AN ASSESSMENT OF THEORIES OF EXPORT BEHAVIOUR

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We have tried in this paper to assess the state of the art in the field of research into export management behaviour and to derive conclusions as to what both management of firms and managers of government policy have to learn from this research.

The paper is divided into three parts. The first part compares the different models of export behaviour and the internationalisation of the firm. The second part examines other studies in the field, including the development of exporter profiles and their implications in terms of gaining insights regarding the motivation of some firms to export - while seemingly similar firms do not even consider the possibility.

The third and last part attempts to summarise the insights derived from the different models and studies presented, and to assess their implications for both governmental policy and the management of businesses.
THEORIES OF EXPORT BEHAVIOUR

(a) Export as an innovative strategy

The first study on export behaviour as a marketing innovation was done in 1968 by Professor Kenneth Simmonds and Helen Smith. The rationale for the use of such an approach is based on the perception that entry into the export market is, from the narrow perspective of the firm, an innovation within the closed environment in which the firm operates. At this time, although little was known about export behaviour, there were many studies of adoption of innovations in other contexts, and there was every reason to suspect that many of those findings would also apply to export behaviour.

The Simmonds and Smith study was based on a small sample of firms that had recently obtained their first export order, and was drawn in order to test several broad hypotheses concerning export initiation in the light of the findings of diffusion and adoption of innovation studies.

The hypotheses tested were:

(1) The generation of the innovation (ie. entry into exporting) could be understood by reference to the situation within the firm, without having to attribute it to external conditions or influences.

(2) The innovation could be traceable to an innovator, ie. the individual playing the dominant role in the export initiation process.

(3) The innovator would be expected to be an individual possessing aggressive and competitive traits, with greater tolerance of risk than his counterparts in the firm, and motivated by perceived rewards stemming directly from the innovation.

(4) As far as the internal environment of the firm was concerned, the prediction was that export initiating behaviour would most likely come from firms with a prior history of innovation in other areas of management.

(5) It was expected that entry into a new market would most likely result from careful evaluation of the market potential across different segments, ie. a rational, marketing orientation rather than a mere effort to increase sales.

The cases examined failed to support the hypothesis that
the innovation could be explained simply by reference to the internal situation of the firm. By and large, the hypothesis concerning the characteristics of innovators as initiators in exporting were confirmed, although there was little support for the expectation that the innovators would have transferred experience to exporting from other situations.

The main conclusions drawn from this study were:

(1) Promotion of internationalisation may be more effective in stimulating new exports than a strategy of appealing to national interest motives.

(2) Contrary to what was expected, the drive to initiate exporting was attributed to a desire to increase sales, not to marketing awareness and/or orientation.

There was little analysis of the data collected.

Ten years later a new study using the perspective of diffusion of innovation theory appeared in an article by W.Y. Lee and J.J. Brasch. The study was based on thirty-five small Nebraska exporting manufacturers, and its purpose was to determine if the decision process in adopting an export extension to their marketing programme was rational or non-rational, and if it was initiated by internally perceived problems or needs, or by a reaction to received outside information about the innovation, i.e. exporting.

Finally, a number of descriptive variables were used in an attempt to discriminate between problem-oriented and innovation-oriented firms and between rational and non-rational adoption processes in export behaviour.

The rationale behind the dichotomous approach to export decision making was based on two assumptions:

(1) A firm can decide to begin to export because it recognises a corporate need that can be met, the information gathering process about exporting from outside sources taking place at a later stage. As Lee and Brasch point out: "To date those who have sought to encourage exporting have hoped that outside stimulation would be effective; that is, that export decisions are likely to be 'innovation oriented' rather than 'problem oriented'." Hence the importance of testing this assumption.

(2) Because the adoption of an export strategy involves a certain degree of risk and commitment of resources,
rationality on the part of export initiating firms has been assumed. But, as Lee and Brasch point out: "... rationality on the part of corporations as they enter exporting is not necessarily intellectually accepted by those who encourage the adoption of an export strategy". There seem to be instances in which companies enter exporting on an almost impulsive basis or because of management's diffuse impression of the intrinsic attractiveness of exporting, as an abstract ideal, irrespective of its potential contribution to the growth and development of the firm.

