and Tesar, 1977; Johanson and Vahlne,1977,1990) and Barney's (1991) proactive resource-based view of internal competences (Dhanaraj and Beamish, 2003; Lin and Wu, 2014; Peng, 2001; Terziovski, 2010; Westhead *et al.*, 2001) this study examines the effect of specific exporting motivators towards exporters' perceptions. The Uppsala model implies that firms increase their international involvement in small incremental steps within those foreign markets in which they currently operate, i.e. through reactive dimensions. While the Resource-based view implies that other dimensions will prevail as the SME utilizes its resources to export proactively. Firms will then enter new markets lying at a greater "psychic distance" due to

differences in languages, education, business practices etc. Therefore this leads us to our research question; is managerial perception of export motivators determined by bias leading to predictable behavior and associations?

## Methodology

### *Participants*

The definition of SME adopted by this study is the European Union (EU) SME definition of 2003 (European Commission, 2003a). In this study the effect of the motivators is examined during the year of export and as a single move. Age, as D'Angelo *et al.* (2013) point out, does not have a significant effect on export success. Size is measured at the present point of first export year. The firms are classified according to degree of commitment to internationalization and export status as in Rao and Naidu (1993) where "stage" of internationalization does not denote a process but a "type" (i.e. Mode and degree of commitment). The stages are not seen as sequential per se (Wickramasekera and Oczkowski, 2006), but as varying in commitment levels and are categorized accordingly. Therefore, the latest entry mode of all firms used in this study is exporting and the factors are all assessed for their influence at one point in time. With a sample of n=103 (e.g. Calabro' and Mussolino, 2013; Chelilah *et al.*, 2010; Chowdhury *et al.*, 2015) independent UK manufacturing SMEs, taken from the EXPERIAN<sup>1</sup> business database population of independent manufacturing SMEs (containing the majority of UK firms), and utilizing a UK survey and factor analysis, this study finds and describes the effect of the most recurrent motivators from the literature on the SME managers' decision to internationalize and export. All 678 independent UK SMEs in manufacturing in the EXPERIAN database were surveyed, some first time exporters while others established and repeat exporters (according to the questionnaire) with a return rate of 103.

The variables not available on the database, i.e. over 90%, were taken qualitatively through a survey. The average size was 96 employees with the majority being medium sized while the average date of incorporation was 1981. The questionnaire consisted of behavioural and attitudinal questions around the SME's decision to internationalise with 1-7 likert scales separated into external motivations (economic, political, social, legal etc) , internal motivations ( R&D level, excess capacity, etc), and managerial characteristics as motivations (knowledge of foreign markets, experience etc). The exporters were then extracted as export decision was measure using the variable "latest market entry mode" in the questionnaire.

### *The questionnaire*

Reliability analysis of the questionnaire using Cronbach's alpha showed  $\alpha = 0.83$ , thus the questionnaire has internal consistency and is reliable within the acceptable limits. A total of 105 questionnaires were returned from a total of 648 questionnaires sent out, out of which 103 were complete and 2 were not, i.e. more than 30% of their data was missing. This results in an overall response rate of 16.2%, and of 15.9% complete questionnaires.

This study has achieved an acceptable response rate using prenotification (Dennis, 2003; Jobber, 1986). Created from representative sampling, questionnaires with Likert-type scales (i.e. 1 for lowest importance of the variable to 7 as highest, with 4 as median) were sent out during the period of 2010-2011 to all the independent SMEs working within manufacturing

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<sup>1</sup> EXPERIAN Marketing Services is a leading global provider of integrated consumer insight, data quality and cross-channel marketing. (<http://www.experian.co.uk> – accessed 27/4/2015)

in the UK which have been singled out from the databases; the aim was to collect opinion, behavioural and attribute variables on the significance of the particular motivators and the reasons behind the firms' decisions to export within or outside the EU. Subsidiaries were not taken into account. The following table shows examples of the questions included:

### [Table 2]

The study targeted all of the enterprises from the sources of data and achieved a response rate of 16.2% including the non respondents and the ineligible. The non respondents were analyzed and were all refusals and not eligible. The year of establishment of the sample's firm ranges from 1920 to 2004. Following the methodology, as representative sample a sample of 648 independent and registered SMEs with international activity were singled out, which was the sampling frame. The questionnaires were sent to the CEOs of each SME as strategic decision makers. In line with the research of John (1984) regarding selecting knowledgeable informants, the choice of this respondent group being selected was based on the belief that people in these positions are most knowledgeable on the dynamics of the overall foreign entry decision process. Out of a total of 648 independent firms singled out, all were surveyed. A total of 105 questionnaires were returned presenting exporting activity from a total of 648 questionnaires sent out, out of which 103 were complete and 2 were not, i.e. they had more than 30% of their data missing (Acock, 2005). This translates into an overall response rate of 16.2%, and response rate of 15.9% complete questionnaires; which was satisfactory according to the literature and past studies (Leonidou, 1995; Jobber and O'Reilly, 1998). One of the limitations of our study is that difference between first movers and latest movers and the export rate were not collected in the survey, and were therefore not considered for our analysis.