According to traditional research on diffusion of innovation theories, the word diffusion has little meaning except as it relates to a group of people; that is, social contact is the basis for awareness and the decision making process of an innovation adoption is intrinsically rational, since it involves careful consideration of alternatives and evaluation of consequences. However, in this study the authors have taken the view of the adoption process as being initiated either by knowledge of the innovation being received passively or, by influence of the environment provided by the social system, resulting from the traditional awareness sequence. According to this view, an innovation adoption decision making process may be either rational or non-rational.

These views provide the framework for the formulation of the hypotheses to be tested, the research being conducted in terms of finding out the answers to the two following questions:-

1) Is the export adoption process predominantly rational or non-rational?
2) Is the export adoption process predominantly awareness initiated or problem initiated?

The study concluded that nearly one third of the firms surveyed used a non-rational adoption process in initiating exports - non-rationality being evaluated in terms of lack of collection of information (both in a quantitative and a qualitative sense), lack of consultation of export authorities and lack of clearly defined goals and justifications for getting involved in exporting.

But as the authors point out, the results may have been affected by the relatively small size of the firms surveyed, with direct implications on the level of sophistication used in planning, control and information gathering systems, as well as by the perceived relevance of economic benefits from exporting. In the light of these remarks,
it is perhaps worthwhile to ask whether the criteria used to classify non-rational behaviour were adequate and non-biassed, ie. if applying generalised, textbook measures, neglecting the context in which the problem is set, can be considered a reliable criterion.

Finally, the results indicated a significant difference in company age between innovation-oriented adoption process firms and problem-oriented adoption process firms, as well as differences between rational and non-rational behaviour, in the way firms perceive their overall business environment.

(b) A model of knowledge development and increasing foreign market commitment

This model, developed by J. Johanson and J.E. Vahlne, focuses on the development of the individual firm and particularly on its gradual acquisition, integration and use of knowledge about foreign markets and operation, and on its successively increasing commitment to foreign markets.

This model is based on empirical observations from studies on the development of the international operation of Swedish firms and draws heavily on conclusions from a previous study by J. Johanson and F. Wiedersheim-Paul on the internationalisation of four major Swedish firms - Sandvik, Atlas Copco, Facit and Volvo. In this study it was observed that in the case of these firms, the internationalisation process was the consequence of a series of incremental decisions, rather than large, spectacular foreign investments.

It was assumed that the most important obstacles to internationalisation are lack of knowledge and resources - these obstacles being reduced through incremental decision making and learning about the foreign markets and operations. Consequently the perceived risk of market investment decreases and the internationalisation process is furthered by the increased need to control sales, and by exposure to offers and demands, and to extend overseas operations.

This might be taken as an application of the classical dynamic model (stimulus → organisational response type of behaviour) to the internationalisation development process of the firm, with a feedback loop from the response to stimulate the next stage in the internationalisation process.

To understand the development of international operations
of the firms referred to, Johanson and Wiedersheim-Paul\textsuperscript{10} chose to distinguish between four different stages, with regard to the degree of involvement of the firm in international operations:—

(1) no regular export activities
(2) export via independent representation (agent)
(3) sales subsidiary
(4) production/manufacturing

The examination of the four internationalisation cases presented evidence supporting the model.

This model was further expanded and more carefully formulated by Johanson and Vahlne\textsuperscript{11}. In this dynamic model, i.e. a model in which the outcome of one cycle of events constitutes the input to the next, the main structure is given by the distinction made between state and change aspects of internationalisation variables. The state aspects are the resource commitment to the foreign markets—market commitment—and knowledge about foreign markets and operations. The change aspects are decisions to commit resources and the performance of current business activities, a mechanism shown diagramatically below.

\textbf{Exhibit 1}

![Diagram](image)

The basic mechanism of internationalisation assumes that market knowledge and market commitment affect both commitment decisions and the way current activities are performed—and these, in turn, change market knowledge and commitment.
The basic assumption underlying this model is that the firm strives to increase its long term profit (equated with growth, in this case) and that these strivings characterise decision making at all levels in the firm. In what concerns the state aspects, the reasons for considering the market commitment is that it is assumed that the amount of resources committed and the degree of commitment affect the firm's perceived opportunities and risk. The reason for considering market knowledge lies in its implications concerning commitment decision; first, knowledge of opportunities is assumed to initiate discussion, and secondly evaluation of alternatives is based on some knowledge about relevant facts of the market environment and about performance of various activities.

According to the perspectives taken in this model, there is a direct relation between the two state aspects; "... Knowledge can be considered a resource (or perhaps preferably a dimension of the human resources) and consequently the better the knowledge about a market, the more valuable are the resources and the stronger is the commitment to the market." The authors hypothesize that this relation is especially true of experiential knowledge, since it provides a framework for perceiving and formulating opportunities in specific situational conditions and thus cannot be transferred to other situations or other markets.

In what concerns the change aspect, the reason for considering the current business activities aspect is based on the assumption that current activities, apart from being a source of experience, are shaping the firm's ability to exploit further opportunities in the future and therefore represent a form of commitment. The second change aspect is concerned with decisions to commit current resources to foreign operations. It is assumed that such decisions depend on what decision alternatives are raised and the criteria for the choice amongst different alternatives. Decision alternatives are raised in response to problems or opportunities and this will be dependent upon the scale and type of operations the firm is performing, i.e. on its commitment to the market. Alternative solutions will consist of activities that mean an extension of the boundaries of the organisation and an increase in the degree of commitment to the market.

Johanson and Vahlne conclude the discussion of commitment decisions by observing that additional commitments to a market will take place in small steps, unless the firm has very large resources and/or market conditions are considered to be stable and homogeneous (i.e. easily predictable) or the firm has previously acquired
experience in other markets with similar conditions. Otherwise market experience will lead to a step-wise increase in the scale of operations and of integration with the market environment, where steps will be taken to correct the imbalance with respect to the incremental risk created by the incremental additions to operations.

(c) A model of pre-export behaviour

In an interesting article published in 1978, Wiedersheim-Paul et al. developed a model that stresses the role of a firm's pre-export activities in its export start. The model basically suggests that different types of 'triggering cues' in relation to decisions about pre-export behaviour - attention evoking factors - are exposed to the decision maker. The type and amount of alternatives evoked is dependent not only on the individual decision maker but also on the environment in which he is acting - that is, the environment of the firm and the firm itself. These three variables - decision maker, firm environment and firm - are inter-related in a flow sense, the decision maker being influenced by his environment but also creating an environment, through his and his firm's activities.

Four factors are considered likely to have an effect on the pre-export behaviour of the firm: goals of the firm and their degree of realisation, type of product line, history of the firm and degree of extraregional expansion. The attention evoking factors - those influences that cause the firm to consider the adoption of export as a possible strategy - are divided into internal and external stimuli.

Under internal stimuli factors two groups of factors were considered - and they are, to some extent, dependent upon each other:

(1) a differential firm advantage by the possession of unique competences

(2) excess capacity in the resources of management, marketing, production or finance

In the group of external stimuli factors the following were identified:

(1) fortuitous orders from foreign customers

(2) competition stimuli arising either from a tendency of domestic competitors to adopt export strategies or from stronger competition in the domestic market caused by domestic or foreign competition
the revealing of market opportunities abroad

government export stimulation activities

Pre export activities were studied from the perspective of the information activities of the firms surveyed, these activities being described in terms of:-

(1) willingness to start exporting
(2) information transmission activity
(3) information collection activity

Along these dimensions firms were classified in three groups: active, passive and domestic (viz. home market orientation only). Empirical testing of various aspects of the model's operation were conducted in Australia and generally supported the approach to the nature and effects of pre export behaviour as outlined in the model. It should be noted however that any statistical generalisation of the results is restricted by the extremely small size of the sample.

Basically the model stresses the importance of the history and the environment of them - with particular emphasis on previous extraregional expansion experience as a 'domestic internationalisation step'.

It is also stressed among environmental factors the "... importance of contact patterns that allow an efficient exchange of information creating possibilities for 'contagion transmission' of ideas from other firms in different stages of expansion".16

After reading the main conclusions of this study one can hardly avoid the conclusion that the initiation of export behaviour can be seen as a diffusion of innovations problem - communication assuming a central role in the process - and that it also involves a normal learning sequence, in an incremental step mode.

The model still needs to be tested empirically and the functional relationships between the variables used needs to be explained; but, as the authors recognise, this model "... represents a framework for the development of more partial models of a qualitative and quantitative kind which are open to operationalisation".(17)
A stage hierarchy approach

This approach was first developed by W. Bilkey and G. Tesor using Roger's theory of diffusion of innovations. Questionnaires were mailed to a sample of small and medium sized firms in Wisconsin, and the analytical methodology used involved treating each stage of the export development process as the dependent variable in a multiple regression equation - coefficients differing at each stage to allow for experience gained in preceding stages.