### Results

In order to investigate whether our principle components could be used as possible predictors of export decision, we used a binomial logistic regression with the components as the IVs and export decisions is the latest entry mode as the DV. Our model was not significant, which is evidence to suggest that the stimuli do not impact export decisions. In order to reveal the latent variables that reflect various attitudes towards exporting, principle component analysis (PCA) using varimax rotation was used to explore relationships between the questionnaire items. Our tests show that Bartlett's test of sphericity was significant,  $\chi^2(1081) = 2044$ , and the Kayser Meyer-Olkin (KMO) measure was 0.6, providing enough evidence to support that our data is suited for PCA. The accepted measure of spread (eigenvalues) for a component is usually anything above 1.0, however the screeplot (see Figure 1) plateaus at five components. According to Stevens (2002), for a sample size of 100 people we can accept component loadings  $> |0.5|$ , which can be seen in Table 3. The items lead us to believe that the components correspond to the reactive, the external, the research, the marketing, and the technology dimensions and are presented below. We present these findings with caution, however, as our sample size of 103 was rather small

### [Table 3]

## [Figure 2]

Spearman's rho was used to investigate whether any of the components correlate with our questionnaire items –i.e., the motivators. Three components, namely the reactive dimension, the external dimension, and the research dimension showed weak but significant correlations with size, receipt of unsolicited order, and knowledge of foreign markets respectively (see table 4). In order to investigate whether our principle components could be used as possible predictors of export decision, we used a binomial logistic regression with the components as the IVs and export decisions is the latest entry mode as the DV. Our model was not significant, which is evidence to suggest that the specific motivators do not impact export decisions.

## [Table 4]

The following diagram presents the connections between the dimensions and motivators tested including the correlations:

## [Figure 3]

The reasoning behind the dimensions can be explained as follows:

### *External Dimension*

The variables in this dimension consist of political, legal and economic environmental motivators affecting the SME. According to the European Commission (2003b) socio-economic factors affect SMEs heavily and are critical for managers to assess. Recessions and political instability are a main cause for which SMEs reduce their number of employees. SMEs are more vulnerable to trade barriers than larger multinational companies as they are resource bound and risk averse generally. Access to finance is one of the biggest obstacles SMEs face and a stable and prosperous financial environment will evidently play a significant role for managers (Beck and Demirguc-Kunt, 2006; Mambula, 2002).

The state and external economic factors are critical as the state can influence the nature and pace of SME development, although more through its influence on the external environment in which business activity can develop than through direct support measures or interventions (Smallbone and Welter, 2001). Dickson *et al.* (2006) have shown that, for example, firm size moderates the relationship between the technological munificence and the predominant culture of the domestic market of the SME and concerns about the opportunistic behavior of an SME alliance partner. Nevertheless, as the results show, the appearance of an unsolicited order seems to lead to a bias in the perception of exporting motivators over other motivators which could lead to a successful and sustained export venture.

### *Technological dimension*

In general, from a resource-based view, technological capabilities are a source of a firm's competitive advantage. The findings in this study shows that the key factors of technological dimension include the firm's ability to make use of different combinations of new

technologies, the capabilities of firm to initiate new technology both from external sources and in-house, the ability to customize its technology. Firms with technological capabilities can benefit from an ownership advantage and transfer this advantage to foreign markets (Anand and Kogut, 1997). Examples of technological capabilities include patent ownership, innovation in product and production process, etc. (Lopez Rodriguez and Garcia Rodrigues, 2005). The findings in this dimension are consistent with extant literature which stated that firms that are open to innovation and adopt technology from different sources are usually more productive and export higher quality products Navaretti *et al.*, 2004). The technological resources that firms possess are one of the key determinants affecting firm's decision to internationalize (Burgel and Murray, 2000; Kyläheiko *et al.*, 2011).

Empirical evidence suggested that small high-technology firms are more likely to get involved in cross-border trade (Jones, 1999). In both developed and developing economies, export firms with technological capabilities are found to have better export performance than their counterparts that do not invest in technological capabilities (Sedoglavich, 2012; Wignaraja, 2008; Flor and Oltra, 2005; Montobbio and Rampa, 2005). Apart from product-related technologies, evidence also suggested that the adoption of technological tools related to information could also be one of the driving forces leading to competitive advantage and successful internationalization (Todd and Javalgi, 2007).