The basic conclusions that Bilkey and Tesor derived from their study were summarised as follows:

1. The export development process of firms tends to proceed in stages.
2. Considerations that influence a firm's progression from one stage to another tend to differ by stage.
3. Within the size range of firms studied, size was relatively unimportant when account was taken of the quality and dynamism of management.

This approach was considerably amplified and refined by Reid. His conceptualisation of foreign entry and export expansion behaviour is seen as a stage hierarchy, innovation adoption process leading to a model of interaction between firm and decision maker characteristics in the small firm, and their relationship with export behaviour. The model can be summarised by reference to Exhibit overleaf.

Reid clearly points out that the assessment of the export adoption stage cannot be done unidimensionally and that export performance should be defined along multidimensional, time dependent variables - eg. growth, rate of new market expansion and new product introduction into foreign markets.

Viewing export behaviour as an innovation adoption shifts the emphasis on the study of pre-export behaviour to the study of individual decision maker characteristics and the acquisition of export related information - provided that the existence of resources enables the export choice to be exercised.

Based on the available empirical evidence, Reid concludes that indeed "... decision maker's attitudes towards and preferences for foreign markets and export entry, together with his perception and expectations of the results from such entry, are major determinants of the subsequent export behaviour".
### Export Behavior As an Adoption of Innovation Process

<table>
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<tr>
<th>Stage 1: Export Awareness</th>
<th>Stage 2: Export Intention</th>
<th>Stage 3: Export Trial</th>
<th>Stage 4: Export Evaluation</th>
<th>Stage 5: Export Acceptance</th>
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<tr>
<td>Export potential</td>
<td>Motivation, attitude, beliefs, and expectations</td>
<td>Personal experience of limited export success</td>
<td>Results from engaging in export</td>
<td>Background and existing firm resources and reputation</td>
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<td>Export interest</td>
<td>Adoption of exporting behavior</td>
<td>Exposure to market information and feedback</td>
<td>Results from engaging in export</td>
<td>Results from engaging in export</td>
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<tr>
<td>Export activity</td>
<td>Adoption of exporting behavior</td>
<td>Exposure to market information and feedback</td>
<td>Results from engaging in export</td>
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</tr>
<tr>
<td>Export opportunity</td>
<td>Adoption of exporting behavior</td>
<td>Exposure to market information and feedback</td>
<td>Results from engaging in export</td>
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#### Variables Involved

**FIRM**
- Past firm performance, reputation, and visibility
- Managerial goals and existing firm resources
- Unsolicited foreign orders, existence of available managerial and financial resources
- Results from engaging in export

**DECISION MAKER**
- Past experience
- Export expansion activity shown by continued export growth
- Current export activity shown by increased export sales
- Export orientation
- Export market orientation
- Amount of foreign market information

**STAGES**
- Stage 1: Export Exposure
- Stage 2: Export Evaluation
- Stage 3: Export Trial
- Stage 4: Export Initiation
- Stage 5: Export Acceptance

Source: Reid, 2021
(e) **Other studies**

(i) In an interesting empirical study on the internal determinants of export marketing behaviour, Cavusgil and Nevin\(^23\) draw on a comprehensive review of the literature to structure the four groups of organisational variables determining export behaviour, in constructing a model of causal relationships amongst those groups of variables. The four groups of variables were identified as\(^24\):-

1. differential firm advantages that may serve as attention evokers - to use the terminology used by Widersheim-Paul et al\(^25\) - causing the firm to consider export marketing as a possible strategy;

2. strength of managerial aspirations for various business goals, including growth, profits and market development;

3. management expectations about the effects of exporting on business goals;

4. level of organisational commitment to export marketing.

These four variables were considered to operate at different stages of the causal process. Based on the assumptions made in the model of knowledge development and increasing foreign market commitment (Johanson and Vahlne\(^26\)) and the Wiedersheim-Paul et al\(^27\) model on pre-export behaviour, it was considered that the first two groups of variables served as antecedents to the latter two groups of variables. The first two groups are classified as background variables, the last two representing intervening variables, with export marketing behaviour being considered the dependent variable. Under the proposed causal relationships, both background groups of variables are supposed to affect the intervening group of variables, which in turn interacts - as in the Johanson and Vahlne dynamic model of state and change aspects\(^28\).

Both intervening groups of variables affect directly the dependent variable, export marketing behaviour.

One interesting feature about this study is the attempt to integrate the results of previous studies, presenting a framework for examining the validity of causal linkages between different groups of variables.

The conclusions derived seem to support the hypothesis that export marketing behaviour can be explained, to a substantial degree, by differences in the internal and management characteristics of the firm. The reluctance
of firms to export may thus be largely attributed to senior managements' lack of a determination to export. It is interesting to notice that similar conclusions were arrived at by the analysis of the data collected to test the stages model of Bilkey and Tesor²⁹.

Finally, although interesting, the findings and conclusions derived from this study must be interpreted in the light of several important limitations.

(1) The sample was restricted to firms within a single state.

(2) Longitudinal rather than cross sectional studies should be used before delving into issues of causality.

(3) A dummy variable (coded 1 if the firm is currently exporting and 0 if not) was used in measuring export marketing behaviour. It is suggested that other measured such as percentage of total sales exported or growth of export sales over time should be used instead.

(4) The number of internal determinants of export marketing behaviour was limited. The study could presumably be expanded to include other meaningful organisational determinants.

(ii) In reporting on a study on data collected on small and medium-sized Wisconsin manufacturing firms, Cavusgil, Bilkey and Tesor³⁰ suggested as a result of their analysis a stimulus → organism → response type of model for export behaviour; this means that an export response should be preceded by an appropriate stimulus, and for a given stimulus it is suggested that the response will be greater if: the firm is large, management does not prefer home markets, management has favourable expectations regarding the effects of exports on their firm, and allocates resources to export development.³¹

Although this study suffers from several methodological shortcomings, draws on a limited data base and, arguably, does not come up with any conclusive findings, it nevertheless points towards the usefulness of developing an empirically generalisable path model of a firm's export behaviour.

As suggested by W. Bilkey³², used in conjunction with export behaviour models, exporter profiles developed through empirical path models can be very useful in focussing the effort of policy makers - both at a govern-
mental and managerial level - in stimulating exports, by acting both on the background and/or intervening variables.

(iii) A recently published study\textsuperscript{33} has concluded that the expansion of export activity is related to: management's expectations concerning the effect exporting will have on the firm's growth, market development and profits; technology orientation of the firm; management attitudes towards risk taking and desire to develop new markets; and the extent of resource allocation to exporting as exemplified by systematic exploration of foreign market opportunities and the formulation of a fixed export policy.

The findings of this research confirmed the dominance of growth expectations as the best predictor of export activity. This is in accordance with the postulates of the behavioural theory of the firm, that business behaviour depends to a large extent on managerial expectations and aspirations for profits, growth, security or survival in general.

CONCLUSIONS AND DIRECTIONS FOR FURTHER RESEARCH

The research findings reviewed in this paper lead to two major conclusions regarding export behaviour.

(a) Export behaviour and foreign market entry decisions can be understood as innovation adoption behaviour.

(b) The export development process is determined at each stage by the interaction between the firm and the individual characteristics of managers.

(c) Exporter profiles can be used in ascertaining identifiable characteristics of firms at different stages in the innovation adoption process. Such profiles can be useful as a means of gaining theoretical insights into the relevant organisational and external factors that account for a firm's export behaviour.

(d) Most of the studies cited lack a solid empirical base, for they are cross sectional, limited in geographical scope and sample size; hence their conclusions must be regarded as tentative. Furthermore most studies implicitly assume exporting to be a good thing in its own right.

(e) The research cited suggests that government policy designed to stimulate exports should not be confined to macro level inducements but should be aimed at directly influencing decision makers in individual firms, and specifically tailored to the stage each firm has reached in the export adoption process. Exporter profiles can be useful in formulating macro level inducements.
Future research should:

(1) look at export behaviour in the context of the firm's overall marketing strategy, and examine the contribution that exporting will make to the fulfilment of management aspirations and growth expectations;

(2) concentrate on longitudinal studies in order to ascertain the multivariate nature of the external determinants of export behaviour, to track down the impact of organisation and external factors on export initiation, and the interaction of these two sets of variables across different economic, cultural and market conditions;

(3) include further work on the design of information systems, both at the level of central government and at the micro level, because of the crucial function of export marketing intelligence in stimulating managers.
References


3. Ibid p.87

4. Ibid p.87

5. Ibid p.92


7. Ibid p.23


9. Ibid p.306

10. Ibid p.307

11. Op cit

12. Ibid p.28

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