#### *Marketing dimension*

Based on the resource-based view, firm's marketing capabilities are among the key elements that drive firm's competitive advantage (Mariadoss *et al.*, 2011; Kayabasi and Mtetwa, 2016). The findings of this study have shown the importance of networking, customer orientation, services marketing, etc. The findings are in line with the existing literature which emphasizes the importance of marketing knowledge and foreign market networks as important ingredients for success in foreign markets (Navarro *et al.* 2011). In terms of export performance, extant literature has shown evidence noting that a wide range of export marketing strategies (e.g. the level of product adjustment, method used in determining export prices, etc.) have a positive impact on firm's export performance (Koh, 1991; Lages and Montgomery, 2004; Chaudhury *et al.*, 2015). Firms with a better capability to adapt their marketing strategies usually show a stronger perceived competitive advantage and thus tend to portray a positive attitude towards their future exports (Navarro *et al.*, 2011).

#### *Reactive dimension*

The variables in the reactive dimension, following the Uppsala model (Johanson and Vahlne, 1990) of incremental internationalization followed by a reactive unsolicited order, are motivators that generally instigate reactive initiation; i.e. unplanned, or without a specific export strategy. Examples of these are unsold inventories, unsolicited orders, excess capacity and more (See Leonidou *et al.*, 2007 for a list). These motivators are, for many resource and strategy constrained SMEs, the strongest motivation to export and the first step towards a potential internationalization strategy. Nevertheless, as the results show, the constraint of size seems to lead to a bias in the perception of reactive motivators over other motivators which could lead to a successful export venture. As Ortiz *et al.*, 2012 show, SMEs could perceive the benefits of exporting differently depending on size.

#### *Research dimension*

The research dimension is found to be one of the key components that can motivate a firm to export. In general, regardless of firm size, a firm's level of spending on research and development is positively associated with both domestic and export sales (Ito and Pucik, 1993; Sousa *et al.*, 2008). Within this research lies also the knowledge of foreign markets and quality of management. A relatively more research-oriented firm will tend to develop its new

products faster and thus enjoy a first-mover advantage (Lim *et al.*, 2006). A vast amount of literature has addressed the relationship between firm's research capabilities and their tendency to export (Azar and Drogendijk, 2016; Kotabe *et al.*, 2002). Firm's export sales found to be driven by R&D spending. With R&D capabilities, firms can benefit from accumulative export sales over time (Ito and Pucik, 1993).

Empirical evidence in the existing literature has shown a positive relation between R&D and export performance in various contexts, such as in manufacturing or service contexts, or in western or eastern contexts. For example, evidence from the Danish manufacturing industry showed that export firms that engage more extensively in R&D activities are more productive than those not engaged in such activities (Dilling-Hansen and Smith, 2014). In the service industry, a study of German service firms showed a significant causal relationship between the level of investment in R&D and the share of export sales as compared to the amount of total sales (Fryges *et al.*, 2014). In terms of profitability, the study of the firm's R&D expenditure and profitability in the Indian pharmaceutical industry showed a higher degree of profit persistence over time in case of firms investing more in R&D activities (Jaisinghani, 2016).

## **Discussion**

The results depicted in the dimensions show that the manager's decision may be biased towards association or led by specific correlations between variables prompting him/her to answer in a specific manner questions on one motivator, or react differently, according to his reaction to similar motivators in the same dimension with different weight in the manager's mind. For example, the external dimension includes all internationalization motivators that deal with the external environment (political, legal, economic) such as legal restrictions in the host and home countries and political and economic stability in the host and home countries. It is interesting to see how SME managers view these motivators as being interconnected as, for example, political stability and economic stability both would be equally significant to the manager yet the weight placed on each may be imbalanced. The same can be said of the research dimension, focusing on R&D, servicing products and knowledge of foreign markets.

Excessive optimism deriving from the knowledge of foreign markets can lead to wrong strategies based on miscalculated facts. Managers seem to view motivators affecting the product such as uniqueness equally important as motivators affecting the extent of R&D and the understanding of customers (a managerial trait). Finally, a typical scenario of excess optimism is the unsolicited order (Johanson and Vahlne, 1990) which is a very common reason for SMEs to begin exporting but is often the reason for impulse strategies which may tend to lead to premature exit from the market.

## **Conclusion**

As Banerjee and Duflo (2011) state, careful consideration and understanding of the motivations and constraints of everyone can lead to better designed policies and institutions more likely to attain their goals. It has been shown that managerial attitudes towards motivators for internationalization are mildly affected by bias towards specific factors and can be divided into five specific dimensions. Bilkey and Tesar (1977) and Tan *et al.* (2007) state that managers' decision to export (and internationalise) is mainly affected by their perceptions of foreign countries (i.e. Speaking languages, studying abroad) and their perception of the value of internationalizing and exporting. The higher the risk apprehended by the company the higher the managers' perception of the value of international expansion. Internationalization may be seen as strategic renewal as firms without a competitive advantage may be able, through management, to see international opportunities but may require social capital and a change of strategy to access them (Prashantham, 2008). As

McDougall *et al.* (2003) state international new ventures are more aggressive than domestic ones and rely on marketing and entrepreneurial orientation to survive in international markets. As Banerjee and Duflo (2011) state in their review of entrepreneurship in developing countries, awareness decreases with income and resources as the environment (banking, loans, political situation etc) becomes more and more insecure and forces the entrepreneur to save less, plan less, and focus on the present creating a vicious cycle for strategy

#### *Implications for managers*

Enhancing and encouraging the international activities of SMEs is of vital importance for managers and the policy itself (Hilmersson, 2014; Knight, 2000; Luostarinen and Welch, 1990) especially in exporting (Hinson and Abor, 2005). Managers in SMEs play an important role in identifying the stimuli for the firm to internationalize (Chetty and Blankenburg, 2000). The motivation of managers ultimately decides whether a firm is to internationalize or not (Savaneviciene and Duoba, 2004). Firms must encourage inexperienced managers to initially focus on exporting to markets closer to home. To respond to external environments, firms should attempt to keep abreast of the environments. Participating and getting more involved with government agencies which help support export activities might be the very first key step to stay updated regarding the environments in potential export markets. To stay more competitive in the international arena, SMEs should also invest in automating their operations to increase their productivity. Management might need to consider independent assistance (i.e. an external researcher) to provide inputs to countercheck or complement the decisions made by managers.

#### *Implications for policy*

The creation of new businesses is very often seen as critical for government strategies in order to raise growth, productivity and employment. It is important to note that foreign market entry also equates new business creation. Government must create policies that encourage firms to enter foreign markets. Historically, policy has constantly looked into macro-level incentives such as preferable tax rate, credit, policies, exchange rate policies, and trade liberalization efforts to assist SMEs, but these policies are not likely to be sufficient in converting many non-exporting firms into exporters (Disdier *et al.*, 2015; Rifin, 2015; Cavusgil and Naor, 1987). Policy needs to also assist SMEs by stimulating more at the individual firm level. The findings appear useful in providing guidance to governmental efforts aimed at stimulating export activity at the individual firm level such as manager readiness, and cultural impacts. Decisions to enter foreign market are culture bound and thus vulnerable to bias (Peterson, 1988). Hence governments need to understand the impact of culture, managerial bias and other impact that affects managers when devising policies to encourage SME to enter foreign markets.

As Alvarez (2004) states, greater effort in international business, process innovation, and the utilization of export promotion programs contribute positively to export performance in SMEs. In addition, Dosoglu-Guner (2001) show how export promotion programs will not work with all SMEs as organization behaviour plays a role in the SME's responsiveness; owner controlled firms are less risk-averse than manager controlled firms. Particularly in developing countries, an attempt to minimize red tape and improve transparency within the public sector would potentially encourage SMEs to participate in more international activities. Participation in international trade fairs by bringing home country businesses as a showcase can also result in more export activities and unsolicited orders. In terms of public budget allocation, the government might consider allocating more budget on R&D activities in the key activities that align with the country's strategic directions to strengthen the

competitiveness and readiness of home country businesses. Specifically, governments, especially from developing nations, need to acknowledge that SMEs lack the necessary resources to conduct an extensive market research analysis and due to this are prone to failures to due excessive bias by managers (Lloyd-Reason and Mughan, 2002). Currently, a lot of government assistance is centred towards trade matching, tariff and certification related assistance, and trade financing.

### *Limitations*

It would be beneficial for research, using a larger sample, to investigate the differences of the effects of motivators on SMEs, then on medium sized firms and compare them amongst each other including subsidiaries. The proposed international entrepreneurship model shares limitations noted by Antoncic and Hisrich (2000) in their initially developed conceptual model; the model is comprehensive but not exhaustive. A longitudinal research design may clarify the antecedents of exporting, especially companies' and entrepreneurs' characteristics. We acknowledge that our sample size was quite small for a survey study, therefore we present our results with caution. We aim to replicate the experiment in the future with a larger sample.

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